

# Cruel Accounting

## Budgets and public information

**This year's Commonwealth budget is the first to adopt accrual accounting, hailed as a way of revealing the 'truth' about the government's financial position and the 'true cost' of government programs. But here Ken Davidson suggests that accrual accounting may conceal much more than it reveals.**

**No. 19 June 1999**

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The 1999-2000 budget papers are incomplete. It is no longer possible to find in the budget papers a statement showing how the \$157 billion spending by the Commonwealth is broken down by function and sub function. Outlays budgeted today on, say, social security or labour market programs or public housing, cannot be compared with past figures and there is no basis for comparison if they change in the future. This is an amazing omission.

Outlays by function have been part of the budget papers since the 1960s. Without these figures it is impossible to establish from the budget papers the full impact of government spending on national resource allocation or income distribution. The Coalition made no mention that these figures would be omitted before the budget was brought down, nor is there any explanation of the omission in the budget papers. Even more surprisingly, the omission has been ignored by the newspaper editorialists and most of the economic commentators whose job is to evaluate the budget — even though the shadow Minister

for Finance, Lindsay Tanner, issued a press statement on budget night which suggested that the Opposition had been deceived about budget format changes associated with the change from cash to accrual accounting.

Tanner said the Opposition was provided with a confidential mock-up of the new Budget format two weeks before the budget by the Minister for Finance. 'The mock-up contained tables providing detailed forward estimates on expenditure for various government functions and sub functions such as public schools, assistance to people with disabilities, housing and road transport. Such information was always provided in the past. None of this information was provided in the Budget Papers or the Portfolio Budget statements'.

Tanner is right in his claim that 'this represents the most significant reduction in budget information about government expenditure plans in our history and comes on the back of the Government's refusal to provide this year's budget on the old cash basis to assist in understanding the new accruals framework. Also

missing from the papers was a set of historical data on an accrual basis that would allow people to work out how much the government has cut in various areas since 1996-97'.

The media might have been expected by now to have made vociferous demands for this information, so they would be able independently to do their job of explaining the government's economic policies, how they affect spending in areas like education, health, welfare, and labour market programs, and how that spending relates to the needs of the community.

The absence of concern raises questions about how the media

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**'It is difficult to judge what is the more disturbing: the loss of information, or the unconcern of the**

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make their judgements about government economic policies when the basic information on which the judgements must be made is no longer available in the budget papers. For instance, the 1998-99 Budget Paper No 1 shows the government was planning to spend \$14.8 billion on family assistance – split between nine sub functions – and how spending on these nine sub functions compared with previous years and the forward estimates. The absence of this information in the current budget documents has not stopped the media from making political judgements about the Howard Government's concern or lack of concern about family issues. But these judgements about family assistance are

being made in an information vacuum. The disappearance of information about outlays by function is complete. It is difficult to judge what is the more disturbing: the loss of information, or the unconcern of the media whose job is to analyse this information.

According to the Secretary of the Finance Department, Dr Peter Boxall, the Government's accounting agenda is about 'putting the Commonwealth public sector on a more business-like footing [and] fostering a more contestable and competitive environment through private sector benchmarking and opening up existing monopolies to competition'.

There is nothing in this reform program designed to show whether the government is creating a fairer society, or any recognition that the way government outlays are structured affects economic growth. The focus is on efficiency – narrowly defined. The relationship between how taxes are spent and the impact of those expenditures on resource allocation, income distribution and the growth of the whole economy, is ignored in favour of an obsession with private sector benchmarking which can be relevant to the operations of GBEs, but is rarely relevant to the operations and objectives of general government.

Accrual accounting is largely irrelevant to the operations of the budget sector. According to Ronald Ma and Russell Mathews (writing in the Australian Journal of Corporate Law, January 1993), accrual accounting is useful for the users of business reports to make judgements about profitability, tax liabilities, or the value of shares:

'For a company, the rationale of accrual accounting, especially the recording of depreciation on its assets, is concerned with maintaining its capital intact in some sense, so that the company can continue to operate as a going concern. For the budget sector these concerns do not exist. There is no capital to be maintained intact; there are no revenues against which depreciation and other expenses need to be charged; there is no profit; the periodical revaluation of assets serves no useful managerial, reporting or other purpose; the continued operation of the public sector is not in doubt.'

Ma and Mathews were percipient about what they described in 1993 as the

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**'Accrual accounting is largely irrelevant to the operations of the budget sector'**

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unintended effects of a shift to accrual accounting: 'For example, the use of an accrual accounting operating statement to measure departmental performance and the relegation of program-based or activity-based reports to notes in the accounts will place greater emphasis on irrelevant aspects of performance and a lesser emphasis on effectiveness of service delivery.'

They wrote that an accounting system is not a value-free system, and that the rules and practices of an accounting system reflect a particular worldview.

The shift to accrual accounting and the disappearance of outlays by functions reinforces

*(Continued on page 12)*

# Competing Interests

The Australia Institute, in conjunction with Anglicare Australia, commissioned a research project on the effects of National Competition Policy on non-government agencies in the welfare sector. The study, *Competing Interests: Competition policy in the welfare sector*, was prepared by Ann Nevile and is being released this month.

For some time there has been a high level of anxiety within the welfare sector about how competition policy, and especially competitive tendering, is affecting non-profit agencies. While competition may lead to an increase in economic efficiency, it may also produce undesirable side effects such as increased inequality of income and greater social exclusion.

Because competition may produce undesirable side effects, many in the social welfare sector are uneasy with the idea that competition is the best way to improve performance, particularly when a change to funding arrangements (such as the introduction of competitive tendering) is instituted for ideological reasons.

The new research is based on extensive interviews with 37 people on both sides of the purchaser/provider divide. Drawn from five States and Territories, the interviewees included non-government providers, consumers of welfare services and public servants involved in both policy and purchasing roles.

*Competing Interests* set itself three main tasks: to compare anticipated impacts of competitive tendering with actual impacts; to disentangle the effects of the policy itself from the way it is being implemented and other changes in the policy environment; and

to identify a common set of principles which government and non-government organisations agree can provide a rationale for action.

## Impacts of competitive tendering

The study identifies three negative consequences of competitive tendering. Firstly, competitive tendering has tended to reduce collaboration between welfare agencies and the extent of learning by doing which may lead to the loss of specialised physical, as well as intellectual, capital. This is reducing the quality of welfare services.

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## **‘Competitive tendering has reduced the quality of welfare services’**

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Secondly, competitive tendering is reducing choice for many clients of welfare agencies and is removing access to welfare services altogether for some clients. The reduction in choice is a consequence of the decline in the number of small agencies. In addition, potential clients are being excluded from services as eligibility criteria are tightened.

Thirdly, competitive tendering as currently practised increases the administrative costs of agencies, thereby reducing the funds available for client services.

The introduction of competitive tendering has also reduced the

autonomy of service providers. Governments are seeking more control over the services provided by non-government agencies and are using the funds they provide as a way of gaining leverage over the type of services provided. However, this loss of autonomy has had the positive effect of breaking up what some in the sector saw as unduly cosy relationships with government.

The effects of competitive tendering have not all been negative. The positive impacts relate mainly to increased levels of accountability and transparency in decision-making. Nevertheless, further improvements in transparency should be made, particularly with respect to what government expects funding to cover. Government and non-government organisations need to put more effort into working together to establish realistic unit costs for agreed standards of service.

## Rebuilding the sector

The negative effects of competitive tendering centre on reduced levels of collaboration and information sharing between government and non-government organisations, as well as a reduction in the number of small, community-based organisations. The breakdown in the relationship between government and non-government organisations is caused largely by inappropriate implementation strategies.

The reduction in the number of small, community-based organisations is of particular concern in rural and regional areas of Australia where the disappearance of local organisations reinforces feelings of community breakdown and alienation from decision-making processes.

The disappearance of such organisations is of particular concern when choice is affected – both choice of provider and choice of service

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### **‘The disappearance of rural and regional organisations is of particular concern’**

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type. Choice was identified by both government and non-government organisations as important in meeting client needs.

Many small organisations are finding it increasingly difficult to continue operating in an environment characterised by complex financial and legal accountability requirements, and even large organisations are finding it difficult to recruit volunteers to serve on boards and management committees. Among other recommendations, the report urges governments to provide funding for training programs so that members of boards and management committees are better equipped to fulfil their more onerous legal responsibilities.

*Discussion Paper No. 21  
Competing Interests:  
Competition in the welfare  
sector is now available free to  
members and for \$20 to non-  
members.*

## **Robert Theobald on Global Futures**

On 3 May 1999 at the ANU, Robert Theobald presented to a large and diverse audience the third in The Australia Institute’s Public Lecture Series. His topic was “Alternative Images of the Future: Australian and Global Choices for the 21<sup>st</sup> Century”.

The talk did not dwell for long on projections or forecasts, although he did warn of growing chaos and “turbulence”. Theobald concentrated on a time frame of the next 10 to 15 years for society to solve current critical social, environmental and political problems. He conducted the talk as a participatory exercise in illustrating agencies of change in current social and political structures.

His bestseller “Reworking Success” (1997, New Society Publishers) is based on the adage that so-called success contains seeds of destruction. In order to counter the risks of failure, it is desirable to both redefine success and fundamentally alter value and belief systems. In three key areas- education, employment and democratic institutions for decision-making- it can already be demonstrated that more resilient systems must be and are being created, along with the necessary changes in “images of the future” and underlying belief systems.

Theobald brought to his lecture these themes and his optimism about the prospects of change. His North American work facilitating local community development appears to have been complemented by his observations in Australia of a fairly widespread readiness to change basic approaches, values

and institutions. His best evidence is drawn from collective decision-making and changes of direction on local communities, but in Australia in particular he seems confident that change agents are also present in broader spheres of government and the business sector.

“Economic growth and technology cannot be drivers of development as they have been in the 20<sup>th</sup> century”. Signs of turnaround include moves to reduce weekly hours of work and overtime, techniques for avoiding personal stress, communal management to combat crime, life span education, business incubators and dialogues leading to effective political lobbying via the Internet. These and other trends indicate more enlightened self interest and self reliance, social and collective responsibility, social cohesion, quality of life, spiritual and health concerns, and resource conservation.

Grass roots and networking activities by such agents of change are having an impact on macro issues such as assessment of new technologies, attitudes to work and job creation, environment protection and resistance to reforms within the corporate world. They exemplify the conversion of information into knowledge-even wisdom- and effective decision-making.

They work on the assumption that most people want to do good for society, a system pushing inherent goodness rather than presupposing sin. They produce more diversity and hence resilience.

*Brett Odgers*

# Crime and Restorative Justice

## A communitarian approach

For many years there has been dissatisfaction with the effectiveness of the retributive court system in Australia. Heather Strang describes a new approach based on 'restorative justice' which is being trialled in Australia.

Crime rates vary enormously between countries. Sometimes the explanation for these differences seems obvious – we know, for instance, that crime rates tend to be higher in countries where there are gross inequalities in the distribution of wealth and where modernisation and other social changes have occurred at a rapid rate.

But sometimes the differences are more difficult to understand. How can one explain, for example, the remarkably low crime rates in Japan? Japan may well be expected to have a high rate, given its post-war social history and its densely populated cities, yet crime of every kind, especially violent crime, is lower than almost every other country in the industrialised world.

Japanese society is characterised by a high level of interdependency between individuals, all entailing personal obligations of mutual help and trust. It is also characterised by a highly developed communitarianism, which might best be described as the sum of the enmeshed interdependencies of the individuals making up the community and operating in the context of group, rather than individual, loyalty. This sense of social solidarity is the very opposite of individualism, perhaps one of the defining characteristics of much of

Western culture.

Criminologists have concluded that these aspects of Japanese society, though potentially problematic in terms of the rights of individuals, account for their success in maintaining low and declining crime rates. Together they foster a kind of shaming of offenders which does not cast them out of society, but rather gives them the opportunity to be

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### **'Discussion focusses on condemning the act without condemning the character of the**

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reintegrated into that society.

What can we learn from this in addressing our own crime problems? For many years there has been dissatisfaction expressed about the effectiveness of the retributive court system as a response to crime. In the recent past this dissatisfaction resulted in a more rehabilitative approach being tried, especially for young offenders. Disappointments with both models has led to speculation about the comparative effectiveness of a third way of 'doing justice' – restorative justice.

In this model, all the parties with a stake in a particular offence come together to discuss and

resolve collectively how to deal with the aftermath of the offence and to repair the harm that it has caused. Restorative justice builds on communitarian principles in bringing together not only the victims and offenders in a particular offence, but their families and friends with whom they have relationships of interdependency.

Restorative justice has been put into practice in Australia and New Zealand, and increasingly in other parts of the world, in programs known broadly as conferencing. Although they take different forms in different places, all conferencing programs have some characteristics in common. They are coordinated by trained facilitators who invite to the conference everyone with a stake in the offence and who ensure that the focus of the discussion of all the participants is on condemning the act without condemning the character of the actor.

The facilitator asks the offenders, who must have already made full admissions about their involvement in the incident, to explain what happened, how they have felt about the crime and what they think should be done. Victims are asked to describe the physical, financial and emotional consequences of the crime. Family and friends also describe its effects on them and on those they are there to

support.

This process requires offenders to confront directly the consequences of their behaviour and take responsibility for it in a way rarely possible in a courtroom. When offenders hear directly about the harm they have caused both to their victims and to those who care about them most, they usually express remorse and apologies for their actions. All participants then discuss and agree a plan of action which the offenders will undertake, the aim of which is to repair the harm caused by the offence.

The plan may include material restitution to the victims, community work for the offenders and any other just and preventive approach the participants agree on. It is the responsibility of the conference

participants to determine outcomes which are the most appropriate for these particular victims and these particular offenders.

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**‘Victims tend to feel more satisfied with their treatment than in court’**

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In Canberra, researchers at the ANU’s Research School of Social Sciences are conducting a randomised controlled trial to compare the effectiveness of Canberra’s conferencing program with normal court processing of offenders. The offence categories we are examining are drink driving, property offences perpetrated by juveniles and violent offences perpetrated by offenders aged under 30. All the cases in the study would normally

have been dealt with in court, but none are so serious that that they must be dealt with in court.

The main outcome criteria for comparing the two processes are patterns of repeat offending, perceptions by participants of procedural fairness, and levels of victim satisfaction with each process. Findings from the study on reoffending are not yet available, but preliminary results on the other criteria (which are available on the Web at [www.aic.gov.au/rjustice](http://www.aic.gov.au/rjustice)), indicate that most participants find conferencing fairer than court and that victims tend to feel more satisfied with their treatment in the conferencing process than in court.

This test of the effectiveness of restorative justice in Canberra has already shown us that drawing on the resources of the ‘communities of care’ in which victims and offenders reside may offer several advantages over the traditional court system. In the near future we will have the reoffending data which will allow us to conclude whether the communitarian approach can offer the crucial virtue of providing a more effective way to reduce criminal behaviour as well.

*Heather Strang is in the Law Program, RSSH, Australian National University*

## The Australia Institute

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## The Australia Institute and the GST

Some members of the Institute may have been surprised to read in the Sydney Morning Herald on Friday 28<sup>th</sup> May, or to hear on ABC radio, the news that the Institute's Executive Director, Dr Clive Hamilton had "resigned" as an adviser to the Australian Democrats in their GST negotiations. Here, Hal Turton reviews the Institute's role in the GST debate.

In August 1998 the Institute was commissioned by the NSW Sustainable Energy Development Authority to investigate the environmental impacts of the Howard Government's long-awaited GST package. This research began prior to the release of the package and culminated in the release of a report a week before the October 3 election. Like all environmental issues, the report received almost no attention during the election campaign nor for a number of months thereafter.

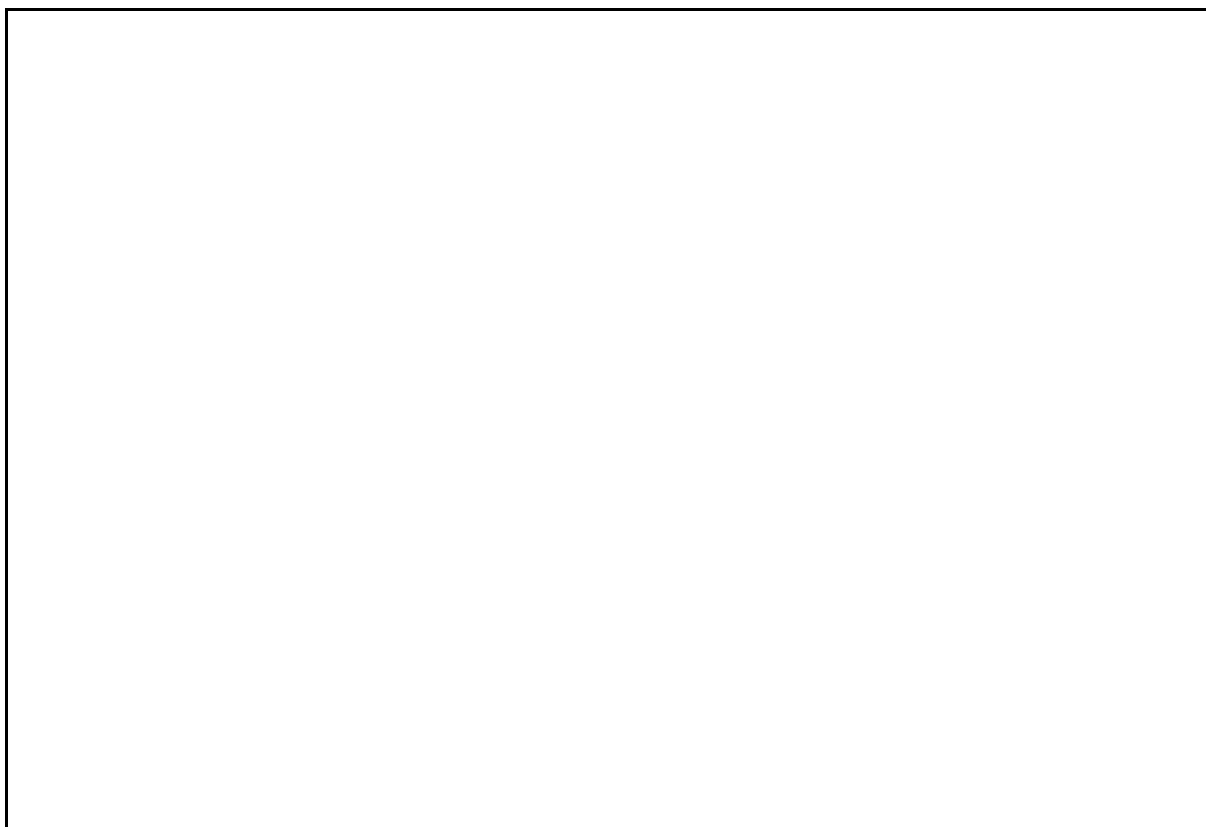
The Institute's analysis showed that the replacement of the wholesale sales tax by the GST, and the large reductions in fuel

excise in the package, would adversely affect cleaner forms of energy and lead to a significant increase in urban air pollution and greenhouse gas emissions. Reductions in the price of electricity and reticulated gas for industrial and commercial users were expected to lead to higher consumption and reduced incentives to use energy efficiently. Loss of tax-free status of some renewable sources of energy was likely to reduce their uptake.

However, the major impact was in the transport sector, where the Government proposed slashing the price of diesel for vehicles over 3.5

tonnes by 35%. In other words, anything heavier than a big 4 wheel drive would pay around 25 cents less for a litre of diesel. The package also proposed a 9% reduction in the price of fuel for all business users. Automotive LPG and natural gas received no similar concessions. It became obvious that cuts to transport costs were essential to the Government's efforts to sell the GST package in the bush.

Quite early on in the debate, the Australian Democrats took a keen interest in the findings of the Institute and became concerned about the environmental impacts of the GST package. When the Senate



Inquiry into ‘A New Tax System’ (ANTS) was being established, the Institute’s findings persuaded the Democrats to ensure that the terms of reference covered the environment. The Institute eventually made three submissions to the Senate Inquiry, and appeared before both the Environment Subcommittee and the Main Committee. The submission to the Main Committee was prepared jointly with the Australian Medical Association and the Australian Conservation Foundation, with the heads of both organisations – Dr David Brand and Peter Garrett – appearing before the Committee with Dr Hamilton.

The findings of the Senate

Inquiry on the environmental effects of the GST package drew heavily on the work of the Institute, with many other groups confirming our findings, some suggesting that they were too conservative. The Institute found some unlikely allies in the natural gas and rail industries.

Senator Meg Lees announced to the National Press Club on April 20<sup>th</sup> that changes to protect the environment were as non-negotiable as the removal of food from the GST as far as the Democrats were concerned – there would be no deal without a “demonstrable environmental benefit”. The recommendations coming out of the Senate Inquiry and

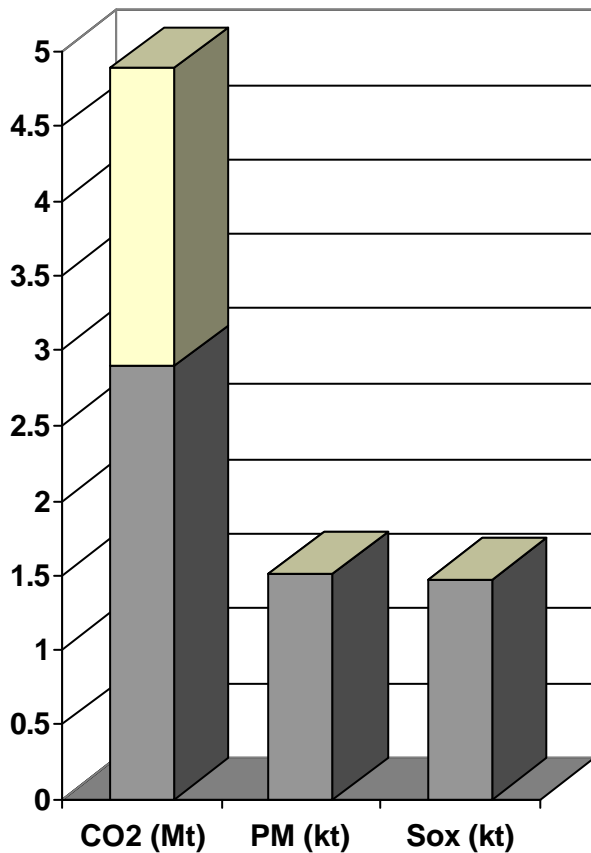
taken up by the Democrats included proposals to significantly scale back reductions in fuel prices, to tax vehicles according to their fuel-efficiency, to zero-rate renewable energy, and to implement a host of other measures to promote use of less polluting fuels.

By this stage the road transport lobby, along with the National Farmers’ Federation, began to feel threatened by the direction of the debate on the treatment of diesel fuel. The road transport industry now expected a massive subsidy from the GST package, and the NFF believed that this would provide substantial benefits to rural Australia. Eager to protect their interests, these groups began arguing that large cuts to the price of fuel would not increase consumption and associated pollution.

When negotiations between the Howard Government and Senator Brian Harradine collapsed in mid-May, the Government was forced to open discussions with the Democrats. The Democrats realised they lacked the expertise needed to match the Government during negotiations over the environmental impacts of the package, and needed independent advice. By this stage the Institute’s position as one of the few independent sources of appropriate technical expertise was manifest.

Accordingly, the Democrats asked the Institute if it would be willing to examine the various proposals arising during the negotiations and assess their impacts. The

*(Continued on page 11)*



**Increased greenhouse gas and urban air pollution due to the revised ANTS package in 2010**



# The Ethics of Tax Reform

The Brotherhood of St Laurence has taken a leading role in the tax reform debate. A paper on the ethics of tax reform was commissioned by the Brotherhood from Institute Executive Director, Clive Hamilton. The paper – to be released this month – is outlined below.

Support for a strong tax system has always been present in Australia, despite attempts by conservative political forces to undermine the legitimacy of taxation as such. Survey evidence and common observation indicate that the willingness to pay higher taxes depends on two conditions:

- that the revenue is spent on services that tax payers value; and
- that everyone pays their fair share.

Taxes are a way of redressing, albeit imperfectly, the unequal distribution of privilege. This is why reports of tax avoidance and tax evasion – which are separated less in the public mind than in the tax lawyers' manuals – evince such enormous antipathy from the general public.

Just as low crime rates are the result not of the fear of being penalised but of the belief that crime is wrong, the tax system

depends heavily on voluntary compliance. Nothing could be more corrosive of the social basis of modern society than the spread of the belief that there is no moral obligation to pay one's taxes.

The philosophy of justice

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**‘What really affects perceived well-being is where one stands relative to others’**

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constitutes ‘the moral basis for a democratic society’. A just distribution of income depends not only on the distribution itself but on perceptions of what different groups deserve, in other words, on their history. The conservative critique of the ‘black armband view of history’ is aimed at eroding the community's belief that Indigenous Australians are deserving of special support.

Most people recognise that the

right to keep the fruits of one's labour must be tempered by the obligation to contribute to collective provision of goods and services and the institutions of civilised society, although the entitlement to speculative profits is less strong than the entitlement to the returns from one's labour.

The official tax debate in Australia has been dominated by utilitarian ideas that stand in sharp contrast to popular notions of fairness. The importance in the tax debate given to the results of economic models, which are utilitarian calculating machines *par excellence*, is an affirmation of the way in which justice is measured by money.

The emphasis on changes in absolute income levels as a result of the GST tax changes has obscured a much more significant determinant of social well-being. Non-utilitarian philosophy, as well as a large body of empirical evidence, tells us that subjective well-being depends more on relative incomes than on absolute incomes. A number of studies have shown that what really affects perceived well-being is where one stands relative to others.

It is well-established that wealthier households will receive the greatest share of the benefits of the GST package, benefits which are

*Mankind are capable of a far greater amount of public spirit than the present age is accustomed to suppose possible. History bears witness to the success with which large bodies of human beings may be trained to feel the public interest their own.*

John Stuart Mill, *Principles of Political Economy*

demonstrably not due to any efficiency dividend but to a budget surplus accumulated over the last three years as a result of cuts to services which tend to favour low and middle-income households.

The Government's political

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**'The GST itself is little more than a cover for a substantial redistribution to the**

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strategy to win sufficient support for the package to pass through the Senate was not to improve equity but to neutralise opposition by providing just enough compensation to groups that would otherwise be worse off. Given the tiny economic benefits of the GST package, it is difficult to avoid the conclusion that the introduction of the GST itself is little more than a cover for a substantial reallocation of the national income to wealthy households.

If perceptions of fairness based on relative positions have a greater influence on social well-being than absolute levels of income, then Australia will be a more unhappy nation as a result of the GST package, even if food has been exempted,

compensation has been increased and tax cuts for the wealthy have been pared back. The GST package will only confirm and reinforce the perception of 83% of Australians that we are becoming a less fair society.

In recent years, the belief that benefit recipients deserve support has come under attack on three counts – perceptions of cheating, bludging and welfare dependency. Whether intended or not, the lasting impact of media stories that characterise unemployed youth as layabouts – such as the public flogging of the Paxton family – is to erode confidence in the social security system as whole, to harden hearts against the victims of social disadvantage, and to undermine social cohesion.

While most of the tax debate has been over the distribution of financial impacts, the tax system also has a highly symbolic function. The system of taxation and public spending is one of the principal means by which individuals and households participate in the wider society. Paying taxes gives us a stake in society.

In recent years the tax debate in Australia has been marked

by an appalling failure of political leadership, on all sides of politics. While the Australian Taxation Office has been willing to declare that tax payers have a *duty* to contribute as citizens, politicians have refused to take up the moral case for a fairer tax system, despite the overwhelming public support for it. Clear and forceful moral statements about tax avoidance are rare. Mindful of where the power lies, political leaders have been far more willing to tackle 'dole bludging' by the poor rather

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**"Anyone who does not minimise their tax payments is an idiot"**

*National Director,  
Australian Taxpayers'  
Association*

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than tax shirking by the rich.

The GST package will result in a less fair tax system in Australia, and the argument that the GST will at least ensure revenue adequacy has force only because political leaders have not had the courage to put the moral arguments for a fair and comprehensive system of direct taxes, including taxes on incomes, capital gains, wealth and inheritance.

## The Electronic Institute

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Institute has always maintained its independence from any political party, but agreed to provide informal technical advice to try to prevent the Government steam-rolling the Democrats in their attempts to obtain a better environmental outcome.

In the middle of the last week of May, it became apparent that the Institute's original analysis had been unduly conservative when secret Government estimates of the impact of the GST package were provided to support their negotiating position. It was clear that little could be done to rescue the GST package unless the fuel price cuts were

drastically scaled back and major changes to vehicle taxation implemented. The Democrats appeared unwilling to use their powerful negotiating position to push for major changes.

In this light, it became untenable for Dr Hamilton to continue in his advisory role and he withdrew. This move was the so-called "resignation" that attracted the attention of the news media.

The final deal struck between the Government and the Democrats is testimony to the fact that the Government was never really willing to address the core environmental concerns, and that the

Democrats were willing to trade off the environment for political legitimacy. (The figure shows the Institute's estimates of the increases in emissions that will flow from the final deal.) The so-called "largest programme of environmental funding ever" pales into insignificance against the size of the subsidies to polluting activities in the final package.

*Hal Turton is a researcher at the Australia Institute.*

## The Environmental Implications of the Revised GST Package

The Australia Institute has modelled the impact of the revised GST package on emissions from the transport sector.

The revised GST package is expected to result in an increase in greenhouse gases of almost 5 million tonnes of CO<sub>2</sub> equivalent per annum over the business-as-usual situation by 2010, of which 2.9 million tonnes occurs in the transport sector. Although equivalent to around 1% of total greenhouse gas emissions, the additional emissions represent around one-eighth of the total increase in emissions above 1990 levels Australia is allowed under the Kyoto Protocol. The revised package will also result in an increase in particle pollution

of approximately 1520 tonnes per annum and SO<sub>x</sub> of approximately 1470 tonnes per annum. The net increases in particulate and SO<sub>x</sub> emissions from transport are 7% and 4%, respectively, above 1995 levels.

The Government's own analysis shows that it expects greenhouse gas emissions from commercial transport to rise by 60% between 1997 and 2015, while the Kyoto Protocol requires Australia to limit emissions growth to 8% above 1990 levels by 2010. The fuel price cuts in the revised GST package remain contrary to Article 2 of the Kyoto Protocol.

The Australia Institute's estimates of increased emissions due to the GST are

conservative. The Government's own confidential modelling used in the negotiations estimated increased greenhouse and particle emissions *twice* as high as the Institute's previous modelling. The Government has always insisted that the GST package would have no detrimental environmental impact.

The fuel price cuts are the main driver of environmental damage in the GST package and, since the original fuel price cuts remain largely unchanged, it should be no surprise that the revised GST package continues to have a major detrimental impact. Despite the fact that the package allocates almost \$1 billion over three years to new environmental programs, in

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what Ian McAuley says about the confusion between reform and cost-cutting in a forthcoming article in *Dissent*.

‘The most pervasive of such developments is the primacy of the budget “bottom line” (the surplus or deficit) in shaping economic policy. In itself the budget bottom line is meaningless. It can be improved by cutting back on infrastructure spending – hard capital such as roads and social capital such as education. It can be improved by cost shifting, such as reducing public sector health outlays at the expense of even greater outlays to be made in the private sector. In short, what is good for the bottom line is not necessarily good for the economy’.

‘Statements by the Finance Department such as “accrual accounting will provide ... a clear picture of the full cost of the goods and services our agencies provide” are dangerous. They reveal a fundamental ignorance about accounting, in that they confuse *financial accounting*, which is about external accountability, with *management accounting*, which is about costing and decision making.’

The shift to accrual accounting sits uncomfortably with the Coalition’s Charter of Budget Honesty.

*Kenneth Davidson is a columnist with The Age.*

# INSTITUTE NOTES

## Welcome new Board members

We would like to extend a warm welcome to Sharan Burrow as a new member of the Board of the Australia Institute. Sharan is the Federal President of the Australian Education Union and her knowledge and experience will be a great asset to the Institute.

## Farewell to retiring Board members

We would like to express our gratitude to Marilyn Chalkley and Pat Randal for their valuable contributions to the Board of the Australia Institute over the years.

## Theobald Lecture

We would like to thank long standing members Noel Semple and John Dargavel for their assistance with organising the Robert Theobald lecture.

## New publications from the Institute

- *Competing Interests: Competition Policy and the Welfare Sector*, Discussion Paper No. 21, Ann Nevile.
- *The Environmental Implications of the Revised ANTS Package*, a report commissioned by the Australian Conservation Foundation and Greenpeace Australia.

## Forthcoming publications

- *Business Tax Reform and the Environment*, Discussion Paper No. 22, Clive Hamilton and Hal Turton.
- *Public Expenditure on Indigenous Australians*, Discussion Paper No. 23, Max Neutze and Will

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