

Trash the Reef, dodge the tax

The article below is an excerpt from The AustraliaInstitute newsletter of 12.9.14. See The Australia Institute website at <http://www.tai.org.au>

It's been a roller-coaster week or two for Queensland coal, particularly for Indian energy company Adani, who are behind some of the biggest proposals for major mines and the expansion of the Abbot Point coal port near the Great Barrier Reef.

First there was some [good news](#). Adani and other backers of the Abbot Point project, including Gina Rinehart's GVK Hancock and the Queensland Government-owned port company, backed down on their determination to have dredge spoil from the Abbot Point expansion dumped inside the Great Barrier Reef Marine Park. Instead, they started looking around for sites on land where the 3 million cubic meters of mud and sand could be parked. Opponents of the project and lovers of the reef greeted this news with cautious optimism.

After that, the news [went a bit sour](#). Fairfax Media journalists went out to an Adani construction project in Gujarat, India, and spoke to some of the workers there. They were told of child labour, unpaid workers and living quarters for workers "with poor sanitary conditions leading to 15 cholera outbreaks since January." Union representatives said they had been "repeatedly barred from entering [Adani's] worksite". Is this really a company Australia wants to entrust with the management of parts of the Great Barrier Reef? Then from [bad to worse](#). Fairfax's business columnist, Michael West, and Tim Buckley from the Institute for Energy Economics and Financial Analysis, got hold of Adani's latest financial reports. Not only did they conclude that Adani's projects are financially a "white elephant with purple polka dots", something Buckley [has been saying](#) for a long time, but they uncovered the company's plans for dodging tax through inter-company loans. The Adani parent company is lending money to its Australian subsidiary at interest rates higher than the parent can borrow at. The subsidiary will claim the excessive interest expenses on this loan as a deduction on any tax it might have to pay in Australia, effectively transferring any profits to India.

Finally, for the mining giant, there was some [good news](#). Good news for Adani, dreadful news for Queensland taxpayers. The Queensland Government is proposing to pay Adani and its partners for the dredged mud. Last week they wanted to dump it at sea, but now they want to use this "valuable resource" to reclaim land near the port "to host more port businesses".....or to "enhance wetlands"...or something. Has there been a cost benefit analysis done on this, as [Treasurer Tim Nicholls promised](#) would be done on all such projects? Errr...no.

You have to hand it to these guys – they're good. They're a foreign company with a miserable labour and environmental record, getting Queensland to buy its own mud back from them, in order to facilitate a project that will lose money for everyone. If they can get away with this, then selling more coal in the age of climate change should be easy.