Des Houghton: Qld coal mining industry in danger after Labor's royalties scheme

Coal mining has been the backbone of Qld for decades but Labor's tax grab may just have killed it forever, writes Des Houghton.

The Queensland coal industry is in a diabolical place.

The sabotage of the industry by failed premiers Steven Miles and Annastacia Palaszczuk – and their incompetent treasurer Cameron Dick – is all but complete. Labor's royalties regime was a supertax that has made our coal uncompetitive globally. And we are running out of the high-grade metallurgical coal the world needs to make steel.

While there are some bright spots in the resources sector, the Bowen Basin appears in decline.

Prominent Queensland mining identities such as Glenn Vassallo and Brian MacDonald have packed up their tents and moved to Canada.

Iron woman Gina Rinehart also sees exciting opportunities in Alberta in coal.

The Bowen Basin that has been the engine room of the Queensland economy since the '60s has been crippled by Labor's tax grab.

While there are some bright spots in the resources sector, the Bowen Basin appears in decline.

And it may be impossible for the Crisafulli government to set things right, Glenn Vassallo told me.

He and MacDonald have joined Valory Resources in Alberta developing two large underground metallurgical coal mines.

“Anyone who is looking to invest in coal is not looking to put money into Queensland coal unfortunately,” Vassallo said.

Vassallo said the royalties hikes were “imposed unilaterally, without consultation”, and he doubts whether the political leaders at the time fully understood the damage they would inflict on Queenslanders.

“The royalty regimes were the highest across the globe. Queensland has lost its competitive advantage,” he said.

“When you overlay the labour costs a Queenslander miner has to pay, and all the add-on costs, the Bowen Basin has become uncompetitive globally.

“It’s little bit like the Wallabies who dominated the World Cups and who are no longer competitive globally. It’s a similar story in the Bowen Basin.”

BHP and Glencore have laid off hundreds of mine workers, and industry leaders say there is much more pain to come. The big companies say a one per cent return is simply too risky for the investments involved.

Glenn Vassallo, 51, who was educated at Clairvaux MacKillop College and Griffith University, speaks with authority as a mining industry lawyer.

More mines are set to close or be mothballed and tens of thousands who work in the mines and related industries will lose their jobs. Outback towns will struggle to survive.

If you are a climate change catastrophist, you will be cheering right now.

However, if you have not been indoctrinated by green-left zealots you may wonder what new taxes will have to be raised to pay for our roads and schools and hospitals – not to mention the endless handouts line of 50c bus and ferry tickets, free school breakfasts, food vouchers, sports vouchers and power rebates.

The sabotage of the industry by failed premiers Steven Miles and Annastacia Palaszczuk is all but complete, writes Des Houghton.

“The Queensland government’s decisions fundamentally changed the future of the Bowen Basin pretty much forever,” Vassallo said.

“It is no longer competitive on the global market. And to unwind that royalties regime is not easy politically and it is not easy to do legally.

“When the Queensland government introduced the new coal royalty regime, which included increasing the top coal royalty threshold to 40 per cent, it did so in a way which made it extremely difficult to unwind or change.”

Vassallo, 51, who was educated at Clairvaux MacKillop College and Griffith University, speaks with authority as a mining industry lawyer with a commerce degree who has worked on major projects across coal, gold, lithium and other minerals.

Any change to coal royalty rates would now require a new act of parliament or an amending Bill, he explained.

Any change to coal royalty rates would now require a new act of parliament or an amending Bill.

“As such, any changes must go through the rigorous process of parliamentary scrutiny and debate, as opposed to a less informal change by way of a regulation,” he said.

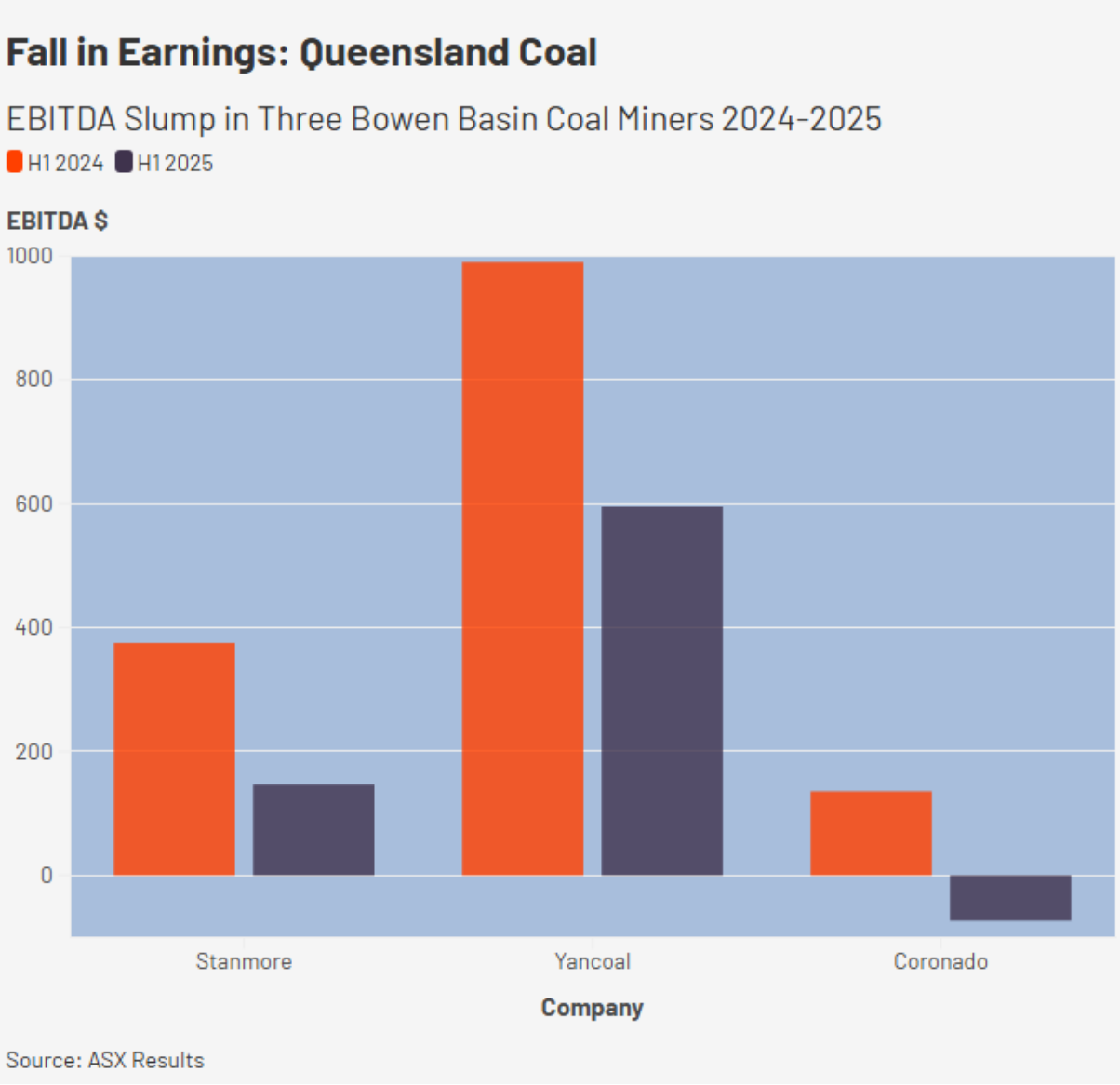
“When this new royalty regime was implemented, I realised that the Queensland government had hard coded these extremely high royalties into the coal industry.

“Unfortunately, when you overlay this fact with all the other operating costs in Queensland, the cost of labour and logistics, and you then blend that with the fact that the quality of the coal isn’t what it used to be, I realised back in 2022 that the golden era of the Bowen Basin was over.

“Unfortunately we are seeing thousands of jobs lost in the Bowen Basin because of the decisions made in 2021.

“In September, BMA let go 750 (staff), and Anglo America dropped 250.

“The loss of 1000 jobs is significant for regional Queensland. And there are more mines likely to close soon as well.”



Dick blindsided the industry by adding three new tiers to the existing royalties structure.

Coal, priced at $175 per tonne or more, now incurs significantly higher royalties, topping out at 40 per cent for prices above $300 per tonne. Previously, royalties maxed out at 15 per cent for coal priced over $150 per tonne.

The “all-in” tax rate for coal exceeding $300 can now hit a staggering 60 per cent.

Labor killed the incentive to invest.

“The royalty regimes were the highest across the globe,” Vassallo said.

He sees the future of steelmaking coal in the Western Canadian Coal Basin. He has joined the Canadians developing two projects called Mine 14 and Blackstone. They hold $4.6bn worth of coal at current prices in both mines.

“The mines will generate 10,000 to 12,000 direct and indirect jobs for regional Alberta,” he said.

Vassallo stresses the importance of metallurgical coal.

“You still need it for steelmaking. You need at least 700 kilos of met coal for a tonne of steel. You cannot make commercial grade steel without met coal.”

Labor’s royalties regime hit metallurgical coal and thermal coal producers alike.

Vassallo liked Valory Resources so much he took a stake in the company. Valory will pay one per cent in royalties.

And fewer workers will be needed.

For one person in a Canadian coal mine you need four in an Australian one. This was because of Australia’s labour laws and union requirements and different work practices and penalty rates as well as annual leave, sick leave, maternity leave.

“If you appoint a person in Canada. they get four weeks leave, that’s it,” he said.

Valory’s Blackstone tenement alone is the equivalent of eight exiting Bowen Basin mines. He expects it to deliver eight to 10 million tonne per annum for 20 to 25 years or longer.

“Supply (of met coal) is becoming really scarce.

“India is modernising and building a number of blast furnaces for steelmaking and will need large volumes of met coal.

“On our numbers there is going to be a shortfall in the met coal market and the shortfall may be substantial. That will drive the price up.

“And of course China is always there as a big consumer of met coal. It’s enormous.”

The European Union declared met coal a critical mineral because it has an irreplaceable role in the steelmaking process. America has done the same thing.

Vassallo, whose parents were Maltase migrants, fell in love with the mining industry early when his father, a customs officer, was transferred to Gladstone coal terminal.

From the age of 11 he “lived and breathed” mining in Gladstone.

“I had a lovely experience there.”

Mines Minister Dale Last told parliament recently that demand for Queensland coal remained strong.

He said the Resources Cabinet Committee was cutting red tape, delivering faster and clearer decisions, and ensuring projects were not left in limbo.

He flagged the expansion of the Carmichael thermal coal mine that will create 600 jobs.

He did not talk about royalties.