

Australia Institute experience with economic consultants

The Australia Institute's experience with state government planning processes provides clear evidence of the use of consultants at the expense of public service capacity, and can serve as an extended case study. Our experience relates mainly to commissioned economic assessment of mining proposals, but the same undermining of public service capacity is likely to occur in other fields.

Most state planning processes provide decision makers with estimates of job numbers, royalty payments and other economic impacts that a proposed mine could create. Making such estimates requires some training and experience in project assessment and cost benefit analysis, but such skills should, in our view, be widely held within most public agencies. These skills should certainly be developed within state and federal planning, economic and environment departments. Unfortunately, they seem to be almost entirely absent from planning departments in most states, particularly New South Wales (NSW), Queensland and the Northern Territory.

Ideally, a public servant or small team would obtain the relevant data from project proponents and make basic estimates of employment, royalties, and other key data to inform approval decisions. Instead, this work is invariably carried out by consultants commissioned by the mining companies and then submitted to state authorities.

From 2008 to 2013, every economic assessment of a coal mine in NSW that we are aware of was carried out by a single consultant, Gillespie Economics. With tens of coal projects commissioning work, Gillespie Economics had a strong incentive to provide favourable economic assessments for coal company clients. Gillespie Economics' assessments were accepted at face value by NSW Planning until local community groups began requesting reviews by The Australia Institute and not-for-profit group Economists at Large.⁶⁶ This is a clear example of the conflict of interest between the public and private-sector clients of a single consulting firms. As research has shown, consultants working on behalf of the fossil fuels industry have 'infiltrated' Australian governments to influence favourable policies.⁶⁷ The Australia Institute critiqued many Gillespie Economics assessments during that period

⁶⁶ See for example Campbell (2012) *Coborra Coal Project – review of economic assessment and trip to Dunedoo*, <http://www.ecolarge.com/coborra-coal-project-review-of-economic-assessment-and-trip-to-dunedoo/>

⁶⁷ Lucas (2021) *Investigating networks of corporate influence on government decision-making: The case of Australia's climate change and energy policies*, <https://doi.org/10.1016/j.erss.2021.102271>

and found that, without exception, the benefits of coal mines were overstated and their costs were understated.⁶⁸

Despite these critiques, the NSW Planning Department continued to accept Gillespie Economics assessments as it lacked any capacity (or requirement) to assess competing economic arguments. However, when Gillespie Economics' claims were tested in court they were found wanting. In the landmark case against the Warkworth Mine, the NSW Land and Environment Court was critical of Gillespie Economics. It found that that "the economic assessments do not support the conclusion that the economic benefits of the project outweigh the environmental, social and other costs."⁶⁹ Gillespie Economics work was also panned in the Ashton Coal case,⁷⁰ and then by the Planning Assessment Commission (now Independent Planning Commission, or IPC) decision on the Wallarah 2 project. Following the Wallarah 2 criticism, then-Planning Minister Pru Goward undertook to ensure the claims of consultants were better scrutinised.⁷¹

However, hopes that Minister Goward would build the capacity of the NSW Planning Department were soon dashed. Rather than train and support economists in the public service, NSW Planning began to commission economic consultants to peer review the claims of the economic consultants hired by mining companies.⁷² In response, mining companies hired yet more consultants to provide peer review of these peer-reviewed reports.

This process reached farcical levels with the Hume Coal Project, proposed for near Berrima in the NSW Southern Highlands, which saw:

- A February 2017 Economic impact assessment for the initial environmental impact statement (EIS) commissioned by Hume Coal from BAEconomics, led by Dr Brian Fisher.

⁶⁸ See for example Campbell (2014) *Report on proposed Watermark Coal Project*, <https://australiainstitute.org.au/report/report-on-proposed-watermark-coal-project/>; Campbell and Denniss (2014) *SUBMISSION: Terminal 4 Project*, <https://australiainstitute.org.au/report/submission-terminal-4-project/>

⁶⁹ *Bulga Milbrodale Progress Association Inc v Minister for Planning and Infrastructure and Warkworth Mining Limited* [2013] NSWLEC 48, available at: <https://elaw.org/bulga-milbrodale-progress-association-inc-v-minister-planning-and-infrastructure-and-warkworth>

⁷⁰ See Ray (2014) *Win for residents as Wendy Bowman locks gate on Ashton's Camberwell mine expansion*, <https://www.newcastleherald.com.au/story/2779384/locking-the-gate-on-mine-expansion/>. Judgement available at: *Hunter Environment Lobby Inc v Minister for Planning and Infrastructure (No 2)* [2014] NSWLEC 129, <https://www.caselaw.nsw.gov.au/decision/54a63ed83004de94513dc3c7>

⁷¹ McKenny and Whitbourn (2014) *Mining assessments to be beefed up after scathing review*, <https://www.smh.com.au/national/nsw/mining-assessments-to-be-beefed-up-after-scathing-review-20140616-zs9sd.html>

⁷² See for example Center for International Economics (CIE) (2016) *Peer review of economic assessment Wallarah 2 Coal Project*, <https://majorprojects.planningportal.nsw.gov.au/prweb/PRRestService/mp/01/getContent?AttachRef=SSD-4974%2120190226T123216.892%20GMT>

- An October 2017 updated economic impact assessment, conducted by BAEconomics for Hume Coal.
- A December 2017 Review of the initial economic assessment, commissioned by the Department of Planning from BIS Oxford Economics.
- A January 2018 response from BAEconomics to the BIS Oxford Review.
- An October 2018 updated economic impact assessment, conducted by BAEconomics for Hume Coal.
- A December 2018 further comment on economic impact assessment by BIS Oxford Economics.
- A March 2020 further updated Economic impact assessment, conducted by BAEconomics for Hume Coal
- A March 2020 peer review, conducted by the Stoeckel Group of the latest assessment by BAEconomics, both commissioned by Hume Coal.

All these reports, even those commissioned by the Department of Planning, suggested that the project would result in a net benefit to the NSW community. But these findings were contradicted by both the Department's recommendation and the ultimate determination by the IPC that "the stated benefits of the Project do not outweigh the adverse environmental, social and economic impacts."⁷³ This result would have been plain from the outset to any frank and fearless public servant who had received proper training and support.

These state planning system consultancies also have influence in the federal sphere. The economic claims made in commissioned reports for state processes are often used as justification for project assistance in other contexts. A key example was then-Prime Minister Malcolm Turnbull seemingly quoting research commissioned by Adani for its Carmichael Mine, claiming it would create "tens of thousands" of jobs. This claim was used not only to lobby for approval from the Queensland Government, but also for subsidised loans from the Federal Government.⁷⁴

The source of Adani's jobs claim was not an independent assessment by a Treasury or planning department official, but a report from consulting firm GHD. GHD wrote a 2013 economic assessment for the Carmichael Mine Supplementary Environmental Impact Assessment, which estimated that the project would increase employment by over 10,000 people in the 2030s.⁷⁵ This estimate was based on discredited methodology that is widely

⁷³ IPCN (2021) Hume Coal Project and Berrima Rail Project: Statement of reasons, <https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/projects/2021/06/hume-coal-project/determination/210831-hume-coal-and-berrima-rail-statement-of-reasons.pdf>

⁷⁴ Crowe (2017) *Adani mine has 'huge economic benefits' for Australia, Turnbull says*, <https://www.theaustralian.com.au/nation/foreign-affairs/adani-mine-has-huge-economic-benefits-for-australia-turnbull-says/news-story/76322acfc4bed6073f1f4b6c2001676d>

⁷⁵ GHD (2013) *Carmichael Coal Mine and Rail Project SEIS: Report for Economic Assessment*, available on request

understood within the economics profession. GHS's claims were famously rejected by another consultant representing Adani in court, ACIL Allen's Jerome Fahrer, who estimated the project would increase employment by just 1,300 jobs.⁷⁶

Economics consultants have no professional governance or standards. There are no repercussions for consultants if they are wrong or if they inflate a client's case. This is not the case for other professions. Doctors, accountants or plumbers that have carried out work found to be faulty can be punished or deregistered. While there are no consequences for private consultants, standards are more likely to be applied to economists working within the public service, where some degree of accountability is generally required.

⁷⁶ Robertson (2015) *Adani coalmine would not deliver jobs and royalties promised, land court hears*, <https://www.theguardian.com/australia-news/2015/apr/27/adani-coalmine-would-not-deliver-jobs-and-royalties-promised-land-court-hears>