

TITLE: Why was Newman handing out billions to an Indian coal mining company that didn't need it?

AUTHOR: Richard Denniss

PUBLICATION: Guardian

PUBLICATION DATE: 03/02/15

LINK <http://www.theguardian.com/commentisfree/2015/feb/03/why-was-newman-was-handing-out-billions-to-an-indian-coal-mining-company-that-didnt-need-it>

The Newman government was handing an Indian billionaire billions of dollars of taxpayer money for literally – literally – no reason.

During the recent state election, both the LNP and Labor in Queensland broadly supported the Carmichael coal project by Indian mining giant Adani. The key difference was whether they were expecting the taxpayer to support it as well.

Adani's statement that it doesn't need taxpayer assistance to get its enormous, controversial 60 year Carmichael coal project off the ground should have Queenslanders scratching their heads as to why it was being offered in the first place.

Adani was offered \$450m from the Newman government to help fund a rail project to deliver coal from its mine to its export port.

On top of this, the LNP then offered to waive its right to collect, on behalf of the public, potentially billions of dollars in royalties for the start of the mine's life, as an incentive to get the project off the ground.

But after the LNP's loss on Saturday, Adani have wasted no time coming out and reassuring Queenslanders that, never fear, the project will go ahead with or without Newman's generous incentives to proceed.

Hold the phones. Weren't those incentives designed to secure a project that wasn't able to go ahead without them?

To say the least, the revelation casts light on the LNP's very strange negotiating tactics. If you're selling a car and the buyer says they'll take it for what you're asking, that's normally the end of the deal. You don't typically continue to haggle down your own price after the buyer's already told you they'll pay more.

Mining and accountability were two key issues in the Queensland election.

Alan Jones's spectacular sustained attack on the Newman government over what he perceived to be a clear breach of a pre-election commitment cast renewed doubt on where the loyalties of the LNP government lay.

The perception existed well before Jones's tirade, of course. But, only days after Jones's allegations around a Newman backflip on a controversial approval for the Acland coal mine broke, the LNP became the only party competing the state election to refuse to sign on to corruption expert Tony Fitzgerald's four principles of government accountability and transparency.

The Fitzgerald Principles, which called for any government to act in the interests of its citizens and to not allow any individual or corporation undue influence into policymaking, should not have been controversial. The LNP ignored its recommendations and pressed on like no issue existed. Plainly, as Saturday's result shows, it did.

Queensland Treasury has implored its governments in recent times to reconsider throwing public funds at mining projects like they're going out of fashion (and judging by the coal price at the moment, it looks like they are).

It recently made the point that seems to be common sense. Writing to the Commonwealth Grants Commission, Queensland Treasury warned of "a real opportunity cost in undertaking the initial capital expenditure (associated with mining infrastructure). Governments face budget constraints and spending on mining-related infrastructure means less infrastructure spending in other areas, including social infrastructure such as hospitals and schools."

Typically, whenever a government throws taxpayer money behind a project, the largesse is defended by telling everybody we'll earn it back in time.

Queensland Treasury, the ones charged with checking to see if that money is actually earned back, showed that argument is bankrupt.

"There are also risks associated with expenditure on infrastructure that must be borne by government", they write. "The continuation of the mining boom is not guaranteed."

The money the Newman government was dangling in front of Adani to encourage it to make a decision it had already made was ridiculous as much as it was irresponsible. Billions of dollars more funding to go straight into an Indian mining company's profits comes at the expense of billions of dollars of hospitals and schools.

Adani's latest statement shows that money should never have been offered in the first place. It also shows the voters of Queensland had every right to be concerned about transparency and accountability in government decision making.

What's so disappointing is that only now do we find out that Adani, who was happy to accept the money being offered, never needed it in the first place. Rent seeking is alive and well. Future governments should take note.

Economist Richard Denniss is executive director of The Australia Institute.