

The Australia Institute

Research that matters.

TITLE: Terminal 4 project claims don't stack up

AUTHOR: Rod Campbell

PUBLICATION: The Herald

PUBLICATION DATE: 15/10/2013

LINK: <http://www.theherald.com.au/story/1840599/opinion-terminal-4-project-claims-dont-stack-up/>

If something sounds too good to be true, it probably is.

Last week, Port Waratah Coal Services (PWCS) chief executive Hennie du Plooy said in the Newcastle Herald that the proposed Terminal 4 project (T4) would “inject \$770million a year into the regional economy during construction and another \$418million a year” when operating.

I don't believe this is correct.

PWCS's claim is based on a type of economic modelling the Australian Bureau of Statistics calls “biased” and the Productivity Commission says is regularly “abused”, usually to overstate the economic importance of specific projects.

It is the same sort of modelling that got Coal & Allied's Warkworth project into trouble when it tried to claim that project would “create” 45,000 jobs. The chief judge of the Land and Environment decided this type of model was “deficient”.

The original economic assessment of the T4 project suggests its annual operating costs will only be between \$45million and \$50million a year. Since that assessment was made, the size of the project has “almost halved” according to PWCS, so the amount of money it will “inject” into the economy has presumably declined considerably.

The original assessment of the project said that it would not employ any extra staff – the existing PWCS staff would be sufficient to run the new facilities. The economic assessment of the revised, smaller project now says it will require an additional 80 people. It is only through the

use of the “biased”, “abused” and “deficient” modelling that PWCS is able to claim that many jobs will be created.

The project will increase the Hunter Region’s capacity to export coal but with the subdued outlook for thermal coal exports, it is unlikely such an increase will deliver the benefits that PWCS is claiming. Most of the profits from any increase in export volumes would flow to the overseas owners of the major coal companies.

Even if the claim of hundreds of millions a year were true, what does this mean in relation to the size of the Hunter economy? A recent report by Deloitte Access Economics estimates the Hunter Region will produce more than \$40billion worth of goods and services by 2015. PWCS’s overblown estimates would represent a change of around 1per cent. The real impacts will be much lower.

What strings are attached to the T4 project? What does the Hunter need to do to secure this less than 1per cent “injection”?

For the terminal to achieve its economic potential, a lot more coal has to be dug up and exported. This means that a lot more bush and agricultural land needs to be turned into coalmines. A lot more coal trains need to pass through Newcastle’s suburbs. At the site of the proposal, a significant wetland would have to be destroyed. And, of course, the extra coal being burned would contribute to climate change.

None of these costs are considered in the economic assessment commissioned by PWCS. If we take these costs into account and take a realistic look at the benefits, PWCS’s claims about the T4 project are too good to be true.

*Rod Campbell is an economist at The Australia Institute, a Canberra-based think tank.
www.tai.org.au.*