

18 December 2008

### BETWEEN THE LINES

Welcome to the Christmas 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:

- Great ideas for Christmas
- An economical truth
- The bogus economic case for telemarketing
- Bee lines
- Over a barrel
- Institute update

### Great ideas for Christmas

**This Christmas the Institute is offering 18 months of membership for the cost of 12 months—\$50. If you are still wondering what to give to the person who has everything, why not present an Australia Institute membership, the gift of great ideas?**

**The Institute wishes everyone a very happy holiday season.**

#### An economical truth

The solar panel rebate announced by Peter Garrett this week sounded like just the news we need after the weak five per cent emission reduction targets were revealed in the White Paper. Finally, it seemed that the Government was doing something serious to reduce emissions. No such luck.

Minister Garrett chose his words very carefully when he explained the benefits of this new scheme. It would be a boost to the solar industry. True. It was great for families who wanted to put solar panels on their roofs. True. The removal of the means testing meant more families would be able to access the rebate. True.

But what is missing from the Minister's statements is any mention about Australia's total greenhouse gas emissions. The silence on this issue is no slip-up—it is part of an elaborate strategy to try and ensure that the public continues to 'do their bit' in their homes without revealing the awful truth behind the Rudd Government's emissions trading scheme. After 2010, nothing households do to reduce their use of fossil fuels will reduce Australia's emissions by one kilogram.

The Rudd Government's proposed emissions trading scheme, now known as the Carbon Pollution Reduction Scheme (CPRS), will work like this. The government will

issue a fixed number of permits to pollute, with the number of the permits ensuring Australia's emissions will fall by five per cent by 2020. Once these permits are given away (a small number will be sold) to polluters, the polluters can buy and sell them among themselves.

The problem for households keen to 'do their bit' to reduce climate change is that if they have shorter showers or put solar panels on their roofs, all they will do is reduce their personal demand for electricity. If less coal is burned to provide households with electricity, the coal-fired power stations won't need as many permits and they can then sell their 'spare' permits to the aluminium or steel industries so that these polluters can INCREASE their emissions.

The real sting in the tail is that the less energy households use, the cheaper the permits bought by the big polluters will be.

Hopefully the Senate will modify the CPRS so that individuals who reduce their energy use can ensure that any 'spare' permits get ripped up, thereby reducing Australia's total emissions. But in the meantime, if Peter Garrett's announcement has made you think about installing some solar panels, it might be best to call his office first. The question you need to ask is a simple one: 'Will installing solar panels on my roof reduce Australia's emissions?'

Feel free to let us know if he answers.

### **The bogus economic case for telemarketing**

According to traditional economic theory, the more information consumers have the better off they will be. Advertising and marketing are regarded as 'information', providing transparent signals about the nature, quality and price of goods and services. But this fails to take into account the potential for marketing to impose considerable costs on consumers—including wasted time and energy, difficulty evaluating the claims of suppliers, choice overload and psychological costs like frustration, irritation and disenchantment. The costs of direct marketing—telemarketing, junk mail, spam and the like—are greater than those of traditional advertising, because direct marketing imposes itself on consumers whether or not they are interested.

Large corporations regularly employ direct marketing techniques and defend their actions on economic grounds. For example, Optus recently told the Australian Law Reform Commission that direct marketing 'serves an important economic function and is a vital component of Australian business'. The Australian Direct Marketing Association opposed any move to offer consumers the opportunity to opt out at each marketing approach because 'this ignored the need for organizations to communicate with their existing customers to "fulfill their wants and needs"'. It also argued that doing so would place Australian businesses at a 'distinct commercial disadvantage' internationally.

In reality, of course, direct marketing does little to assist individuals to 'fulfill their wants and needs', and plays absolutely no role in securing Australia's international standing. For most people, it is simply an unwanted intrusion into their lives and some go to great lengths to avoid it. It is also a waste of valuable time, whether at home, at work or in public. In fact, the value of time wasted on telemarketing is around \$1.58 billion per year, according to the Institute's recent discussion paper, *Go Away, Please: The social and economic impact of intrusive marketing*.

## **Bee lines**

Albert Einstein once said that: *'If the bee disappeared off the surface of the globe then man would only have four years of life left. No more bees, no more pollination, no more plants, no more animals, no more man'*.

Bees are vital to the health and wellbeing of human beings—many of our agricultural and horticultural industries would not be viable without them and food security would be threatened as a result. About one in three mouthfuls of the food we eat depends on pollination for its existence. The bee industry in Australia is worth \$80 million a year but pollination contributes to around \$5 billion worth of agricultural production.

While the current focus is on the US financial crisis another crisis is unfolding, the ramifications of which might prove to be just as serious. Colony collapse disorder, a phenomenon that has been called the *Marie Celeste* of the bee world, has been occurring there since 2006. Colonies of adult bees just disappear. Few bodies are ever found and tests show that they are full of pathogens.

The Natural Resources Defence Council in the US estimates that nearly a third of honeybee colonies have been destroyed by the syndrome and scientists do not yet know why it is occurring. Pollination is big business in the US so beekeepers there are importing honeybees in their millions from Australia to take up the slack.

So far colony collapse disorder has not had a great impact in Australia but the bee industry here, for all its importance, is under-funded, under-researched, under-valued and under attack. There are a number of threats, including inadequate quarantine facilities, disappearing native pastures, government restrictions and pests. For example, Australia is currently the only country in the world free of the Varroa mite but if it is introduced, and it is only a matter of time, it is expected to wipe out 90 per cent of wild bees and badly managed hive bees. This will seriously affect Australian farmers who will then need to pay for hive bees to pollinate their crops, adding to the cost of production and therefore of food. It is essential for Australia to maintain a viable and adequately researched industry to protect both its wild bees and hive honeybees.

Bees are insects and people tend not to like insects and think nothing of killing them in large numbers. The next time you are tempted to kill a bee, however, remember Einstein's prediction and think again.

## Over a barrel

Last week marked the 60th anniversary of the first Holden, the FX. The brochure at ([http://www.uniquecarsandparts.com.au/gallery/pdf/Holden\\_48215.pdf](http://www.uniquecarsandparts.com.au/gallery/pdf/Holden_48215.pdf)) makes for interesting reading. Compared to the 3.8 and 6.0 litre engines found in Holden's family cars today, the FX engine was only 2.2 litres and the claimed fuel efficiency was 37 miles to the gallon.

Technology has taken car design a long way in the last 60 years but, unfortunately, most of the effort has been put into making bigger cars go faster rather than making smaller cars safer and more fuel-efficient.

Much is made of the fuel efficiency of hybrid cars such as the Prius but, while such cars certainly point to one future path for car design, the Hummer is still being sold in Australia and around the world. Ultra fuel-efficient cars certainly deliver significant benefits in terms of fuel economy, but it is important to note that much of their savings simply come from being smaller and lighter.

Consider the following example. If a small car like a Corolla or a Civic uses seven litres of fuel per 100 kms and a large car like a Commodore uses 11 litres per 100 kms, switching from the Commodore to a Corolla would result in a 36 per cent reduction in fuel consumption. Hybrids can certainly make a difference but we don't need to invent more efficient cars—we just need to scrap the big tax concessions that encourage people to buy big, inefficient ones.

## Institute Update

In case you've missed any of our latest research, here's a recap of our most recent publications:

- Josh Fear and Geraldine Pace released a discussion paper entitled *Choosing Not to Choose: Making superannuation work by default*—you can read it [here](#).
- Josh Fear released a discussion paper entitled *Go Away, Please: The social and economic impact of intrusive marketing*—you can read it [here](#).

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