

The Australia Institute

Research that matters.

Reading *Between the lines* this week:

1. Stop Press: Cooper Review adopts suggestions from The Australia Institute's Submission
2. Macklin's welfare changes—just say 'No'!
3. It's just not cricket
4. Bank profits—they'd buy a lot of banana smoothies
5. Christmas leftovers

Merry Christmas from The Australia Institute team. With an election due next year, we hope we'll help make the task of wading through the policies, promises and poli-speak easier. If you think your friends or colleagues would enjoy *Between the lines*, please forward them a copy and encourage them to sign up.

1. STOP PRESS: COOPER REVIEW ADOPTS SUGGESTIONS FROM THE AUSTRALIA INSTITUTE'S SUBMISSION

In September 2009, The Australia Institute highlighted the fact that superannuation firms make \$14 billion in fees each year. That's twice as much as the banks collect from their fees! Today, the Cooper Review into superannuation announced that it supported one of The Australia Institute's key ideas, namely the creation of low-fee 'default funds' that consumers would automatically be placed into unless they explicitly elected a different fund.

If the Rudd Government goes on to adopt this recommendation, it will go a long way towards protecting the interests of the millions of Australians who, through confusion or disinterest, are paying far more in fees than they need to.

The Institute is thrilled by this news and we hope you will agree that it signifies we really do conduct 'Research that matters'.

2. MACKLIN'S WELFARE CHANGES—JUST SAY 'NO'!

The final parliamentary sitting weeks for the year were interesting to say the least, with the Liberal Party voting down both the CPRS and their former leader Malcolm Turnbull; there was not a lot of space left in the newspapers for other stories coming out of Parliament House.

What better (or worse) time then for the Families, Housing, Community

Services and Indigenous Affairs Minister Jenny Macklin to announce the most significant change to the delivery of income support payments in Australia since the Social Security Act was introduced in 1947.

The good news is that she announced that the Rudd Government would reinstate the Racial Discrimination Act in the Northern Territory. The suspension of this Act had previously been used to 'quarantine' some of the payments made to Indigenous people and, in turn, force them to use a government-issued card, the BasicsCard, to ensure that they spend 'their' money on groceries. The bad news is that rather than scrapping the idea of the BasicsCard, the Minister announced, when no-one was listening, that the government now intends to extend this approach to controlling the lives of other recipients of government money.

The lucky groups that are now to be targeted for receipt of the BasicsCard include: unemployed people and parents who lack a pattern of employment and have been on income support for 102 out of the last 104 weeks; young 'disengaged' people aged 15 to 24 on income support for 13 of the last 26 weeks and those already referred to Centrelink in instances of child protection, school attendance and other matters.

Centrelink social workers will also be able to apply income management selectively across all payment types for people subject to financial abuse, victims of domestic violence or those facing a 'financial crisis'.

The new scheme makes a mockery of the government's commitment to evidence-based policy. There is no hard evidence that income management actually works; indeed, the government's own analysis of the intervention measures in *Closing the Gap in the Northern Territory* found that in many areas things have actually worsened.

Where is the hard evidence that a young person's money management and life skills will be improved if they lose control of their payments? Where is the evidence that women fleeing domestic violence or an elderly person facing abuse won't be discouraged from seeking help from authorities or Centrelink social workers because they may be put on income management? Where is the evidence that this scheme will ensure that disadvantaged communities and individuals are socially included?

Buried in the minutiae of detail, and against a backdrop where approximately 30 per cent of Centrelink decisions are overturned when they get to the Social Security Appeals Tribunal (SSAT), are proposals that would fundamentally alter the review and appeals system and make it less accessible. Currently, nine out of every ten decisions changed by the SSAT involve situations where Centrelink failed to properly collect and assess relevant information about a person's circumstances, failed to interpret facts correctly, or applied the legislation incorrectly.

A further opportunity for class-based discrimination is evident in the 'innocuous' discussion paper on 'payment innovation and information sharing'

across all government agencies released by the Department of Human Services. The paper articulates a future vision for service delivery over the next five to 10 years and argues that 'conditional welfare' is a global 'trend'. It seeks views from industry about the capacity of existing technology to develop a welfare card that could capture purchasing data and control individuals' spending by way of a barcode system. Fears expressed by the community welfare sector about the extension of the BasicsCard as a tool for the surveillance of the poor are fast becoming a reality.

Of the new income support management regime, Gerard Thomas of the Welfare Rights Centre, believes, 'where an obvious local community exists, then community control of local decisions about voluntary income management is the way forward. Income support is not the problem. Neither is it the solution. But we should question the \$350 million price tag to feed the bureaucracy extending income management to 20,000 people in the NT.

'The real debate should be about providing an adequate level of income to meet daily living expenses, not seeking to control the lives of large numbers of Australians living on poverty-level benefits. The government's plans to control spending are paternalistic and counterproductive. The solution is simple. Macklin's welfare changes ... just say no!' said Mr Thomas.

A Senate Community Affairs Committee will examine the legislation. Submissions are due by 1 February, with the Committee to report by 7 March 2010. A range of organisations including ACOSS, the Welfare Rights Centre, St Vincent de Paul, the Central Australian Aboriginal Legal Service and the North Australian Aboriginal Justice Agency have written to the Committee seeking to extend the inquiry for an additional four weeks in order to collect evidence.

3. IT'S JUST NOT CRICKET

The CPRS is stalled in the Senate because the Coalition doesn't want it, the Greens don't want it, Nick Xenophon doesn't want it and Steve Fielding doesn't want it. Their objectives and their objections are all quite different, but the government has managed to unite them in their opposition to its scheme. Although the parliamentary politics of the CPRS might have been explosive, it's hard to see the public caring quite so much. Can you imagine a rally in favour of the CPRS? 'What do we want? Unambitious targets and a complex trading scheme! When do we want it? We want the legislation passed ASAP but we are OK with the scheme not commencing until 2011 with serious reduction targets to come into effect after 2020!'

The Minister for Climate Change has done a great job of getting the leaders of big environment organisations, big business groups and even some in the Liberal Party to support her so-called Carbon Pollution Reduction Scheme. Her challenge now is to convince the public to do the same. But recent polling shows that she hasn't been too successful in explaining her scheme to the people, or in convincing them of the need to rush the legislation through the Senate.

Rather than building a strong case for the CPRS over the past 12 months, the government has instead focused on defending it from those who would question it and, although the Minister has a reputation for never looking rattled, she certainly doesn't have a reputation for answering the hard questions. Like a tail-ender blocking the way towards a drawn test match, the Climate Change Minister has met question after question with indecipherable jargon. She has never really tried to score any runs, seeming more concerned to protect her wicket. But ambitious change in an area as important, and contestable, as climate change will never make it through the Senate without a champion who is playing to win.

The political argy-bargy will continue over the coming months and many questions will be fielded. Will the Government re-introduce its legislation in February? Will the Prime Minister debate the new Opposition Leader? Does serious climate change policy have to start with a carbon price?

But one thing is clear—if the government wants to bring the public with it on this issue, it needs to start talking in a language that we can all understand.

It's going to be a long hot summer.

4. BANK PROFITS—THEY'D BUY A LOT OF BANANA SMOOTHIES

The *Australian Financial Review* recently carried a cartoon of Westpac's CEO, Gail Kelly, with a partly swallowed dragon's tail hanging out of her mouth, a reference to Westpac swallowing St George Bank.

Greedy banks are certainly not a new story. But throw in an opportunistic rate rise and a poorly timed marketing campaign and you've got yourself cartoon material.

Westpac's image has certainly taken a battering recently after it responded to the Reserve Bank's 0.25 per cent rise in interest rates on 1 December with an increase of 0.45 per cent. *The Daily Telegraph* reported that the recent history of banks not passing on the full cut when official rates were falling but passing on more than the amount of the RBA's increases now that they are rising, had the effect of 'stripping an extra \$3,000 a year from homeowners and credit card users because of the global financial crisis'. On top of that, Westpac released a patronising cartoon video using a banana smoothie analogy in an attempt to explain why it needs to pass on higher costs.

Westpac's reported profit was \$3.4 billion in 2009. However, its underlying profit before tax and bad debts was \$9.3 billion, up a whopping 52 per cent on the year before. A normal business in a competitive environment cannot simply increase prices elsewhere to claw back losses on a bad deal but, unlike other businesses, the banks are able to increase profit elsewhere to compensate for their losses. The fact that their losses can so easily be covered by increasing the fees they charge customers shows the extent of their market power.

In 2009, the underlying profits of the big four amounted to \$35.1 billion, or 2.9 per cent of the turnover of the Australian economy. For every dollar spent in Australia, three cents goes into bank profits.

The top four banks now control 76 per cent of all bank assets following the Commonwealth Bank's takeover of BankWest and Westpac's acquisition of St George. For Paul Keating, the implication was obvious:

... in the end what they'll do is, working on the basis of never give suckers an even break, they'll simply put the margins up.

In the 1980s, the underlying profit of the big four was less than one per cent of the Australian economy. Since then, the banks have become more and more powerful, despite the history of Australian governments throwing competition at them with everything from the Commonwealth Bank early last century to the building societies, home-loan originators, foreign banks, and even the threat of nationalisation in the 1940s.

While their image may take a hit every now and then, the banks have never been so powerful, and that's what they're banking on.

5. CHRISTMAS LEFTOVERS

Next week most of us will be enjoying Christmas celebrations and family get-togethers, helped along with an abundance of food. The aftermath of those celebrations, however, is likely to be a lot of leftovers that end up in the bin. A recent Australia Institute survey found that 44 per cent of those surveyed agreed their household throws away a lot of food at Christmas time.

The Australia Institute has estimated that Australian households throw away \$5.1 billion of food each year, including \$1.1 billion in fruit and vegetables, almost as much in restaurant and takeaway food and \$872.5 million in meat and fish.

The research revealed that there are contradictions between concern about food waste and actual behaviour. So, planning a realistic shopping list and sticking to it is this year's Christmas challenge.

Tristram Stuart, the author of *Waste: uncovering the global food scandal*, has looked at food waste beyond the household. Stuart argues that when the food stock is greater than 130 per cent of a population's nutritional need, the surplus food is likely to end up as waste. In Australia, surplus food stock is upwards of 150 per cent, thus two in every fifteen apples will be wasted, two loaves of bread, two tins of tuna and so on.

At the same time one in eight children will be wanting this Christmas due to poverty.

Food waste is an economic, environmental and social issue. Households,

supermarkets and restaurants are regularly throwing away food that could have been used constructively. While some food reclamation programs exist in Australia, for example collecting leftover restaurant food to produce meals for distribution by welfare agencies, the potential for reclamation is limited. The majority of wasted food will continue to be sent to landfill to rot and produce greenhouse gases.

The good news is that the best way to help the environment this Christmas is also the best way to help your wallet.

RECENT PUBLICATIONS

- F Wickson, *What you should know about nano*. Policy Brief 8, November 2009.

<https://www.tai.org.au/index.php?q=node%2F19&act=display&type=1&pubid=703>

RECENT MEDIA

- ABC's *Lateline Business* looks at unpaid overtime in Australia and national Go Home On Time Day.

<http://www.abc.net.au/lateline/business/items/200911/s2753791.htm>

- Richard Denniss, 'Deep flaws in CPRS and so many devils in details', opinion piece, *The Canberra Times*.

<https://www.tai.org.au/index.php?q=node%2F19&act=display&type=5&pubid=712>

- Josh Gordon, 'Abbott at the gallop but grunt falls on Hunt', *The Age*, 13 December 2009.

<http://www.theage.com.au/environment/abbott-at-the-gallop-but-grunt-falls-on-hunt-20091212-kpq1.html>

OTHER NEWS

You can now follow the Institute on Facebook at

<http://www.facebook.com/home.php?#/pages/Canberra-Australia/The-Australia-Institute/100162559396?ref=ts>

or

get (nearly) daily comment from Richard at

<http://www.facebook.com/home.php?#/profile.php?id=1530321838&ref=ts>