

## **GST Package Will Worsen Urban Air Pollution**

The effect of the GST Tax Package on business and private transport will cause a greater increase in urban air pollution than changes to the diesel excise arrangements, according to a new report by the Australia Institute due to be released next week.

While the GST Tax Package will result in a 25 cent/L cut in diesel for heavy vehicles, businesses will be able to buy both petrol and diesel for around 7 cents/L cheaper. In addition, the real price of petrol for private motorists will fall by at least 1.9%.

The Institute's analysis of the effect of the Coalition's tax package shows that cheaper fuel for business will result in more urban air pollution than the diesel price cut for heavy transport.

The report notes that 21% of all travel by cars is for business purposes, a figure that increases to 29% if light commercial vehicles are included. Business travel consumes more fuel than all road freight in Australia.

Dr Clive Hamilton, Australia Institute Executive Director and one of the report's authors, said that increased fuel consumption by businesses is especially worrying because most of it occurs in built up areas. Only 30% of heavy vehicle travel occurs in urban areas while 68% of passenger car travel occurs within cities and towns.

"The damage to the environment due to fuel price changes will be offset to some extent by the possible faster turnover of the vehicle fleet due to the expected cut in the price of new cars," said Dr Hamilton. "The Tax Package is not all bad for the environment. But this only demonstrates how little thought has gone into assessing the impacts of the tax changes. While the Fightback! package devoted a section to the environment, the Coalition's package makes no mention of it at all."

"Treasury should have costed the health impacts of the Tax Package. One recent estimate based on data from the National Environmental Protection Council concluded that air pollution in Australia is already costing us \$7 billion a year. Poor households bear a disproportionate share of these costs and the Tax Package would make it worse."

"There is little doubt that the Australian Government will come under renewed attack when it attends climate change negotiations in Buenos Aries in November," said Dr Hamilton. "The European Union has recently restated its displeasure with the stance taken by the Howard Government."

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