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Research that matters.

Welcome to the twelfth edition of The Australia Institute's e-bulletin *Between the Lines*, a selective analysis of the policies and politics affecting the wellbeing of Australians. This edition looks at:

1. The benefits of the mining boom: where did they go?
2. Renewable energy: the more the merrier, but how would we know?
3. Mutual obligation by any other name
4. Worth noting

The benefits of the mining boom: where did they go?

Everyone knows that the mining boom led to record growth rates, enormous budget surpluses and historically low levels of unemployment—but was that really the case? The evidence suggests not.

There is no doubt that the massive increase in exports associated with the mining boom when combined with the record prices received for those exports had the potential to increase the living standards of all Australians, at least in the short term. But there is also no doubt that the vast majority of Australians missed out.

Why?

Two main factors prevented the benefits of the boom from trickling down through the rest of the economy. First, while the surge in mineral exports drove the exchange rate higher, the flipside was that it reduced the competitiveness of other Australian exports. The manufacturing industry, for example, was particularly hard hit.

The second difficulty facing the non-mining portion of the economy was that, in response to the minerals boom, the Reserve Bank of Australia was forced to put the brakes on via higher interest rates in order to offset the boom's inflationary effects.

It is true that a significant number of jobs, and well paid jobs at that, were created in Western Australia and Queensland but ABS data shows that most Australians didn't see the benefits of wages growth. Real wages increased at roughly the same rate after the onset of the mining boom as before it. Pensioners and households on government payments indexed to inflation missed out as well.

What about government revenue though? Once again, the official figures tell quite a different story from the common misconception. Despite the fact that the minerals boom was used as the justification for generous tax cuts by then Treasurer Peter Costello, a careful read of the budget papers makes clear that, while the government experienced a tax bonanza in recent years, only a small fraction was attributable to the mining industry.

Overall, it seems that the benefits of the mining boom barely went beyond the mining industry itself. The beneficiaries were largely confined to those working in mining and related industries together with small numbers of investors that would have experienced increases in their wealth. This reinterpretation of recent history may not come as a surprise to the many Australian households who were left worse off, through higher mortgages and other borrowing costs.

For all the details see: *The benefits of the mining boom: Where did they go*? by David Richardson at www.tai.org.au and look in Web Papers.

Renewable energy: the more the merrier, but how would we know?

One of the few significant climate-change policies introduced by the Howard Government was the Mandatory Renewable Energy Target, MRET to its friends. It requires electricity retailers to source a growing quantity of their electricity from renewable energy sources, such as wind, solar and biomass.

The Rudd Government has committed to increasing the MRET to 20 per cent of all electricity sales by 2020. But will it work? Unfortunately, the available data in Australia are so bad, it is impossible to answer the simple question of 'what's happening to the amount of energy from renewables?'

One of the biggest problems is that the administrative structure for the MRET is based on tradeable permits, called Renewable Energy Certificates (RECs), which are administered by a specially created arm of government called the Office of the Renewable Energy Regulator (ORER). The legislation for the scheme is 137 pages long and the regulations add a further 56 pages.

How successful has it been? The ORER website shows that there has been plenty of certificate generation and that all parties with legal obligations under the scheme have met those obligations. But has the quantity of renewable electricity gone up year by year?

Surprisingly, it is hard to say. The ORER provides abundant data but there is no information on the actual electricity output from new renewables.

Another place to look for the answer is the National Electricity Market Management Company (NEMMCO), the body which operates the National Electricity Market (NEM). NEMMCO provides minute details on the amount of electricity sent out every five minutes but when this mass of detail is aggregated, it appears that renewable electricity generation has been declining over the past three years. So what's going on?

Part of the explanation is that a lot less energy is coming from hydro-electricity because of the drought. Secondly, NEMMCO reports on output from some large wind farms but not others. While there has been significant investment in new wind farms in recent years, there is no comprehensive data on just how much renewable energy is being generated.

MRET has been heralded as a success, yet data to evaluate that claim accurately do not exist. The ORER provides a mass of administrative data but it is not enough to know that all the boxes are being ticked and all the regulatory requirements are being met. We need to know how much renewable energy is being produced. If a clock can't keep accurate time, it is pointless describing how its cog wheels mesh together. The implications for the Carbon Pollution Reduction Scheme, which will be an order of magnitude more complex than the MRET, are obvious.

Mutual obligation by any other name

A few weeks ago, Deputy Prime Minister Julia Gillard announced a 'Compact with Young Australians' on behalf of the Council of Australian Governments. Under the terms of the Compact, COAG will guarantee an education or training place for all people who are under 25 and find themselves out of work. On the other side of the bargain, if young people refuse to participate in training (regardless of whether it is appropriate for them), they will lose welfare benefits.

Calling this initiative a 'compact' is highly misleading. The Macquarie Dictionary defines a *compact* as 'an agreement between parties; a covenant; a contract'. Yet COAG, or rather the Rudd Government with the acquiescence of the states, made this decision on its own without consulting any young people. It is an announcement, not an agreement.

Putting aside the spin, of more concern is how closely this initiative resembles the Howard Government's policy of 'mutual obligation', known colloquially as 'work for the dole'. The government is understandably worried about social security expenditure as unemployment rises and wants to contain the national welfare bill. But mutual obligation wasn't only about money; it was also designed to send a message to the electorate.

As Ms Gillard explained, '[W]e are going to say to those young people very clearly and with some force … that if they're not in work, they must be in training'. The 'compact' is nothing more than a tightening of the rules for receiving welfare, dressed up as a helping hand for vulnerable young people. It also exploits public prejudice about do-nothing dole bludgers, who must be forced to comply with someone else's standards of behaviour.

As the economy slows, new entrants into the labour market in general, and young people in particular, will be the first to suffer. Increased investment in education and training is a step in the right direction but recycling the rhetoric of the Howard years to demonise the young is a big step backwards

Youth Compact Announcement:
http://www.deewr.gov.au/Ministers/Gillard/Media/Releases/Pages/Article_090430_154925.aspx

Worth Noting

1. The Australia South Asia Research Centre (ANU) and The Australia Institute will host a seminar entitled *Poverty and sustainability in developing countries—the impact of international trade in carbon*.

   Andrew Macintosh (Centre for Climate Law and Policy, ANU), Professor Jha (Australia South Asia Research Centre, ANU) and Richard Denniss (The Australia Institute) will explore the ethical, economic and environmental consequences of trade in carbon.

   When: Tuesday 16 June from 10.30 am to 12.30 pm

   Where: APCD Theatre 1 in the Hedley Bull Building, ANU

2. Read a transcript from ABC's *Lateline* on the future of the coal industry featuring Richard Denniss and Ralph Hillman, Executive Director of the Australian Coal Association at http://www.abc.net.au/lateline/content/2008/s2575402.htm

3. **FREE GIFT FROM THE MONTHLY** for *Between the Lines* subscribers

The distributors of *The Monthly* are offering a free sample copy this month. Simply go to http://www.themonthly.com.au/freeissue. This month's issue includes a review by Tim Flannery of the latest book by environmentalist and climate-change expert James Lovelock, *The Vanishing Face of Gaia.*