

Urban air pollution big sleeper in Senate GST inquiry

The health effects of increased air pollution are likely to emerge as a major issue threatening the Government's GST tax package.

In a submission to the Senate inquiry into the environmental implications of the Government's GST package, the Australia Institute says that the proposed tax changes will cause a deterioration in urban air quality and compromise Australia's greenhouse gas reduction efforts.

The Institute's analysis indicates that proposed changes to fuel excises will result in an increase in the most damaging forms of air pollution. Carcinogenic particulates are estimated to increase by 2.2 thousand tonnes annually from transport alone and oxides of sulfur are predicted to rise by 5.1 thousand tonnes.

The gas industry is especially concerned about the effects of the proposed tax changes. The GST package in its present form presents serious barriers to further investment in gas-powered vehicles. Based on almost identical changes in New Zealand, the proposed 25 cents/litre cut in the price of diesel will wipe out the emerging industry. The submission also argues that cheaper diesel will push road freight volumes up at the expense of rail.

The Institute predicts that the greenhouse gas impact of the GST package will almost completely negate the only significant program of the Howard Government to reduce greenhouse gases from the electricity industry.

The Institute's analysis predicts other negative price signals created by the GST in relation to energy choices including:

- a 6-8% rise in the cost of renewable energy as compared with only a 4.6% rise for coal fired electricity;
- a 4% rise in the cost of solar hot water heaters relative to prices of similar gas or electricity hot water systems; and
- falls in prices of electricity and gas to business of 3.1% and 5.6% respectively reducing incentives for energy efficiency.

Contact Dr Clive Hamilton on 02 6249 6221 or 0413 993 223 (mob). The Executive Summary of the Institute's submission can be read at the Institute's web site at <http://www.tai.org.au>