Date Introduced: 23 September 1987
House: House of Representatives
Presented by: The Hon. Barry Jones, M.P., Minister for Science and Small Business

Digest of Bill

Purpose
To remove the export duty on certain lower quality coal.

Background
The latter period of 1987 has seen much disruption in the coal industry. The threat of large scale retrenchments, the figure of 8000 was mentioned, and the call for a national coal marketing body led to disputes between employees and mine owners. Following retrenchments in July and industrial action in response, the Prime Minister convened a meeting of unions and employers on 19 July and a one month moratorium was agreed where retrenchments and industrial action would cease to allow discussions on the future of the industry. Following the issue of 229 retrenchment notices in early August, which were announced before the moratorium was agreed to, industrial action was threatened and it appeared that the discussions would come to a halt. On 3 August, the Prime Minister and the Acting Premier of New South Wales announced a joint grant of $600 000 to CSR and Esso to prevent the retrenchments during the moratorium period. At the end of the moratorium period, 900 miners were retrenched in the Hunter Valley, including those covered by the joint grant, and more retrenchments were expected. Twenty four hour stoppages were held in NSW and Queensland to protest the retrenchments.

The major reason for the problems was the deterioration in export markets. As Australia is the major exporter in the world, we were particularly affected by the downturn in export markets. The downturn did not adversely affect quantity of exports, 95.714 million tonnes were exported in 1986–87, an increase of approximately 5.8 million tonnes on 1985–86, but did affect the price, which has fallen, and the demand for higher quality, and higher priced, coking coal which has also fallen. The price for hard coking coal, the highest quality, has fallen from $US54 a tonne in 1983 to $US43 in 1987. The fall in prices has been reflected in other qualities, with the price for soft coking coal falling from $US48.50 to $US38, and steaming coal falling from $US35.50 to $US29.40, in the same period. In 1986–87 exports of coking coal, which is used in steel
production, and steaming coal, largely used for power production, were approximately equal. This was mainly due to a fall in Japanese steel production which fell by 7.5 million tonnes to 96.4 million tonnes in 1986. For 1987, Japanese production is estimated at 97 million tonnes. A fall in demand is not the only reason for the fall in export prices. The entry of new exporters, such as China and South American countries, has increased the supply, particularly for the lower quality products.

The cost of production of Australian coal includes a number of government charges. In addition to the customs tariff, which was introduced when the industry was highly profitable, the States impose a number of charges which are higher than the cost of providing the services to which the charge relates. For example, in early October the NSW rail freight charge was $10 per tonne and the port charges were $5.30 per tonne. Production costs could also be reduced if the industry worked on a 24 hour a day, seven day week basis. At present, it has been estimated that the industry works approximately 52% of the available hours each year. This is particularly important in offsetting the capital cost of equipment involved.

In the 1987–88 Budget, the Government announced a $8 million plan to assist retrenched coal miners in retraining and relocation.

**Main Provisions**

The Bill will be deemed to operate from 16 May 1987 (clause 2).

Clause 3 will amend section 4 of the *Customs Tariff (Coal Export Duty) Act* 1975 to redefine the term 'high quality coking coal', which is subject to the tariff. The new definition will exempt lower quality coal from the tariff.

For further information, if required, contact the Economics and Commerce Group.

28 October 1987

Bills Digest Service

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