

Deception on the Downs

Jobs and the New Acland mine

Advocates for the New Acland coal mine on Queensland's Darling Downs claim it will 'save' 700 jobs in a town where just 46 people work in mining. The mine's own economist dismissed such claims in court as "not something weight should be given to", partly due to substantial recent regional investment in meat processing, defence, infrastructure and agriculture.

Discussion paper

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Summary

Queensland's New Acland Coal mine, near Oakey on the Darling Downs, has been controversial due to its huge impacts on the town of Acland, which is now near-deserted, and its environmental effects and conflicts with agricultural land uses.

The Queensland Land Court recommended rejection of New Hopes' New Acland Coal (NAC) Stage 3 mine expansion on 31 May 2017.¹ The decision followed the most intense factual scrutiny ever applied to a mining project in the court's 120-year history.²

On 14 February 2018 the Department of Environment and Science (DES) released its decision supporting the Land Court judgement and denying environmental approval.

Further appeals have been made, and a continued disinformation campaign is expected from the mine's owners New Acland Coal Pty Ltd, a subsidiary of New Hope Group (controlled by Washington H. Soul Pattinson and Company Limited)³ to generate political support to overturn the decisions of the court and government. In line with those efforts, the Queensland Resources Council (QRC) leader, former Federal Resource Minister Ian Macfarlane, has, for example, promoted job figures that have been contradicted by New Hope's own court evidence. While Macfarlane claims 2,300 jobs have been sacrificed, New Hope's commissioned expert economist put the peak total job impact of the project at 680 nationwide.⁴

Furthermore, while New Hope and Macfarlane claim that the local economy 'relies' on the mine, Australian Bureau of Statistics (ABS) data shows that regional employment is dominated by a range of industries including meat processing, defence, road freight and beef cattle farming. Far from being reliant on mining, major investments have recently been made in an abattoir expansion, rail upgrades, a regional data centre, an airport and business park, road infrastructure and large scale solar electricity projects.

Promoting bad economics about jobs and investment is designed to distort the economic picture of the mine's significance to gain political favour.

¹ *New Acland Coal Pty Ltd v Ashman & Ors and Chief Executive, Department of Environment and Heritage Protection (No. 4)* [2017] QLC 24

² *Ibid*, [202].

³ New Hope Group 2017 Annual Report. Accessed at <http://www.newhopegroup.com.au/files/files/2017%20Annual%20Report.pdf>.

⁴ *New Acland Coal Pty Ltd v Ashman & Ors and Chief Executive, Department of Environment and Heritage Protection (No. 4)* [2017] QLC 24, [1028].

Bad economics

One of the major disputes in the NAC case was about the economics of the Stage 3 mine expansion project, particularly the broader community costs and benefits. While New Hope and their industry allies have promoted in the media their economic significance in terms of jobs, in court, the practice of ‘job counting’ was downplayed.

NAC submitted in the case that 281 people were currently employed at the mine — far from the 700 that they have argued the mine expansion will save in their online and social media campaign.⁵ NAC’s commissioned economic analysis for the Land Court case showed that the Stage 3 continuation of NAC could create 680 jobs nationally at its peak year.⁶ Within that estimate are just 250 jobs in the local region. NAC’s own expert witness conceded “that net jobs are not a significant benefit of the project and not something weight should be given to.”⁷

Indeed, census data shows that just 46 people work in the mining industry in the 4401 postcode which includes Oakey, Acland, and surrounds, or 1.8% of the workforce.⁸ This puts into perspective the much larger jobs estimates in the economic modelling.

New Hope’s recent messages in their media advertising and social media campaign seem to be designed to distort the simple fact that very few people in the area work in mining.⁹ Indeed, is also in contrast to their economic expert’s opinion on the matter. Here is a much clearer statement from their expert in court.

Employment is a non-issue. Over a period of greater than a few years, total employment in an economy is determined by demography and the education and skill levels of the population. No individual project, whether a coal mine, agriculture or anything else will have, in itself, a lasting effect on employment.¹⁰

⁵ *New Acland Coal Pty Ltd v Ashman & Ors and Chief Executive, Department of Environment and Heritage Protection (No. 4)* [2017] QLC 24, [1028].

⁶ Ibid.

⁷ *New Acland Coal Pty Ltd v Ashman & Ors and Chief Executive, Department of Environment and Heritage Protection (No. 4)* [2017] QLC 24 [1061].

⁸ ABS. 2016 Census Community Profiles. Accessed at http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/communityprofile/POA4401?opendocument

⁹ For example, the Save Regional Towns website and the Friends of New Acland Facebook page, both of which are run by New Hope Group.

¹⁰ *New Acland Coal Pty Ltd v Ashman & Ors and Chief Executive, Department of Environment and Heritage Protection (No. 4)* [2017] QLC 24, [1034].

This is good economics.

What matters for jobs and wages (which both benefit from what economists call *labour demand*) is the total investment happening in the economy across all sectors. If we take this more contextual view of the region, as suggested by NAC's economic expert, we get a different picture of the regional economic significance of NAC.

The current economic situation in the region can best be summarised as one of with high rates of investment across agriculture, infrastructure and clean energy, resulting in low unemployment. The region is already being 'saved' by this broad mix of alternative investments that together are increasing the future productive capacity of the region while boosting local labour demand.

If anything, there is a shortage of labour, not a shortage of job openings in the region. The media has dubbed the current situation in Toowoomba and the Darling Downs as a '\$13 billion economic bonanza'.¹¹

Despite the Land Court sorting out the economics from the nonsense, in response to the DES decision to reject the mine application the Queensland Resources Council (QRC) lobby group chief Ian Macfarlane furthered promoted NAC's '700 jobs message' in the press. He went further to suggest that indirect jobs created on the Darling Downs would be 2,300, contradicting NAC's own economic expert who estimated a total employment effect of 680 jobs nationwide during the peak year of the project, and just 250 in the local region.

"This very surprising decision handed down without any reasoning or explanation, puts at risk more than 700 jobs despite the project undergoing rigorous government assessment processes, including an examination by the Independent Expert Scientific Committee as part of the federal government's approval," Macfarlane said.

"This project is vital to the Darling Downs and would create a further 2300 indirect jobs and create \$7 billion in economic benefits over the life of the project.

"Such a significant amount of job losses will have devastating flow-on effects to such a small community and the surrounding businesses that rely on the mine."¹²

¹¹ Passmore, D. (2017). Toowoomba's booming, but skills shortage looming. *The Chronicle*. 2nd October 2017. Accessed at <https://www.thechronicle.com.au/news/toowoombas-booming-skills-shortage-looming/3229959/>.

The following sections provide some more context to the claims by NAC that the Acland Stage 3 project is significant in terms of jobs, investment, and broader economic benefits.

JOB IN CONTEXT

In the 4401 postcode which encompasses the town of Oakey — the focus of New Hope Group’s ‘save regional towns’ astroturfing campaign — there were 180 unemployed people during the 2016 census period. In the short term, net job creation in the region is limited by the number of people available for, and seeking, work. As a guide, the maximum local jobs effect from all new investment project in the region combined is going to be a fraction of this 180 number, of which any investment by NAC would be a small part.

Indeed, the major employers in the region are predominantly in agriculture and its related value-added sectors, as well as in defence. The top five industries for employment in the 4401 postcode area are as follows.¹³

Table 1: Top industries of employment in 4401 postcode in 2016.

	Jobs	Percent of workforce
Meat processing	307	12.7
Defence	103	4.3
Meat, poultry, & smallgoods wholesaling	102	4.2
Road freight	82	3.4
Beef cattle farming (specialised)	74	3.1

Notice the absence of mining on this list.¹⁴ According to the 2016 census, in Oakey and surrounding areas (the 4401 postcode) only 46 people worked in mining, or just 1.8%

¹² Creagh, B. (2018). New Acland coal expansion blocked, 700 jobs at risk. *Australian Mining*. 15 February 2018. Accessed at <https://www.australianmining.com.au/news/new-acland-coal-expansion-blocked-700-jobs-risk/>.

¹³ According to the 2016 ABS Census. http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/POA4401?opendocument

¹⁴ Of the surrounding postcodes, only 4354 has coal mining in the top five employers, with 17 people employed from that area.

of the workforce.¹⁵ The 700 jobs that New Hope infer will be saved in Oakey would be around 30% of the workforce — an entirely implausible number, and one strongly contradicted by official data. Indeed, the 2,300 indirect jobs in the region mentioned by QRC’s Ian Macfarlane is nearly the whole of the 2,500-strong workforce of Oakey!

Table 2 shows the stark difference between the jobs claims put forward in the media by NAC and coal lobbyists, and the comparable jobs numbers based on the modelling exercise by NAC’s own economic expert for the Land Court case.

Table 2: Employment public messages versus actual economic analysis.

	NAC and lobbyists	NAC’s economic expert (and ABS for direct Oakey jobs)
Total national jobs	2,300	680
Regional jobs	700 (or 2300 depending on interpretation)	250
Direct jobs in Oakey	700	46

Further, unlike the longer-term jobs in agriculture and associated value-added industries, the jobs estimate provided by NAC is the maximum number for just a single year peak period during the proposed twelve-year Stage 3 project.

INVESTMENT IN CONTEXT

It is the total of all investment projects in a region that lead to job-creation. There is nothing special about mining investment. Recently there have been many significant investment projects undertaken, or announced, in the region. For example:

- **Oakey abattoir’s expansion and complementary rail upgrades¹⁶**
This has expanded value-add capacity for one of the region’s major industries.
- **A regional data centre near Charlton¹⁷**
A \$40 million construction project that will increase the digital capacity of the

¹⁵ ABS. 2016 Census Community Profiles. Accessed at http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/communityprofile/POA4401?opendocument

¹⁶ Miko, T. (2018). Beef exporter urges action to free up trade barriers. *The Chronicle*. 3 February 2018. <https://www.thechronicle.com.au/news/beef-exporter-urges-action-to-free-up-trade-barrie/3325425/>

¹⁷ Work starts on \$40m high-tech Toowoomba data centre. *The Chronicle*. 2 June 2017. Accessed at <https://www.thechronicle.com.au/news/work-ready-begin-40m-regional-data-centre/3184985/>.

regional economy.

- **Growth of Wellcamp airport and business park (with international cargo flights)**
The investments made at this airport and the associate business park, such as the recently started construction of a \$50 million milk formula factory¹⁸, are enabling access to new markets for regional agricultural producers.
- **The construction of the second range crossing**
This major \$1.6 billion project has been under construction since 2016 and is likely to continue, improving road access for the regions' producers.
- **Large scale solar projects and transmission upgrades¹⁹**
The Darling Downs more broadly has become a location of choice for billions of dollars of new solar energy investments, including at Oakey and west of Dalby, and the associated upgrades of transmission infrastructure.

If there is one thing economics teaches, it is that when evaluating the merits of one option, which should judge it against the next best option, not the “do nothing” option. What this means is that the benefits of the relatively short-term extension to NAC should be judged against the alternative investment future of the region. The above examples show that the economic future of the region appear strong and diverse, not reliant on coal mining.

Indeed, the competition for workers between NAC Stage 3 and other employers was noted by NAC's own expert witness in court, who is of the view that “the jobs created by Stage 3 are fairly insignificant in terms of overall numbers and that they will largely be filled by workers who come from other industries.”²⁰

¹⁸ Miko, T. (2017). Toowoomba's \$50m formula factory targets 30 million tins. *The Chronicle*. 23 Nov 2017. Accessed at <https://www.thechronicle.com.au/news/construction-to-start-on-50-million-milk-factory/3272150/>.

¹⁹ Macdonald-Smit, A. (2018). Foresight Solar buys Qld projects after sealing \$55m debt deal. *Australian Financial Review*. 4 Jan 2018. Accessed at <http://www.afr.com/business/energy/solar-energy/foresight-solar-buys-qld-projects-after-sealing-55m-debt-deal-20180104-h0ddtu>.

²⁰ *New Acland Coal Pty Ltd v Ashman & Ors and Chief Executive, Department of Environment and Heritage Protection (No. 4)* [2017] QLC 24, [1036].

BROADER QUEENSLAND BENEFITS

Lastly, one key economic issue is the surprising way in which economic benefits from NAC's proposed Stage 3 expansion will not be shared widely in the Queensland community due to their historic gift of royalty exemptions.

The Queensland Land Court noted the following in its decision.

I also note that with respect to royalties, 93% of the land to be mined under Stage 3 was granted under pre-1910 titles, hence NAC will only pay 7% of the usual royalties to the State. NAC will in effect pay the vast majority of its royalties (calculated at 7% of the value of the coal) to its related company APC. This is quite a saving for New Hope.

The loss of the normally expected royalties (estimated at approximately \$436 million over the life of the project) cannot be ignored and is significant.²¹

Compared to other coal mines, this is one that has destroyed a local town yet now claims will save regional towns, one which is a far smaller part of the labour demand picture than claimed, and one that has a nearly half billion dollar royalty gift from the State.

²¹ *New Acland Coal Pty Ltd v Ashman & Ors and Chief Executive, Department of Environment and Heritage Protection (No. 4)* [2017] QLC 24, [882] and [1051].