news

The Australia Institute

Facts Fight Back

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The election date has been set. In the lead up to September 14, The Australia Institute will launch a Facts Fight Back website and a Wellbeing Agenda. Executive Director Richard Denniss explains why.

Elections are the way that democracies resolve disputes, and election campaigns are the way that political parties try to persuade us which disputes most need resolving. Is the election a 'referendum' on the Gillard government's handling of Craig Thomson and Peter Slipper, or is Tony Abbott's character the central issue? Should the election revolve around the decision to keep or abolish the carbon price or should industrial relations policy be top of mind?

There are, of course, no right answers to such questions. Ultimately it is up to the 13 million Australian electors to decide both what their priorities are and which political party they believe can best address those priorities. The media play an important role in alerting voters to the existence of some problems, and in turn the politicians are keen to influence the media's reporting, but ultimately it is up to voters to decide on which issues are most important to them.

> We will do our best to highlight the existence of the policy problems the political parties would prefer we didn't notice and to ensure that facts play an important role in shaping those debates.

But while politicians should be free to make their case for what the big issues are and why their policies are best at tackling them, they should not be free to make up their own facts. Voters

must be trusted to weigh their own priorities, but they cannot be expected to check the truthfulness of everything they hear. Freedom of speech does not mean the right to scream 'Fire!' in a crowded theatre, and free political debate does not imply the right to simply make things up. For political debate to strengthen our democracy the political cost of deception needs to be far higher than any political advantage that flows from fabricating the facts.

As clearly shown by The Australia Institute in the past, our level of public debt is among the lowest in the world, as is the level of tax collections in Australia. These simple, independently verifiable, facts do not, however, impede many politicians from claiming the exact opposite. How can the public choose widely between competing reform agendas when they are deliberately misinformed about the problems the nation faces?

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In recent weeks the national political debate has finally caught up with TAI's agenda concerning the massive cost of the tax concessions for superannuation. Since 2009, the Institute has published four research papers, XX opinion pieces and given countless interviews and presentations on the need for fundamental reform.

Analysis by The Australia Institute, and now analysis by the Commonwealth Treasury, clearly shows that the claim that generous tax concessions for superannuation 'take pressure off the budget' are demonstrably untrue. Put simply, the costs of providing tax concessions for superannuation are far greater than the associated savings in the cost of the age pension.

According to Treasury, the cost of tax concessions for super will soon be more than $45 billion per year; far more than the cost of the age pension or, indeed, the cost of health or defence. It is of course up to voters whether they want to spend $45 billion per year supporting superannuation, just as it is up to voters if they want to provide more than one third of this support to the wealthiest 10 per cent of the population. But in making such a decision voters need to be provided with accurate information about the cost of such choices, as well as accurate information about who benefits.

This election year we will be doing our best to both highlight the existence of the policy problems the political parties would prefer we didn't notice and to ensure that facts play an important role in shaping those debates. In order to achieve those objectives this year we will be rolling out two major initiatives in the form of our 'wellbeing agenda' and our 'Facts Fight Back' website.

How can the public choose widely between competing reform agendas when they are deliberately misinformed about the problems the nation faces?

The wellbeing agenda is the Institute's way of highlighting that simple solutions to big problems do exist. Banning junk food advertising on kids' TV will save us a fortune on future health costs; slowing the rate of skilled migration will create job opportunities for those struggling to find work and take pressure off our infrastructure budget, and scrapping tax concessions for fossil fuel use will raise billions and discourage pollution. What's missing is not evidence or ideas, but the political will to implement such solutions.

Our Facts Fight Back website will provide a timely and accessible source of information to help voters, journalists and the politicians themselves keep track of who is being loose with the truth. While the TAI website will continue to focus on detailed policy analysis and development, the Facts Fight Back site will keep things much simpler. If we identify any politician making spurious claims, or simply making things up, we will let as many people know as quickly as we can.

So, from all us here at The Australia Institute, happy election year! While we will see plenty of the silly helmets, the bright safety vests and the walks through shopping centres designed to make our politicians seem ordinary and down to earth, we know there is nothing ordinary about our members and supporters. We will work hard to keep you supplied with the ideas, the analysis and the facts that we think elections should revolve around, and we apologise in advance for those in the media and politics who will also be working hard to bombard you with stories based on so-called human interest and half-truths.

Thanks again for your support. §

Foreign aid works

At a time when the Australian government has announced it will divert a large portion of its aid budget back to its onshore refugee commitments, World Vision Australia Chief Executive Tim Costello argues that we should consider the cost to the world's poor, who would otherwise be the beneficiaries of the Australian aid dollar.

Foreign aid works.

It's one of those simple statements that belies a great deal of complexity, but it's also simply true.

Sadly, foreign aid is also an easy target. When budgets run over or governments need a quick slash and burn, there is a temptation to eye the $5.1 billion that Australia spends improving the lives of some of the poorest people in the world.

I have seen the changes Australia's foreign aid program has made to the lives of millions of people and know exactly what less than half of one per cent of Australia's Gross National Income can achieve.

> Australia still hasn't met its commitment to spend 0.5 per cent of gross national income on foreign aid.

Now, just a couple of months after announcing that $375 million of foreign aid would be diverted to fund domestic policies, the government has released the first annual review into aid effectiveness. The numbers tell perhaps an even more dramatic story of success than we may have dared hope.

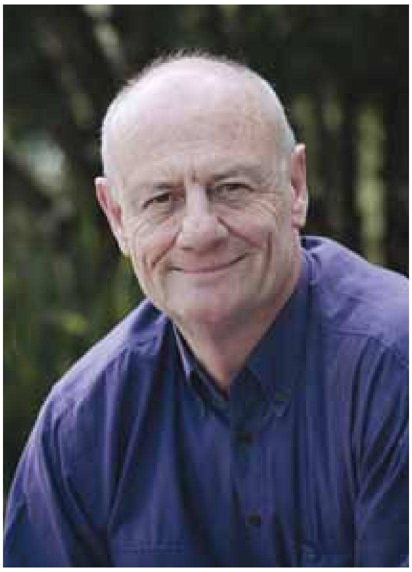
More than two million children have been immunised who would otherwise have been left vulnerable to potentially fatal illnesses. Almost a quarter of a million women had a skilled attendant present while giving birth. Basic sanitation was provided for 1.6 million people, and 2.5 million people have better access to safe water.

> By diverting $375 million of overseas aid to helping refugees in Australia, we became the third biggest recipient of our own foreign aid program.

These are not luxuries. Australian foreign aid provides bare necessities, life-saving necessities, to people who have — through no fault of their own — been born in countries where access to basics we take for granted isn't a given.

Australia is so fortunate. We have high standards of living and a social welfare net that protects those who fall on hard times. Unfortunately some of our nearest neighbours have not been so lucky.

In the Pacific region, four million people — or roughly half the population — live in poverty, and improvements in health are in danger of going backwards. Every year 18,000 children in the region die of preventable diseases, despite the global pledges made in 2000 as part of the Millennium



Development Goals — the world's blueprint for tackling poverty.

While other countries are working hard to achieve the MDGs, Papua New Guinea is losing ground. Around 50 per cent of children don't attend primary school and there are only 0.6 health workers per 1,000 people. Goal 5 aims to reduce maternal mortality by three quarters by 2015, but the rate of women dying in childbirth in PNG has actually been rising.

Timor-Leste, a new country that gained statehood with such hope and optimism in 2002, ranks 147 on the Human Development Index, trailing the Solomon Islands at 142. PNG is behind even Timor-Leste, coming in at 153. Australia sits at number 2. That means on a global comparison scale that takes into account health, education and living standards, Australia is second only to Norway.

Despite that, Australia still hasn't met its commitment to spend 0.5 per cent of gross national income on foreign aid. Even though we fall short of that goal and spend only 35 cents for every $100 on foreign aid, more than a

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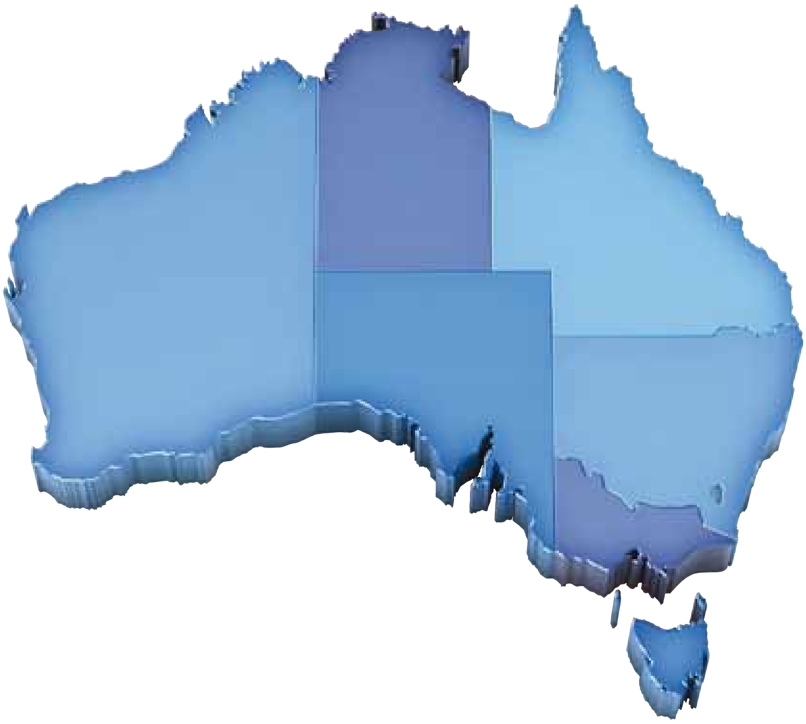
Politics in the Pub Melbourne

The Australia Institute is thrilled to be bringing its Politics in the Pub sessions to Melbourne in 2013. The first event, held in February, featured Tim Costello from World Vision Australia addressing the question 'Is Australia a good global citizen?'.

If you would like to receive information about these evenings, please send us your email address at mail@tai.org.au and tell your friends. We hope to see you there!

Getting the 'research that matters' to the people who matter

As local communities start to question the long-term impacts of the mining boom on their livelihoods, The Australia Institute's public outreach is more important than ever, Mark Ogge explains.



The impact of the mining boom on Australia's long-term industries is undoubtedly the most important economic issue facing Australia today.

Big manufacturing job losses are announced with depressing regularity — around 250,000 fewer tourists a year are visiting Australia in the midst of a global tourism boom, farmers have seen a dramatic reduction in their export earnings, and international student enrolments are dropping.

These impacts are a direct result of the staggering expansion of the mining industry, driving up the Australian dollar and creating a chronic skills shortage.

> It's one thing to look at the macro-economic statistics, but the really important thing is to understand how this plays out in farms, factories and homes across the country.

The Australia Institute is one of the few organisations focusing on this vital issue, having released 10 research papers on the impact of the mining boom on the rest of the economy over the last 18 months. Some of the key papers include *Mining the truth, Pouring fuel on the fire, Too much of a good thing* and *Beating around the bush.*

When we do the 'research that matters', we also want to make sure it gets to the people to whom it will matter the most.

This is why we are going out and talking to people directly all over the country about our research.

We are travelling to the regions most affected by the mining boom — from epicentres of the mining boom like Mackay in Central Queensland and the coal seam gas fields in Southern Queensland to the Hunter Valley and North West regions of NSW, which are also facing massive expansions of both coal and gas.

We are also travelling to regions not known for mining that have nevertheless been impacted as their key industries get crowded out by the boom. Areas like Cairns in Far North Queensland, where tourism arrivals have dropped dramatically, or the Illawarra, which has suffered huge losses in manufacturing jobs over recent years — both as a direct result of mining expansion.

Whether we are visiting a big city like Brisbane, or a smaller regional centre, we make sure we meet as many business leaders, union representatives and farmers as possible. All these groups are grappling with the impact of mining on their industries, and are keen to understand the causes and potential solutions.

It is also important to talk to local elected representatives from the different regions. Where possible we brief councils and local state and federal MPs as well as a range of community opinion leaders.

> We have released 10 research papers on the impact of the mining boom on the rest of the economy over the past 18 months.

But it's not a one-way conversation. While we feel it's important to get our research out there, it's also enormously important for us to hear the experiences of communities and their representatives — and to find out

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The truth about the gender pay gap

Following a catch up period in the 1980s, women's earnings seem to have atrophied against men's in the last decade. Leading Australian feminist Anne Summers writes that, given the discrepancies in graduate pay packets between women and men, women are justified in demanding to know why they are being so heavily penalised in the workforce.

In the early 1980s, when I headed the Office of the Status of Women in the Hawke government, I would travel the country giving speeches about how women were faring. One of the positive trends I liked to identify was the significant increase in women's earnings in relation to men's.

Sure, women still earned only 80.1¢ for every dollar men got, but, I argued, given the trend in recent years we were speeding towards parity. No question about it.

Just 14 years earlier, in 1970, women earned only 59.1¢, but that had risen to 70.4¢ by 1973 and to 77.4¢ in 1975. In 1979 the figure was 80.6¢. OK, in 1984 it was down a bit but, I used to confidently assert, this is just a temporary blip. The gender pay gap was definitely going to be banished from the Australian economy.

Back then I was certainly not pessimistic enough to envisage a scenario in which, almost 30 years later, in 2013, I would be trying to explain why women today earn only 83.5¢. Nor could I have foreseen that this gap is not merely persistent but that it is actually widening. Nine years ago, in August 2004, women almost hit the 85¢ mark, equalling a previous all-time high.

> Women are entitled to question why they should bother working harder, or at all, when the lifetime penalty for doing so is well over $1 million.

But it did not last, and the gender pay gap now seems to be permanently stuck at around 17.5 per cent. (This is according to Australian Bureau of Statistics average weekly ordinary full-time earnings. On some other measures the gap is considerably wider.)

And these are just the averages. If you probe a bit, into occupation or location, you will find disparities in pay that are positively Dickensian. Women in Western Australia, for instance, earn fully 25 per cent less than their male colleagues, considerably less again in the mining regions. Women in the finance sector suffer the worst pay discrimination, with a gender pay gap of 32.7 per cent in May 2012. And that was a bigger gap than a year earlier. These statistics, released in August 2012 by the Workplace Gender Equality Agency, make for grim reading. There is barely an occupation, a job, a sector or an age group in which women do not earn less, often hugely less, than men. Young women (aged 15-19) and women working part time in clerical, services, sales or labouring jobs earned more than men. But it is difficult to find a statistical example of women and men being paid the same.

So much for equality. And despite these few examples of a few categories of women earning more than men, the overall earnings outlook for Australian women is outrageously unequal.

In 2009 a report by financial services giant AMP and the National Centre for Social and Economic Modelling (NATSEM), based at the University of Canberra, made the shocking finding that Australian men with a bachelor's degree or higher, and with children, could expect to earn $3.3 million over their working lives: "Nearly double the amount for women in the same category at $1.8 million," the report stated.

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A 25-year-old woman starting her working life was likely to earn $1.5 million over the next 40 years, but a man the same age would haul in $2.4 million.

That's almost a million-dollar difference, a finding that led me at the time to assert that there was a million-dollar penalty to being a woman in Australia today.

Now, we find that women's earnings prospects have deteriorated further.

Last October AMP.NATSEM released a new report that showed a 25-year-old woman with postgraduate qualifications would, over her lifetime, earn $2.49 million. The 25-year-old man who had sat beside her in class would, by contrast, accumulate $3.78 million.

This is bad enough, but what enraged me about these new findings is the fact that the 25-year-old woman with a postgraduate degree, earning her $2.49 million for her years of study, would take home less than a man with just a year 12 credential, who will earn $2.55 million. What kind of incentive is that for women to study and gain qualifications?

Those who do not want to face up to the brutal facts of sex discrimination against women in Australia in 2013 usually argue that these discrepancies can be accounted for in women's interrupted workforce patterns (due to taking time out to have children) and their greater propensity to work part time.

> Women architects face a 17.3 per cent discrepancy, while women dentists' pay lags behind men's by 15.7 per cent.

That proposition has been knocked on the head by this week's release of figures showing a large increase in the past year of the gender pay gap in graduate starting salaries. This has been a huge wake-up call for a lot of people.

The Workplace Gender Equality Agency has done us a great service in compiling and publishing these figures. In the past, we knew of these discrepancies only when individual professions publicised them. For instance, a few years ago the Law Council of Australia revealed that in New South Wales, male law graduates were paid $70,300 in 2007, and women only $63,500.

Now we know that law is one of the better professions when it comes to pay equity. As reported this week, female law graduates suffer only a 7.8 per cent gender penalty. Women architects face a 17.3 per cent discrepancy, while women dentists' pay lags behind men's by 15.7 per cent.

You would never know that under Australian law women and men are meant to receive equal pay. As Justice Mary Gaudron, the first woman to be appointed to the High Court, famously said in 1979: "Equal pay was 'won' in 1969 and again in 1972 and yet again in 1974.'' And, she added, we still don't have it.

In 2009 Julia Gillard, then minister for employment and workplace relations, included provisions for gender pay equity in her Fair Work legislation. But this law does not mandate equal pay, it merely provides that Fair Work Australia (FWA) can make an order for equal remuneration after an application by an individual, a union or by the Sex Discrimination Commissioner.

There has been one spectacularly successful application to date, that by the Australian Services Union on behalf of low-paid workers, mostly women, in the community and services sector. The resulting order from FWA means these workers will receive pay rises of up to 40 per cent, phased in over several years, starting December 2012.

Such cases are valuable and there should be more of them, but they cannot cover women in the professions or other non-award occupations. Something needs to be done that addresses this inequity in a systemic fashion.

As the figures make clear, the gender pay gap is a national scandal. It amounts to a gender tax, with women making a disproportionate contribution to the national economy. (And that's on top of having the kids and doing most of the housework!)

> If you probe a bit, into occupation or location, you will find disparities in pay that are positively Dickensian.

It is often pointed out that if Australian women's workforce participation was at the same level as men's (79.7 per in cent instead of the current 65.3 per cent) it would add around 13 per cent to GDP.

Much government policy, including the cruel pushing of single mothers off the parenting payment onto Newstart, is designed to increase women's workforce participation rate.

But women are entitled to question why they should bother working harder, or at all, when the lifetime penalty for doing so is well over $1 million.

The Prime Minister might want to add this one to her list of examples of sexism and misogyny at work in Australia today.

This article first appeared in The Sydney Morning Herald *and is reproduced with the kind permission of Anne Summers. Anne's articles are available at* www.annesummers.com.au *and she has a new publication,* Anne Summers Reports (www.annesummers.com.au/asr/). §

A culture of resistance

Antimicrobial resistance is an enormous global health problem, threatening the efficacy of the antibiotics we rely on to fight infection. The problem requires ongoing, concerted effort by governments — instead, The Australia Institute's Kerrie Tucker writes, there is a long history of successive Australian governments dropping the ball on the issue.

"Unless we solve the problem of antimicrobial resistance to drugs, we will be facing a post-antibiotic era where things as common as a strep throat infection or a child's scratched knee could once again kill." Margaret Chan, Director-General of World Health Organization (WHO) 2012.

The term 'antimicrobial' includes antibiotics as well as compounds as diverse as alcohol, hypochlorites (bleach), triclosan, silver and quaternary ammonia compounds. Those of most medical significance are antibiotics, the discovery of which is one of the defining events in medicine in the 20th century, bringing about a massive reduction in the rate of human deaths from infectious bacterial diseases.

But bacteria are increasingly resisting these compounds, with a number of important antimicrobial agents no longer being effective in fighting the bacteria which cause serious illness. This phenomenon is called antimicrobial resistance (AMR), and it is a major concern. Resistant microorganisms can often multiply unchallenged and kill humans and animals, potentially spreading to others and ultimately imposing huge costs upon individuals and society.

Resistant bacteria can spread from human to human, animal to animal, animal to human or human to animal through direct contact or via the food chain. Wind, water and contaminated soil can also spread resistant bacteria. Of greatest concern is the creation of disease-causing bacteria with resistance to multiple antimicrobial compounds — so called 'superbugs'. Bacteria have an extraordinary capacity to adapt to the different challenges presented by antimicrobials, and are theoretically able to develop and share resistance to any type of antimicrobial. Indeed, a strain of the bacterium which causes gonorrhoea was identified in 2011 to be highly resistant to all known antibiotics. This bacterium may soon become a true superbug, causing untreatable gonorrhea.

Given the gravity of the situation, the uninformed observer could reasonably assume that Australian governments, past and present, would have made this threat to public health a high priority. This is far from the reality.

> Australia sits well above the OECD average in its use of antibiotics. Our use is more than double that of Scandinavian countries.

NPS MedicineWise has made the point that "Australians are among some of the highest users of antibiotics in the developed world. Around 22 million prescriptions are dispensed every year — that's a script for every man, woman and child in Australia each year."

Australia sits well above the OECD average in its use of antibiotics. Our use is more than double that of Scandinavian countries, though no obvious health benefits are apparent. It has warned that by 2030 we may not have effective treatments for common illnesses like tonsillitis, let alone more serious illnesses like pneumonia, and that life-saving operations such as bowel surgery, appendix removal and organ transplants may no longer be able to be performed safely.

The Australia Institute has recently released a research paper, *Culture of resistance — Australia's response to inappropriate use of antibiotics*, which looks at how Australian governments have responded to AMR since the problem became evident in the 1980s. Of particular importance in Australia's response was the 1999 establishment of the Joint Expert Technical Advisory Committee on Antibiotic Resistance (JETACAR). This committee was set up to provide independent expert scientific advice on the threat posed by antibiotic resistant bacteria to human health by the selective effect of agricultural use and medical overuse of antibiotics. It was tasked with

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assessing the scientific evidence of a link between the use of antibiotics in food-producing animals and the emergence and selection of antibiotic-resistant bacteria and their spread to humans, and to recommend future risk management strategies.

> Of particular concern is the failure to develop a comprehensive national surveillance system of both usage and resistance to antibiotics.

The Report of JETACAR provided a 'five-point plan' covering regulation, monitoring and surveillance, infection prevention, education and research, the basics of which were equally applicable to human and veterinary medicine. The government generally accepted the recommendations of the report, stating that there was international concern about AMR and that Australia needed to respond with strategies that were "consistent with and complementary to global initiatives".

Initially there appeared to be strong commitment to implementing the recommendations of the 1999 JETACAR report, however, many initiatives failed to result in any comprehensive systematic response to the issue. Committees, taskforces and groups were set up but disbanded; pilot programs failed to be anything other than pilot programs; undertakings were not carried out. Of particular concern is the failure to develop a comprehensive national surveillance system of both usage and resistance to antibiotics, as recommended by JETACAR. Such a system provides an essential evidence base for management of AMR and an appropriate regulatory framework. In 2012 a new Advisory Committee on AMR was set up by the government and their first task was to oversee the production of a scoping study and the development of a business case for national surveillance of AMR and antimicrobial usage. Initially the study will only look at issues regarding human health and resistance. It is of great concern that there has been a delay of 12 years in establishing a credible surveillance system.

In fact, most of the underlying factors listed by the World Health Organization as drivers of AMR are evident in Australia, including inadequate national commitment to a comprehensive and coordinated response; ill-defined accountability and insufficient engagement of communities; weak or absent surveillance and monitoring systems; potentially inappropriate and irrational use of medicines, including in animal husbandry; a need for improvement in infection prevention and control practices; and insufficient research and development on new products.

For a developed country like Australia this is a significant failure, not only in terms of protecting public health domestically but also in the global fight against AMR.

The Australia Institute's paper concludes that it is necessary to devise a much more accountable and transparent system of management of AMR in Australia if we are to avoid another largely wasted decade. Successful development and implementation of a comprehensive strategy and action plan to reduce AMR requires there be strong political leadership and will; accountable public sector practice; one government department and minister with overall responsibility for reducing AMR; a single management body with its own legislative base which reports regularly and directly to the parliament and is empowered to self-initiate reports where necessary; a long term view and commitment with appropriate and ongoing resourcing; a coordinated cross-sectoral approach including public, community and private interests; and independent oversight of progress.

> The current Senate Inquiry into AMR provides an opportunity for development of a strong and credible Australian response to this global public health threat.

Given the pressing nature of the problem and the catastrophic impact of antimicrobial resistance, effective action must be taken urgently. The current Senate Inquiry into AMR by the Senate Finance and Public Administration Committees provides an opportunity for development of a strong and credible Australian response to this global public health threat.

Culture of Resistance: Australia's response to the inappropriate use of antimicrobials is available to download from www.tai.org.au. §

Trouble with childcare

For years governments have tinkered with childcare costs, throwing money into benefits and rebates during election years, but never seeming to fix the problem of affordability permanently. David Baker argues there is a need for a better long-term solution.

In the prime minister's open letter to the nation published in the *Sunday Telegraph* on 13 January 2013, Julia Gillard effectively launched her re-election campaign. In her letter Ms Gillard wrote of "more assistance with childcare costs than before" — here we go again. The politics and policies of childcare affordability form a recurrent theme, guaranteed to receive media coverage and regularly feature as an election issue. Childcare was an issue in the 2004 election and again in 2007 — both times the result was increased money for families using it. But if money is allocated again in 2013 this approach would appear to be limited in its ability to provide sustained affordability. Perhaps a better approach is needed to address the affordability issues faced by parents and guardians?

The use of childcare in Australia has increased in recent years, along with the cost of childcare services. Data from the Australian Bureau of Statistics (ABS) shows that since 1999 the use of formal care has increased from 17 per cent to 22 per cent by 2008. This increase is attributed to growth in the proportion of children under five who are placed in long day care. Almost one million children spend some time in formal childcare.

The affordability of childcare services is an issue for many Australian families, with a greater proportion of families reporting difficulties in 2010 compared with 2001. In the intervening years there was a spike in recorded difficulties with the cost of childcare in 2005 followed by a smaller spike in 2008. Both of these noticeable increases in reported cost difficulties followed federal election campaigns during which childcare affordability was made an issue.

> The use of childcare in Australia has increased in recent years, along with the cost of childcare services.

In 2000 the Howard government introduced the means-tested Childcare Benefit (CCB). This new assistance payment replaced the previous Childcare Assistance and the Childcare Cash Rebate. Following the introduction of the CCB, the proportion of households reporting cost difficulties rose from just under three in ten households in 2001 up to almost 43 per cent by 2005.

> Recent reforms of government assistance have only provided, at best, relief from rising costs for a year or two.

In the next two years reported cost difficulties returned to a level similar to that recorded in 2003. It is difficult to work out how much of the increase in reported cost difficulties between 2004 and 2005 was attributable to electioneering on this issue or how much of the decline that followed was due to the introduction of the Child Care Tax Rebate (CCTR) that provided a non-means-tested, but capped, 30 per cent rebate for childcare costs.

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Paid to pollute

Subsidies to the fossil fuel industry, including the mining industry, are effectively cancelling out any benefit created by the federal government's carbon tax. Senior Economist Matt Grudnoff looks at why these industries have historically received such big hand-outs — and why it no longer makes good economic, let alone environmental, sense.

If people are asked what type of industries are most heavily subsidised they often talk about the car makers or perhaps renewable energy. But neither of these come close to the amount of assistance given to fossil fuel use.

The fossil fuel industry is one of the most subsidised industries in Australia. The subsidies it gets are so wide and so varied that it is difficult to pin point exactly how much they amount to. Various studies have estimated that the industry and the consumers of fossil fuels receive at least 10–15 billion dollars every year.

You might think that, as an economist, I would be against any form of subsidies — but this is not the case. There are many circumstances where subsidising something makes perfect sense.

There is nothing in economics to suggest that things that have positive flow-on effects or are highly beneficial for society should not be subsidised. The government subsidises all kinds of things like this, including health and education.

> The miners pay a corporate tax rate which is, on average, just 14 per cent compared to the national average of 21 per cent.

Governments might also give out subsidies if the industry has long-term potential but is struggling because of temporary circumstances.

Early last year there was a huge debate over the federal and state governments' decisions to give Holden $275 million in assistance over nine years. The debate concerned what this assistance said about us as a nation. Was assistance to the car industry worth it? Was the car industry sustainable in the long run? Could the money have been better spent elsewhere? All these questions and many more were asked. Lots of opinions both for and against were raised. And the debate was an important thing to have because it was, after all, a lot of money.

Yet when we hand over $10–15 billion to the fossil fuel industry every year there is no debate and no discussion. Why is it that $275 million over nine years needs a debate but $10 billion every year does not?

It's a shame there is no discussion about this, because even if we ignore the serious problems of climate change and other environmental issues and just focus on the economic issues, there is still no case for subsidising fossil fuels.

There are no positive economic spill-overs or large benefits for society. Indeed the burning of fossil fuels creates pollution, which is damaging to humans and damaging to our environment.

The fossil fuel industry is not in a temporary downturn. Indeed one of the biggest recipients of these subsidies is the mining industry. An Australia Institute study found that the mining industry receives $4 billion a year from the federal government alone. This does not include the substantial subsidies from the state governments.

It defies common sense to believe it needs government support. The assistance it currently receives only increases the amount of profit the industry makes.

In order to understand how to take away fossil fuel subsidies you have to understand a bit about why they got them in the first place.

Originally the government was concerned about generating electricity and connecting every house to the grid. Electricity was a fantastic way to increase people's health and wellbeing. In fact the government was not just subsidising it; the government owned it. Back before people were fully aware of the dangers of climate change, coal power seemed like a good way to achieve that goal.

> The Clean Energy Finance Corporation has been given $10 billion to spend on renewable energy out to 2020. The fossil fuel industry gets at least that much every year.

As an aside, it's important to note that the government poured huge amounts of money into setting up electricity generation and distribution. This was a time when not just coal fired power stations were being built but also when the Snowy Mountain hydro scheme was constructed.

At the time the Snowy Mountain hydro scheme didn't need to show that it could pay itself back in five years. Looking back today, people don't say 'wow that was a colossal waste of money; I bet the politicians who made that decision are red-faced and living in shame'.

There is nothing wrong with the idea that governments should fund large infrastructure projects that will have benefits for decades to come. In fact those kinds of projects make good economic sense.

The fossil fuel industry was built on government subsidies. The

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TAI

Big business in Australia

Concentrated power in business translates to a similar concentration of political power. This serves the narrow interests of a few, allowing them to circumvent regulatory attention and stifle important national debates, writes David Richardson.

Ross Gittins reported recently that the US political system has broken down. The US has entered a stage in history in which the distinction between government and business is blurred and governments tend to promote the interests of big business, often at the expense of the 99 per cent of Americans (or is it 99.9?) who don't earn lavish Wall Street incomes. Economic power has turned into political power. The US economy is now characterised by 'inequality, corruption, corporate power, environmental threats and psychological destabilisation'.

> Big companies are often in a position to outspend cash-strapped regulatory authorities and so win or settle legal cases and intimi-date these authorities.

That raises the question of the extent to which the same could be said of Australia.

A good indicator is the extent to which sales from big business dominate the economy. Allan Fels has claimed that the increasing dominance of Coles and Woolies means those two companies have an influence over virtually everything that is made in Australia. Figures from Deloitte suggest Woolies and Wesfarmers (which owns Coles) have sales of roughly 8 per cent of Australia's GDP compared with just 3.5 per cent for the top two retailers in the US and 5.5 per cent for the UK. Fels points to the many cases brought against Coles and Woolies for their consistent abuse of power.

Other figures confirm the Australian economy is dominated by big businesses and not the smaller businesses found in more competitive economies. For example, the Australian Tax Office (ATO) publishes figures for sales by size of the companies. It defines 'big' as those companies with sales and other income of $1 million or more. 2009-10 ATO figures show that 3,525 big companies recorded sales of $1,127 billion. That compares with total GDP of$1,292 billion in that year. Hence 87 per cent of Australia's GDP is accounted for by the sales of big business. The ATO uses a fairly low threshold to define big business. The Australian Bureau of Statistics defines a large business as having 200 employees or more. On that basis large businesses had sales and service income of $1,117.5 billion in 2010-11 or 80 per cent of GDP for that year.

> Former mandarins from the Reserve Bank and Treasury now occupy plum positions among the big four banks.

We can also examine this question by looking at share market data for the top end of town. Just the top five non-financial companies by market capitalisation had operating revenue of $240.2 billion in 2012, which is equivalent to 16 per cent of the Australian economy, while the top 10 controlled $323.9 billion or 22 per cent of GDP. Note that the figures exclude financial companies — especially the 'big four' banks which are four of the top five Australian companies by value. The financial companies also exercise considerable control over the activities of the rest of the economy. However, financial companies do not have a metric that is comparable to sales.

Companies that are in a powerful position are tempted to use their economic and political power to their own advantage. Big companies are often in a position to outspend cash-strapped regulatory authorities and so win or settle legal cases and intimidate these authorities. No wonder that business interests like to cut government spending and aim for slim bureaucracies! Big companies are also in a position to influence the public debates on matters such as the carbon and mining taxes. It is worth pointing out that the big four banks are able to offer very attractive post-retirement packages to influential public servants; former mandarins from the Reserve Bank and Treasury

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Early intervention critical to mental health

Amanda Bresnan, former Greens' member of the ACT Legislative Assembly and Director of Policy of the Mental Health Council of Australia, writes that mental health requires real action rather than yet another roadmap or report.

Review of the mental health sector has received considerable attention in recent years. While there has been an increase in federal and some state and territory mental health funding, the problems with the system that have been highlighted for decades remain. Most people have to be in crisis before they receive help. Leading figures in the mental health sector lament that reform has stalled and that it seems governments have moved on to the 'next' focus issue — mental health is no longer a priority.

> If a person with a mental illness is provided with help early on this will have a significant impact on preventing crises and enable them to lead a fulfilling life.

The most recent reports have been the National Mental Health Commission's *A Contributing Life: the 2012 National Report Card on Mental Health and Suicide Prevention*, and the Council of Australian Governments' (COAG) *The Roadmap for National Mental Health Reform 2012-22*.

The Report Card is disappointing in that it doesn't provide the critique and analysis that was hoped for by the commission, particularly in relation to the lack of detailed data on mental health. It also calls for a focus on issues that have been reported on many times before. The Report Card identifies four priority areas for action:

- according mental health a high national priority
- developing a 'complete picture' and monitoring and evaluating change
- agreeing on best ways to encourage improvement and better results
- analysing where the gaps and barriers are and agreeing on Australia's direction.

These priority actions are nothing new — the sector has been at this same place many times before. They are all areas which have been highlighted in numerous reports and inquiries, both government and non-government. Many people in the sector would have hoped by now that governments wouldn't have to be reminded, again, that mental health should be a priority.

The landmark report by the Mental Health Council of Australia in 2005, *Not for Service: experiences of injustice and despair in mental health care in Australia*, showed that the mental health system was failing to provide care to people experiencing a mental illness and that the long-term impacts of this were dire. While the issues identified in this eight-year-old report are now at least acknowledged, governments and entities such as the commission are still talking about agreeing on ways to address them. They seem to be on a roundabout of talks and discussions without actually reaching reform.

After the Report Card, there was the so-called COAG Roadmap. Over the last 10 years there have been four national mental health plans, two national policies, one national action plan, the national Report Card and now the Roadmap, along with various state and territory plans. The mental health system doesn't need more plans and reports which re-state the same issues and problems that are already known; it needs action.

> The Butterfly Foundation found that the total economic and social impact of eating disorders in 2012 was $69.7 billion.

For example, it is known that early intervention is critical — if a person with a mental illness is provided with help early on, particularly a young person, this will have a significant impact on preventing crises and enable them to lead a fulfilling life. There is currently no system of tracking what funding states and territories spend on this crucial area, and the Roadmap provides no leadership here. Crucially, there are delays in developing repeatedly called-for indicators.

> The mental health system doesn't need more plans and reports; it needs action.

We have little or no idea what difference funding and programs are having on the lives of people with a mental illness — are their lives actually improving? The Roadmap yet again delays the development of indicators. Some action can, at the soonest, be expected by the end of 2013, while other indicators won't be developed until mid-2014 or, at the latest, by 2016-17.

There were a number of other reports released in 2012 that confirm the impact the lack of services and focus on mental health is having on the community, particularly young people. The Butterfly Foundation released Australia's first socio-economic impact report on eating disorders — *Paying the price: the economic and social impact of eating in Australia*. This tragically overlooked report found that the total economic and social impact of eating disorders in 2012 was $69.7 billion, and estimated that the mortality rates are almost twice as high for people with eating disorders than the general population, with approximately 1,828 deaths from eating disorders in 2012.

A review of the admission or referral to discharge and transfer practices in public mental health facilities and

Continued on page 14

Time to flex shareholder muscle

Soaring corporate profits don't trickle down into our superannuation the way we are led to believe — in fact, returns to so-called 'mum and dad' investors are usually miniscule. Far more important, writes Richard Denniss, is the pressure smaller shareholders can exert collectively to ensure corporate responsibility.

'Mums and dads' seem to be replacing 'working families' as the focus of political concern in Australia. The biggest problem with the Whitehaven Coal media release hoax, many argued, was its impact on 'mum and dad investors'.

The language of mum and dad investors is as widely used as it is meaningless. Gina Rinehart is, of course, a mother of four children. Does that mean she is one of the investors that the commentators and politicians are so concerned about?

> Soaring bank fees and mining profits or cuts to the corporate tax rate, we are told, simply deliver benefits to 'mums and dads'.

What about the adults without children who may have lost money? Are we really unconcerned about them or is it just that the emotive language of 'mums and dads' is so attractive to all concerned that its inaccuracy is overlooked?

Mining companies in Australia are predominantly foreign-owned but it is unclear from recent commentary whether foreign mums and dads are as worthy of our concern as the 'ordinary Australians' we hear so much about.

The miners, along with the superannuation industry and the big four banks, have done a remarkable job popularising the idea that all Australians own a share of all companies thanks to their super. By that logic, anything that hurts any company is 'bad' for Aussie mums and dads. And that is, of course, the impression that the corporate and political spin doctors are trying to create. But what about when the courts tell the banks they cannot impose punitive charges; is that bad for mum and dad investors as well?

There can be no better argument that Australians are all 'in it together' than that through superannuation, we are all the common beneficiaries — and common victims — of all acts against corporate Australia. Soaring bank fees and mining profits or cuts to the corporate tax rate, we are told, simply deliver benefits to 'mums and dads'.

Similarly, anything that hurts a big company is now described as hurting us all.

The biggest problem with the notion that superannuation means we are all in it together is that it's simply not true. Only those who do paid work make superannuation contributions, which means 50 per cent of Australians have no superannuation at all. These people with no super are disproportionately low-income earners and female. The idea that the more profit the banks make from ATM fees the better off we all are is Orwellian language at its finest.

Of course, many Australians do have superannuation, but that doesn't mean that the corporate pie is shared evenly either. The wealthiest 20 per cent of households own 72 per cent of super while the 20 per cent with the smallest super balances own only 1 per cent of the assets.

> The problem in Australia is that all of the talk about the benefits of share ownership is dominated by talk of money rather than governance.

While superannuation has done little, if anything, to redistribute wealth from the mums and dads with billions to the mums and dads with nothing, it does have the potential to drive the kind of changes in corporate conduct that the vast majority of Australians think is fair and reasonable.

Most of Australians are concerned about climate change and most accept that you can't tackle climate change by carving out new coalmines. But as with attitudes to same-sex marriage and voluntary euthanasia, the majority opinion doesn't rule in Australia. But it could.

The tiny, tiny shareholdings and super balances that deliver tiny returns to most Australians add up, in most cases,

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Time to flex shareholder muscle from page 13

to substantial shareholdings in many of Australia's biggest companies. And the directors of companies, as well as their corporate conduct, are determined by the majority of shareholders.

The goal of the new ACCR is to not just put motions for improved corporate governance at shareholder meetings but to shift the vote necessary for such motions to succeed.

The problem in Australia is that all of the talk about the benefits of share ownership is dominated by talk of money rather than governance. But a step towards overcoming that problem was recently taken with the establishment of the Australasian Centre for Corporate Responsibility, whose goal is to not just put motions for improved corporate governance at shareholder meetings but to shift the vote necessary for such motions to succeed.

While the distribution of Australian shareholdings is more equal than in the United States, the notion of shareholder democracy is much more deeply entrenched in America than it is here. Each year hundreds of motions to restrict companies from using slave labour, report their greenhouse gas emissions and limit their use of contractors as replacements for permanent staff are put forward and debated in the US. The combination of member-owned super funds and member-initiated shareholder motions could be a powerful reforming force in Australia, but only if organisations such as the new Australasian Centre for Corporate Responsibility are successful in both drafting implementable motions and convincing the big super funds to focus on the broad interests of members, not just the short-term financial returns on which CEO bonuses are based.

The hoax press release by Jonathan Moylan was designed to highlight the fact that the ANZ bank says it doesn't lend money to environmentally harmful projects when in fact it does so regularly.

While the hoax's impact on 'mum and dad' shareholders was massively exaggerated, the potential power of these shareholders is systematically underestimated. While few Australians own anywhere near enough shares to notice the impact of the daily wobbles in share prices on our incomes, together we all own enough to make most companies do exactly what we want. The challenge is to focus that power through well-crafted motions and to ensure the super funds that manage our money on our behalf are willing to support those motions. The Australasian Centre for Corporate Responsibility will hopefully play an important role in achieving both.

This article first appeared in The Canberra Times as part of Richard's fortnightly column. All of Richard's columns are available on the Institute's website. §

Early intervention critical to mental health from page 12

services in Western Australia, undertaken by Professor Bryant Stokes, noted that there appeared to be an absence of a single point of authority with responsibility for accountability for consumer care and consistent process and practices, and that these tensions were exacerbated by demand not being met by service provision.

While governments continue to debate indicators and argue about who is responsible for mental health, the needs of people living with a mental illness and their carers are not being met and they will continue to suffer. §

Can you shout us the cost of a coffee each week?

It's hard to put a price on good ideas but regular donations, even just the cost of a coffee, definitely help them percolate. The Australia Institute relies on the generosity of its members and supporters to fund its research so if you're in a position to make a regular donation, we're in a position to spend every cent of it producing more 'research that matters'. It's easy and secure to donate via the website www.tai.org.au: click the 'donate' tab and then select the monthly contribution button or just give us a call on 02 6206 8700. All donations of $2 or more are tax-deductible.

Hockey at it again

In a recent speech, Shadow Treasurer Joe Hockey praised Hong Kong's system of low taxes and the reliance on family for financial support. What emerges from his rhetoric is the Coalition's vision of low taxes for the rich, and vast welfare cuts for everyone else, writes David Richardson.

In an interview with the *Australian Financial Review* published on 17 January, while many of us were still on holidays, Joe Hockey made it clear that the Coalition's agenda will include tax cuts for the rich and benefit cuts for the poor.

> The mobility of high income earners and corporations is used as an excuse to tax them lightly.

Hockey said there would be "greater 'respect' for taxpayers, including the very wealthy". He talked about the French case of Gerard Depardieu and the fact that Nathan Tinkler moved to Singapore last year. Tinkler may be a bad example — Australia's tax rate is probably the last thing on his mind as the creditors circle his assets. The mobility of high income earners and corporations is used as an excuse to tax them lightly, but one unhappy French actor is not strong evidence. Certainly with respect to the company tax, a recent Institute report, *The case against cutting the corporate tax rate*, shows there is no evidence for the proposition that taxes cause investors to go offshore. But ever since Reagan in the US the catch cry has been that we are forced to cut taxes for business and the rich and, when the revenue disappears, we have to cut services for everyone else.

The other topic raised in the AFR interview is his speech in London in April last year, 'The end of the age of entitlement', in which he praised the economic model in countries such as Hong Kong and stressed that 'Hong Kong is our competition'. In the recent *Financial Review* interview he said:

It [reducing entitlements] will be a theme for me and it sits very comfortably within the Coalition's theme. That is the commitment to live within our means. Australians can no longer afford a lifestyle that is fuelled by debt.

So we cut taxes for the rich because that is just the logic of the marketplace but, having sacrificed revenue, we need to cut entitlements to 'live within our means'.

In his London speech Joe Hockey went into more detail about the entitlement model he prefers. He stressed that Hong Kong is 'without a safety net' and 'the sense of government entitlement … is low'. He made this claim after his visit to Hong Kong in September last year and presents it as a very desirable feature of the Hong Kong model. Hong Kong also has very low tax rates, with a company tax rate of 16.5 per cent compared with 30 in Australia, and, for people, a top marginal tax rate of 15 per cent compared with 45 in Australia.

The implication is that we should scrap the dole, sole parent benefits, the age and disability pensions and any other entitlement that goes to poor people.

> Joe Hockey seems to think the modern welfare state can be replaced by returning responsibility to the family.

Hockey said that in Hong Kong, "the family unit is very much intact and social welfare is largely unknown". He went on:

The concept of filial piety, from the Confucian classic Xiao Jing, is thriving today right across Asia. It is also the very best and most enduring guide for community and social infrastructure.

So Hockey thinks the modern welfare state can be replaced by returning responsibility to the family.

If the Hong Kong model is so good, what is the position of the poor in Hong Kong? The reality is of course very different to Hockey's ideal; it is unlikely that he met up with many of the poor while in Hong Kong.

Continued on page 19

Foreign aid works from page 3

million children were enrolled in school who otherwise may not have had an education.

Australian aid also trained almost 125,000 teachers and provided 3 million textbooks.

When the announcement was made to divert $375 million of overseas aid to helping refugees in Australia, our nation became the third biggest recipient of our own foreign aid program.

While visiting development projects I have seen time and again the difference that this money makes, giving hope of a better future to children who, in some cases, have never known anything but the most desperate, oppressive poverty. Yet our government won't even reveal which programs will be impacted by the diversion of those funds.

Next time a conflict or crisis hits, will we have to tell some of the 16.5 million vulnerable people we helped in the past that this time they are on their own? Are some of the 1.38 million people who received health and food vouchers going to be left without? Do we deny children an education or immunisation, the things we would never deny our own children?

> In the Pacific region, four million people — or roughly half the population — live in poverty, and improvements in health are in danger of going backwards.

The government prides itself on the transparency of its foreign aid program, and the report specifically highlights one of the key pillars of effectiveness as a "transparent aid program with information that is accessible and available to Australians".

Foreign aid works. The government's own report proves it. There is no excuse for diverting money out of overseas programs in violation of a repeated commitment to increase foreign aid. To do so without explaining who will suffer compounds the injustice by undermining the government's commitment to transparency.

There are seven and a half months until Australians go to the polls, but before they do, both parties need to explain where they stand on foreign aid — and that should involve acknowledging the very real difference it makes to so many lives.

You can learn more about the work of World Vision *by visiting www.worldvision.com.au* §

Trouble with childcare from page 9

That there were delays in the actual payment of the CCTR of between 18 months and two years, due to the need for parents to incur the costs before receiving the rebate, suggests that a sizable proportion of the spike in reported difficulties was likely due to electioneering.

During the 2007 election campaign affordability was again an election issue. A new government was elected and delivered on a promised increase to the CCTR from 30 to 50 per cent. The Rudd government also made the CCTR a direct payment and renamed it the Child Care Rebate (CCR). Once again, having spiked after an election campaign the rate of reported cost difficulties again returned to the levels recorded after the last spike.

Cost difficulties can be measured by calculating a ratio based on the proportion of household disposable income spent on childcare. The Australian Council of Social Services and the Brotherhood of St Laurence have previously argued that this ratio should be five and six per cent respectively for low income families. The Department of Education, Employment and Workplace Relations has promoted the success of government policies that have achieved a higher ratio of 7.5 per cent.

> The prime minister has already flagged that further money for parents will be on offer in the 2013 election campaign.

Analysis of the Household, Income and Labour Dynamics in Australia (HILDA) Survey data included in The Australia Institute's forthcoming policy brief, *Trouble with childcare*, finds this government threshold is being exceeded by many Australian families, including families living in areas of lower relative socio-economic advantage. The data also shows that between 2003 and 2008 the ratio trended upwards, exhibiting some correlation with reported difficulties but without the same decline following elections. Cost difficulties are an ongoing issue for Australian families and recent reforms of government assistance have only provided, at best, relief from rising costs for a year or two.

Families paying for childcare are facing persistent problems with the cost of childcare and need sensible policies that will address the issue of affordability. The prime minister has already flagged that further money for parents will be on offer in the 2013 election campaign. The problem is that these policies only deliver short-term increases in support, and, arguably, do more to increase profits for private childcare providers. It is time for policy proposals that consider how public money might be better allocated to achieve longer lasting childcare affordability rather than simply promising more money. §

Getting the 'research that matters' to the people who matter from page 4

what matters to these communities — to inform our research. It's one thing to look at the macro-economic statistics, but the really important thing is to understand how this plays out in farms, factories and homes across the country.

Of course, we don't just talk to industry representatives and politicians. We hold regular public forums, and speak at events organised by local communities. And again, we are finding a huge appetite for understanding the forces behind local business closures, job losses and the industrialisation of rural areas.

We also conduct research relevant to the specific regions we visit and the industries that are most important to those regions.

On a recent visit to Cairns, where I spoke at the Reef at Risk forum organised by the local Cairns and Far North Conservation Council, we released new analysis contrasting the global rise in tourism to the drop in international visitors to the Cairns region, and its relationship to the mining boom. Being in a position to present such relevant research allowed us to present to the Cairns Regional Council, meet local MPs and business leaders, and generate considerable media interest.

Similarly, the release of *Beating around the bush*, a study showing the enormous impact of the high dollar on farmers' export incomes, coincided with a public event in Cairns where Nina Murray from Agforce and Andrew Dettmer, the National President of the AMWU, spoke publicly about the impact of the mining boom on their industries. The report gained an enormous amount of media attention across rural Australia.

Over the past six months, we have presented the findings of our research papers at events and public meetings held in Gloucester, Wollongong, Newcastle, Mackay, Louisa Creek, Townsville, Melbourne and Cairns, among others. In each of these areas we have met with local councils, regional development associations, regional tourism bodies, university staff, manufacturers, labour councils, unionists, farmers, state and federal MPs and many community groups running strong grassroots campaigns against coal and coal seam gas.

There is a huge appetite for understanding the forces behind local business closures, job losses and the industrialisation of rural areas.

Next up is North West NSW, visiting Tamworth, Narrabri, Moree and Gunnedah — with further events planned for the Hunter Valley, the Sunshine coast in Queensland and Toowoomba.

Mining employs around two per cent of the Australian workforce. The industries most impacted by mining employ millions of Australians. The Australia Institute's public outreach seeks to make sure this important research reaches the people who need it most and that their experiences help inform our research. §

Free resources for your community meetings!

If you are holding a community meeting or public forum on how your region is being affected by coal or coal seam gas, the Institute provides free resources for download via our website.

Check out www.tai.org.au/resources or email Mark Ogge, our Public Engagement Officer, at mark@tai.org.au.

Big business in Australia from page 11

now occupy plum positions among the big four banks.

On top of that, when we examine the ownership of the top Australian companies we find the same owners dominate. There is also a relatively small group of company directors in Australia who sit on each other's boards and the remuneration committees of those boards. These are also the people governments like to consult when devising new policy and appoint to inquiries into matters of public policy. For example it is normally business people who are appointed to the inquiries into business tax arrangements — as if no one else had any interest in the revenue governments are able to get out of the top end of town.

Perhaps we are not yet as bad as the US but the same tendencies are there and it pays to be ever vigilant.

One difference between Australia and the US that Gittins did not mention is that the US has a tradition of suspicion about big business that Australia does not have. Steinbeck's *Grapes of Wrath* expresses well the loathing people had of the big eastern banks in the 1930s.

The US had a tradition of busting up concentrations of economic power, such as the break-up of Rockefeller's Standard Oil monopoly and more recently 'Ma Bell', the telephone monopoly. The US used to put severe restrictions on how big the banks could get. As Fels says, Australia has let its two retailers get too big — it is likely we have also allowed other dominant firms to get too big in the Australian market.

A copy of Corporate power in Australia is available to download from www.tai.org.au. §

Paid to pollute from page 10

If you would like to view all our infographics on topics ranging from climate change, forestry, loneliness and government debt, log on to our Tumblr site via the icon on our homepage www.tai.org.au

infrastructure was built before the full impact of the environmental damage that the industry does was known. But it's an industry that is used to getting subsidies and an industry that will fight to keep them.

Unlike industry assistance to car makers, the mining industry receives most of its assistance from tax concessions. That is, rather than getting cash they are allowed to pay less tax.

These tax concessions are huge. So large in fact that the mining industry has the lowest average corporate tax rate of any industry in Australia. The miners pay, on average, just 14 per cent compared to the national average of 21 per cent.

Getting tax concessions has allowed the industry to avoid scrutiny because there is no actual transfer of money. There is no line in the budget that shows how much is going out. Instead they are quietly paying less tax year by year.

There is of course no real difference between paying billions of dollars less tax and getting billions of dollars in hand-outs. It's just that tax concessions tend to escape government and media scrutiny.

> The government is giving over $13 billion in subsidies to fossil fuels but has only collected about 7.7 billion dollars from the carbon price.

The second reason that they have been able to hang onto their subsidies is because governments generally, and this federal government in particular, have been particularly bad at standing up to vested interests. You only need to look at the debacle of the mining tax to see why. Who would have thought if you let the three biggest mining companies design a mining tax then they would end up paying very little?

The carbon price is another example of the government's inability to stand up to vested interests. The biggest polluters were able to get the government to hand over enormous amounts of compensation, including the most polluting industries getting 94.5 per cent of their permits for free.

The third reason why the fossil fuel industry has been able to hang onto government subsidies for so long is because the fossil fuel industry has far more incentive to hang onto them than the rest of society has to remove them.

Tax concessions mean that the fossil fuel industry pays less tax and because of this the rest of us have to pay more tax. The rest of us are a large group and therefore only pay a bit more each. But that 'bit more each'

Continued on page 19

Paid to pollute from page 18

adds up to billions of dollars. So while the incentive for each of us to stop the subsidies is small, the incentive for the fossil fuel industry to keep the subsidies is very large. As a result the fossil fuel industry have well-funded and organised lobby groups to prevent those subsidies from being removed.

So how do we remove these subsidies? The answer is for the rest of us to understand that this is a fight that cannot necessarily be won quickly — that it will require a consistent campaign that constantly asks governments and the media why we subsidise fossil fuels.

And the reason that we can ultimately win that fight is because there is no good reason why you would subsidise the fossil fuel industry. It makes no sense for the environment. It makes absolutely no economic sense and it is fundamentally unfair that one industry should get such special treatment at the expense of the rest of us.

Of course subsiding fossil fuels is not just a bad idea on economic grounds. If we are serious about climate change it is a stupid thing to do on environmental grounds. Fossil fuel use is the biggest creator of greenhouse gases. Every dollar we spend subsidising fossil fuel use is a dollar spent encouraging people to create more emissions.

We introduced a price on carbon in an attempt to reduce our emissions of greenhouse gas. If people have to pay to emit greenhouse gases then they will be discouraged from doing so.

You can see how keen Australia is about tackling climate change by looking at the money the government is collecting to discourage us from creating greenhouse gas emissions, through the carbon price. And compare that to the amount of money the government is spending to encourage us to release greenhouse gas emissions, through fossil fuel subsidies.

The fact that they are doing both at the same time is like a tug-of-war. With subsidies to fossil fuels pulling one way and the carbon price pulling the other way.

When we look at it this way we understand the infographic seen opposite.

You can see the giant mining truck is winning the tug-of-war against the electric car — the subsidies are beating the carbon price. This is because the government is giving over $13 billion in subsidies to fossil fuels and has only collected about 7.7 billion dollars from the carbon price.

In fact the really sad thing about this is that rather than introducing the carbon price, the government would have achieved more if they had simply scrapped subsidies to fossil fuels.

But it now has an opportunity to make real in-roads into changing Australia's reliance on fossil fuels. Taking away subsidies to fossil fuels will not only reduce people's incentive to use fossil fuels but will also free up billions of dollars for the government to subsidise things that can help fight climate change.

And we're not talking about small amounts. To put this in context, the Clean Energy Finance Corporation has been given $10 billion to spend on renewable energy out to 2020. The fossil fuel industry gets at least that much every year. Imagine what could be done with that amount of money.

You can't go forward until you stop going backwards. It's time to stop subsidies to fossil fuels.

This is an extract of a speech given by Matt Grudnoff at the Sustainable Living Festival in Melbourne. §

Hockey at it again from page 15

The aged and infirm in Hong Kong live well below the poverty line. In fact the London speech did not mention the 1.26 million poor in Hong Kong. According to CNN, many of Hong Kong's poorest are living in 'coffin homes' — tiny homes little bigger than coffins. Oxfam says one-in-six poor families are caught in a hunger trap and many have to scavenge for food. Seventy two per cent of poor children eat leftover foods.

Many of the aged do rely on their sons and daughters for the bulk of their income, including income in kind. They can get a reasonable pension only if they get their offspring to sign a 'bad-son' statement — a statement that their son or daughter will not provide support. But parents are reluctant to ask their children to sign. Supporting parents becomes a huge burden on the young, both financially and in the sense of sharing scarce and expensive rental housing.

> The implication is that we should scrap the dole, sole parent benefits, the age and disability pensions and any other entitlement that goes to poor people.

This is the brave new world of Joe Hockey. Even if the Coalition won control of both houses of Parliament we know it would not dare to take Australia all the way to Hong Kong, or at least not quickly. But this is the vision they have in mind. John Howard's vision was to smash the unions and switch much of the tax burden onto indirect tax. He didn't do it immediately, but eventually we got the GST and Work Choices. At first Howard denied he would go as far as the recommendations of the National Commission of Audit, but eventually he did.

Hockey has now warned us about the Coalition vision.

The case against cutting the corporate tax rate can be downloaded from www.tai.org.au §

The Australia Institute
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Institute News

New publications

Still beating around the bush, M Grudnoff, February 2013

Culture of resistance, K Tucker, February 2013

Corporate power in Australia, R Denniss and D Richardson, February 2013

The case against cutting the corporate tax rate, D Richardson, December 2012

Opinion pieces

All opinion pieces written by the Institute's staff can be downloaded from the website www.tai.org.au

PM stokes the wrong fire, *Australian Financial Review*, 19 February 2013

Every CSG well another nail in manufacturing's coffin, *The Drum*, 14 February 2013

Population policy ignored, *Australian Financial Review*, 5 February 2013

There is no "opt out" clause, *The Canberra Times*, 2 February 2013

Limiting Australia's ballooning coal exports is good for the economy, *The Conversation*, 1 February 2013

Competition vital in online marketplace, *Australian Financial Review*, 22 January 2013

Time to flex shareholder muscle, *The Canberra Times*, 19 January 2013

Timber looks to bailouts, concessions to ward off undertakers, *Crikey*, 18 January 2013

The CCA's forestry fumble, *Climate Spectator*, 20 December 2012

Youth engagement

The Australia Institute is taking its research to the problem-solvers of the future by making papers, newsletters and membership offers available to university students during O-Week. Our material has been sent to universities in NSW, Victoria, Queensland and Canberra. This year TAI will also launch a nation-wide writing COMPETITION for students and young people, with an opportunity to be published in the quarterly newsletter. The Institute also hopes to survey first-time voters in the lead-up to the election to find out what is likely to influence their vote.

For more information contact TAI's Youth Engagement Officer Bridget Griffiths email: bridget@tai.org.au ph: 0450 050 927 and keep an eye on our Facebook page www.facebook.com/TheAustraliaInstitute for upcoming events in 2013.

Facts Fight Back

"*Time is not for wasting. So decisions have to be made about how we use our time this year.*" Prime Minister Julia Gillard, National Press Club, 30 January 2013

We agree! Which is why **we're hoping you will help us put progressive ideas front and centre of the election campaign.**

We couldn't stand it if the next seven months focused on scare campaigns about boats and debt.

If you want to hear our politicians be challenged on real issues like why fossil fuel companies receive government handouts or why the very rich receive billions of dollars in tax concessions, while the government struggles to find money to fund essential services, **then please DONATE to The Australia Institute's Research Fund.**

We will be launching our Facts Fight Back website very soon and with your help we can check even more facts — or fictions — that arise over the cause of the long election campaign.

Please consider making a one-off or more regular donation. All donations of $2 and above are tax deductible and every cent will be spent on research. You can donate via the website www.tai.org.au or give us a call on 02 6206 8700.

Let's make this election campaign count for all of us who believe in a more progressive and fair Australia.

Thanks again for your support.