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Tarkine wilderness another victim of the mining boom

For eight years conservationists have fought to have the Tarkine rainforest in Tasmania included on the National Heritage List. Yet despite its eligibility it is under threat from large mining projects and a federal government reluctant to give responsibility for its listing to an independent arbiter. Andrew Macintosh and Deb Wilkinson from the ANU's Australian Centre for Environmental Law explain.

Since 2004, a small and committed band of conservationists have fought to have the Tarkine — a 430,000 ha wilderness in north western Tasmania — included on the National Heritage List. Its eligibility for inclusion on the list is beyond question. The area has one of the highest densities of Indigenous archaeological sites in the country, contains several sites of international geoconservation significance, has the largest tract of cool temperature rainforest in Australia and is home to several iconic threatened species, including the giant freshwater crayfish and Tasmanian devil. If its suitability for inclusion was ever in question, it was eliminated with the accidental release of an Australian Heritage Council report in 2011, which confirmed that it believed the Tarkine met the criteria for listing.

> In the past, the great threat to the area was forestry. Now, with the sustained high commodity prices, the major threat is mining.

Despite its credentials, and the passing of eight years, the Tarkine has still not been included on the National Heritage List. This means that the heritage values of the area are not protected under federal environmental law. In the past, the great threat to the area was forestry. Now, with the sustained high commodity prices, the major threat is mining; and the Tasmanian Government. Three large mines are planned for the Tarkine, along with a 'tourist road' that will run past the front gate of one of the mines.

> A farcical situation exists in which the federal Environment Minister cannot consider the Tarkine's heritage values in any environmental assessments for mining projects.

When the road proposal first emerged in 2009, the then Environment Minister, Peter Garrett, responded by including the Tarkine on the National Heritage List using emergency powers. After Garrett's departure from the portfolio, his replacement, Tony Burke, allowed the listing to lapse. Immediately afterwards, the first of the large new mining developments, an iron ore mine proposed by Shree Minerals, was referred to Minister Burke for consideration. The fact that the Tarkine was not included on the National Heritage List meant that he could not consider its heritage values when deciding whether the

Tarkine wilderness another victim of the mining boom from page 1

mine required formal environmental assessment and approval. We now have the farcical situation in which the project is undergoing an environmental assessment that cannot, by law, cover heritage impacts.

Late last year, a coalition of environment groups wrote to Tony Burke requesting that he use his emergency listing powers to put the Tarkine back on the National Heritage List. Their move was prompted by knowledge of an impending referral to the Minister for a huge tin and tungsten mine at Mount Lindsay in the southern Tarkine and the likely resubmission of the tourist road proposal. With the ghost of the Latham forestry debacle of 2004 still haunting the Labor Party, Minister Burke's response was unsympathetic. He refused to relist the Tarkine and subsequently made referral decisions on both the Mt Lindsay mine proposal and the tourist road. Like the Shree Minerals proposal, both of these projects are now undergoing an environmental assessment in which the federal government must pretend that the area has no heritage values.

Given that these major projects are now undergoing assessment, and that any future heritage listing will have no impact on the approval process or their approval status, one might question the protective value of putting the Tarkine on the National Heritage List. Certainly, given its well-known heritage status, it would seem fruitless at this stage to undertake further heritage assessments.

> In opposition, the Labor Party argued for an independent body to determine heritage listings.

Despite this, the Australian Heritage Council, having already found that the Tarkine meets the criteria for listing, is currently busying itself with an additional assessment of the area's values. To add insult to injury, the assessment is not what it might first seem. By law, in making recommendations about listings, the Australian Heritage Council is only allowed to have regard to whether the place meets the National Heritage criteria. It is not supposed to consider economic, political or social issues; these are left to the Minister when making decisions concerning the approval of development applications.

Notwithstanding these requirements, the Council appears to be locked in negotiations with the mining lobby and the Tasmanian Government about the boundaries of a future listing. In short, the mining lobby want to draw the boundaries around mining areas. The carving out of areas from the Tarkine listing would be at odds with the approach taken to other listed areas, like the Tasmanian Wilderness World Heritage Area, where the whole place is protected.

The tragedy for the Australian taxpayer is that, despite millions being spent on this eight year heritage assessment process, it appears that the Tarkine will only be listed once all potential mining projects have been approved. With the mining boom in full swing, this could still be many years away.

The root cause of the problems associated with the listing of the Tarkine is the fact that the Environment Minister determines what is and isn't included on the National Heritage List. This system was put in place by the Howard Government in 2004. In opposition, the Labor Party raged against its introduction, arguing that the Australian Heritage Council should remain the arbiter of what gets listed. To this day, it remains part of the ALP National Platform that heritage listings should be determined by an independent, expert body. §

Action trumps vision

Politics is the art of the possible and while Julia Gillard might not be popular she has certainly been effective at getting her agenda through Parliament. The Australia Institute's Executive Director Richard Denniss discusses why he thinks the left side of politics can learn from John Howard's legacy.

The left side of politics needs to get over its obsession with vision and leadership. While it may be hard for some on the left to admit it, it is pretty clear that John Howard was a radical, transformative and long-lived prime minister. He was never lauded, even by his own party, as visionary. But he was. Indeed, a large part of his success was due to other people denying he was achieving anything.

> John Howard drove major changes in areas such as health, education, industrial relations, indigenous affairs and national identity, changes which have lasted well after he lost office.

Those on the left who yearn for fine words and clear statements of vision should reflect on that.

In the realms of health, education, industrial relations, retirement income, indigenous affairs and national identity Howard drove major changes that have lasted well after he lost office.

This is not a defence of the direction of his vision, nor of the way he went about achieving it. It is simply an admission of the obvious. Howard delivered more change than he promised, was more visionary than those who could not even see what he was doing, and was playing a much longer-term game than the internal and external opponents he saw off.

And he wasn't poll-driven. The GST, the war in Iraq and Work Choices were not popular. John Howard spent his political capital driving the changes he believed in most. He did not crave popularity as an end in itself; he spent what early popularity he had on his vision. Indeed, he went into the 2007 election proudly defending his clearly unpopular industrial relations policy.

I opposed most of the big reforms that Howard succeeded in implementing. So did the ALP, the Greens, the unions and large slabs of civil society. But that didn't stop him. He was good at the job of making things happen in the face of opposition. And he was good at the job of staying in power.

But Howard was not loved by his party. And while many of the public warmed to him after he had been in the job for a decade, his relationship with the Australian people for his first six years was decidedly frosty.

He tripped up the stairs of the White House on one of his first big overseas trips which proved, for many at least, that he was clumsy on the world stage. While image matters a great deal in modern politics, it doesn't bear any relationship to the ability of people to do the actual job of governing.

The longer the progressive side of politics goes on and on about the need for inspirational leadership, the less likely it is that they will achieve the changes they want. US President Barack Obama was visionary, but was his health reform package? Obama was inspirational, but are his tax cuts?

We don't just need words from our leaders, we need deeds. It would be nice to have both, but John Howard showed quite clearly that sometimes it's easier to achieve the latter if you eschew the former.

> In talking up the significance of a policy change, politicians often attract more new opponents than they do new supporters.

While it is the exact opposite of what passes for good media strategy it is often the case that it is better to hide your light under a bushel rather than hang a lantern on your problems. In talking up the significance of a policy change, politicians often attract more new opponents than they do new supporters.

Kevin Rudd called climate change the great moral challenge but he failed to get his carbon price through both houses of Parliament. Some argue that Prime Minister Julia Gillard was a reluctant convert to the climate change challenge, but she got her scheme through. Which approach represents better leadership?

Politics is the art of the possible, and while there is no doubt that some "vision" and "leadership" can fire up

Continued on page 4

the indifferent majority from time to time, the task of seeing things through requires quite a different set of skills. While some people believed Rudd was strong on the former, almost nobody would suggest he was even competent at the latter.

> Where the Howard legacy looms largest over the current government is in the role of government, the role of tax, and the potential for the public sector to help solve private problems.

Rudd was a breath of political fresh air in 2007, but he was never an inspirational progressive. Indeed, in pursuit of the prime ministership he tried to look as much like Howard as he possibly could. While his slogans might have been all about change, in reality his policies and his demeanour were explicitly designed not to scare the horses.

Howard kicked off the 2007 campaign with $32 billion worth of tax cuts; Rudd countered with $30 billion of his own. Rudd proudly described himself as a fiscal conservative and criticised Howard's big-spending ways. Rudd, we were told, would take a razor, and then a meat axe, to the public service.

Visionary? Progressive? Not quite.

Rudd proposed to roll back Work Choices, but not too far. He proudly kept the Australian Building and Construction Commission. And while he loved the symbolism of signing the Kyoto Protocol, he refused to set emission reduction targets for his proposed emissions trading scheme before the 2007 election.

After all the talk about the science of climate change before the election, Rudd shifted quickly to the politics of placating polluters. Not a scientist in the country would argue that our five per cent emission reduction cuts were adequate, and barely a few economists would argue that giving the biggest polluters 94.5 per cent of their permits for free was necessary.

Big talk quickly turned into small action.

The vision may have been there, but the determination clearly was not.

John Howard's success owed much to the willingness of his opponents to underestimate him. A willingness he never seemed keen to overturn. In part he succeeded because of, not despite of, the fact that people underestimated him.

While the ALP was busy calling him "stuck in the past" and having a "white picket fence" view of the world he was busy fundamentally changing the future. He sold off assets we will never buy back, he reshaped the health and education system in ways that are difficult, if not impossible, to unwind.

And he changed the way Australians saw themselves, and others, particularly in relation to asylum seekers. Both major political parties now fight over where to process asylum seekers offshore, not whether to.

The ALP has successively shepherded some major and lasting reforms through both houses of Parliament. The $30 increase in the age pension, the introduction of government-funded paid parental leave and the National Broadband Network are all major changes that will deliver lasting benefits. The carbon tax and the mining tax, while less ambitious than they might have been, mark a turning point in the structure of the Australian tax system which, again, will deliver lasting change regardless of what Tony Abbott may currently be claiming.

But where the Howard legacy looms largest over the current government is in the role of government, the role of tax, and the potential for the public sector to help solve private problems.

Rather than providing the funds needed to invest in health, education, indigenous disadvantage or climate change, the proceeds of the mining tax are largely being diverted into lowering the corporate tax rate. While we are allowed to talk about reforming the tax mix, the Howard legacy means that it is still considered toxic to even consider substantially increasing the total amount we collect.

> In overwhelmingly endorsing Julia Gillard, the ALP caucus showed that they are not poll-driven. They are willing to make hard decisions and take risks.

Australia is one of the lowest taxed countries in the developed world. We could collect tens of billions of dollars in additional revenue if we closed

Continued on page 6

The use and abuse of economic modelling

Economic modelling can and often does make a useful contribution to policy debates, but the fact that it sometimes can should not be confused with the conclusion that it always will. As David Richardson points out, some of the claims based on 'economic modelling' the mining industry has made recently deserve much closer scrutiny.

Faced with equations, tables, numbers, and a set of results that give the impression of precision down to two or three decimal places, it can be difficult to argue with economic modelling. Results are presented as facts that very few of us feel confident enough to challenge.

> Many industries have been able to use economic modelling to claim large benefits to local regions.

Because of this, many industries such as mining have been able to use economic modelling to claim large economic benefits to local regions and the wider economy, usually with a particular focus on job creation.

Given the massive mining boom that Australia is experiencing and the number of prospective projects being touted, the Institute recently decided to put some of the industry's economic modelling to the test.

An analysis of the economic impacts of the China First mine examines the proposal by Clive Palmer's Waratah Coal to build one of the world's largest coal mines in the Galilee Basin in central Queensland. While the irony of the project's name shouldn't be lost on anyone, this venture is even more controversial, as it will transport coal through the Great Barrier Reef, and at a time when the world is attempting to reduce greenhouse gas emissions. However, despite the obvious environmental costs, the notion in some circles is that the economic benefits of the mine are so large that the costs are worth incurring.

> The China First mine in Queensland has the potential to significantly harm other parts of the economy.

Unsurprisingly, an economic impact assessment into the project that was commissioned by Waratah Coal and conducted by the AEC Group purports to show massive economic benefits flowing from the mine. However, a closer analysis of that study shows that the net economic benefits to Australia will, at best, be small.

Indeed, there will be substantial economic *costs* for significant parts of the broader economy. These include:

- 3,000 jobs will be lost across Queensland and Australia, particularly in manufacturing, agriculture and tourism
- $1,249.4 million of manufacturing activity will be lost
- Inflation will rise
- Small and medium sized businesses will be hit with higher bills for payroll and rent. This will result in some of them shutting down
- Housing affordability will decline for those who are not employed in the new mine
- Wealth will become less evenly distributed, with most of the benefits accruing to those employed in the China First mine.

Far from being a "shot in the arm" for Queensland, as the Premier described it when the deal with Clive Palmer was announced, this mine has the potential to greatly harm other parts of the State.

Another Institute paper, *CSG economic modelling*, examines the proposal by Santos to mine the coal seam gas reserves of North West New South Wales. According to Santos, economic modelling shows that the project will deliver "once-in-a-generation economic opportunities for the state, especially in regional areas".

Yet, reading the modelling a little closer shows that, on the contrary, the benefits to the local economy of the planned development will be quite small. The major beneficiaries will be the owners of Santos, who predominantly reside outside of the development area.

Continued on page 6

The use and abuse of economic modelling from page 5

The Santos modelling, conducted by the Allen Consulting Group, contains a number of findings that should be of interest to both opponents and proponents of the mine alike, including the following claims:

- Only 30 new gas jobs are expected to be created in the operational phase of the development
- 570 new public sector jobs will be created
- Despite the very small number of new mining jobs, the modellers find that economic output in NSW will grow by $821 million.

Due to the fact that the Allen Report does not provide a clear outline of the critical assumptions that they made, readers are at a disadvantage in trying to understand how such a small increase in direct employment could create nearly $1 billion in additional economic activity. Similarly, the reader is left to wonder how an investment in coal seam gas creates 570 new public sector jobs, as the report's authors provide no discussion of this intriguing conclusion. When reports produce results that do not make sense we have to suspect there is something wrong with the modelling.

While the reported findings in the Allen Report raise as many questions as they answer, those interested in the relative costs and benefits of the development should be even more concerned with the results that the report does not present. For example:

1. The modelling results appear to suggest that gas exports from the development will "crowd out" $646 million in other exports by driving the value of the Australian dollar higher.
2. The loss of $646 million in exports from other sectors is likely to cause the loss of 5,770 jobs in non-mining industries.
3. The Allen Report provides no clear discussion of the net macroeconomic consequences of the development.
4. The Allen Report includes just three paragraphs on the impact of the proposed development on the region's water resources. Water is a vital economic resource for the region, but no analysis of the environmental risks is attempted. The report does not provide evidence to support the assertion that treated water will be safe for crop and livestock use, or for release into local water ways.

Overall it is a very inadequate document that could have been reported unquestioned.

Economic modelling is a technique that can be used to show what the client wants to hear. What comes out of modelling depends on the assumptions that go into the modelling. So it is important that the modellers explain exactly what they have assumed and why and what would happen if they made alternative assumptions.

> It is important that modellers explain exactly what they have assumed and why and what would happen if they made alternative assumptions.

Even if everything else is above board, it is important to publish the *full* results. Economic modelling tends to show that there are winners and losers as a result of some major change in the economy. Yet when the results are written up it is tempting to concentrate on those positive results that put the client in a good light whilst downplaying the negative results that show who loses as a result of the major change. It is easy to show net benefits if you do not report the negatives.

A copy of the Institute's papers referred to in this article can be downloaded free of charge from www.tai.org.au §

Action trumps vision from page 4

some big tax loopholes and scrapped some big tax concessions to the mining industry. We could collect an extra ten billion dollars per year if we simply scrapped superannuation tax concessions for the wealthiest five per cent of Australians.

While it is true we need "vision", what we really need is the money to implement it. And there is no way that we will be able to collect that if we lack the resolve to take on the minority of businesses who receive the majority of the largesse. Last month the ALP caucus members showed that they were not poll-driven. In overwhelmingly endorsing Gillard, they showed that they are willing to make hard decisions, take risks, and stand up to the mob. I hope this approach will soon become evident in their willingness to stand up to mining magnates who have tantrums and big business people feigning fear at all of the "uncertainty" they face.

Prime Minister Gillard has made mistakes; all people do. Howard's first term was rocky, to say the least, with minister after minister resigning as a result of his Ministerial Code of Conduct. He dumped it. While she will not thank me for saying it, the Prime Minister is far more like John Howard than Kevin Rudd ever was. While she is clearly not highly popular, she has been effective in getting her agenda through.

The next step is to shift that agenda away from the neoliberal nostrums that tax is bad and government is worse, and towards a more nuanced debate about the ways in which a well-funded public sector can address the economic, social and environmental problems that we face. §

Chance to put money where it will make a difference

The landmark review of school funding undertaken by David Gonski recommended a $5 billion investment in Australia's government and non-government schools. Jane Caro and Chris Bonnor consider what our schools might be like in 10 years' time if the Gonski recommendations are implemented in full.

Relaxing in the green room after a TV panel show, a former MP from the NSW Parliament was asked why he had quit politics. "Well," he said, "I've got two kids and I didn't make enough money as an MP to send them to decent schools."

A more damning indictment of education policy at every level of government for the past few decades would be hard to find.

If someone had predicted 30 years ago that education funding and policy decisions made then would lead to an Australia where even Labor politicians felt that they had to pay a lot of money to get a decent education for their children, they would not have been believed. Yet this is a common view.

For more than a decade, we've known that our schools have been advantaging students at the top while slowly abandoning those at the bottom. Public schools in particular are becoming, to use John Howard's words, safety nets for the poor.

We don't believe anyone meant this to happen, and the Gonski recommendations give us a real chance to create something different. We've had such chances before, but they have been hijacked by vested interests, special deals and political timidity. We must not let that happen this time.

If the Gonski recommendations are implemented in full (we wish), what might schools be like in another 10 years? If every student is to benefit from a Schooling Resource Standard, we will need to boost support and achievement for those children starting out with the least and slow down the over-resourcing of those children starting out with the most.

Clearly support for some schools will increase faster than for others. This won't be based on any public-private division, but make no mistake: public schools are overwhelmingly where the need is greatest.

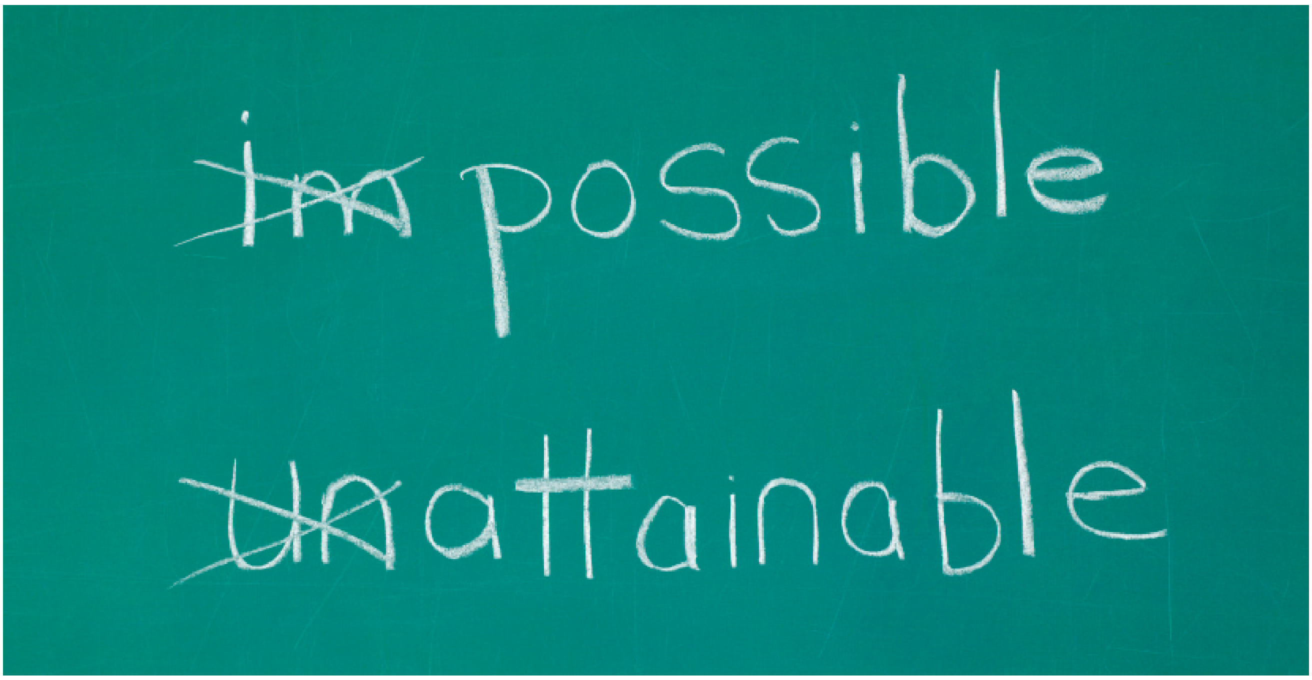
There will be a mix of funding: an amount for each student and additional loadings based on need.

Public schools in particular are becoming, to use John Howard's words, safety nets for the poor.

We are going to hear a lot about winners and losers, but what will it really mean for families wanting to choose a good school?

If we do substantially fund on need and lift student achievement, the smorgasbord of school choices is going to expand. At the moment, choice is only available to those families with mobility, money or children considered desirable — either due to academic, creative or sporting ability. This gives them access to private and public schools that are also considered

Continued on page 13



The unintended consequences of giving away free permits to big polluters

The complex design of the government's Clean Energy Future compensation package does not just shield some of Australia's dirtiest industries from the carbon price, but allows them to profit from it. Matt Grudnoff explains how.

Since the government's carbon tax legislation passed Parliament there has been very little scrutiny of how it will operate, and in particular how companies are likely to benefit from the generous, taxpayer-funded compensation measures offered under the scheme.

> Ammonium nitrate companies such as the accident-prone Orica could make windfall gains from the carbon price.

Most would no doubt be horrified to learn that Orica, the accident-prone chemical manufacturing company responsible for several major chemical leaks, is set to make millions from the carbon price compensation package.

In August 2011 Orica's environmental mistakes were considered so bad that the NSW Government stepped in and shut down its Kooragang Island facility after a chemical leak. A few months later in November there was another leak; this time a large ammonia cloud hospitalised two railway workers. In December Orica announced it would be re-opening the plant. Less than a day later, another 20,000 litres of ammonium nitrate leaked from the site. The Kooragang facility finally re-opened in February this year.

How can such a company be set to reap millions in compensation?

Orica makes a number of chemicals at its Kooragang Island facility, including ammonium nitrate which is used in fertilizers and explosives. The production of ammonium nitrate creates nitrous oxide as a waste product, which in turn is a powerful greenhouse gas, 310 times more potent than carbon dioxide.

Under the carbon price scheme, emission-intensive trade-exposed businesses are entitled to receive up to 94.5 per cent of their pollution permits for free. Given that the production of ammonium nitrate produces so much greenhouse gas, it is very likely that Orica will be eligible for this assistance.

But it gets worse. Because of the way the compensation package has been designed, companies such as Orica could end up being overcompensated for their activities.

If that sounds confusing, that's because it is. The compensation is based on the historical average of emissions that Australian companies produce, and does not take account of any emission reduction technology that is available to them. While they will get free permits based on their old emission intensity, they will pay for pollution based on their current emissions.

> Emission-intensive trade-exposed businesses are entitled to receive up to 94.5 per cent of their pollution permits for free.

To take the Orica example, nitrous oxide emissions can be easily and cheaply reduced using an existing technology already in place in other countries around the world. This technology can reduce emissions from nitrous oxide by up to 80 per cent, yet no current ammonium nitrate facilities in Australia have fitted this technology.

This means that Orica could cheaply reduce its emissions by up to 80 per cent but still be paid compensation on their historical emissions. In practice this means that Orica could end up getting more free permits than it needs. These extra free permits can then be sold off to other companies and the firm can make money from the assistance scheme.

> In practice they could end up getting more free permits than they need.

A report released by The Australia Institute estimates that if Australian firms installed the relatively cheap emission reduction technology in their Australian facilities, on current production levels, they could make approximately $50 million in windfall gains in the first year of the carbon tax.

Orica's Kooragang Island facility would be eligible for a big slice of the overcompensation. The company is planning to expand the facility and has claimed that it can cut nitrous oxide emissions by 65 per cent. If it did so Orica would be overcompensated by $31.10 per tonne of ammonium nitrate in the first year of the scheme.

This means that rather than Orica paying a price on carbon, the government would effectively be paying $31.10 for every tonne of emissions Orica produced.

At the facilities current size (430,000 tonnes per year) it could make up

Continued on page 9

Cartoon by Nicholson from "The Australian" newspaper: www.nicholsoncartoons.com.au

The unintended consequences of giving away free permits to big polluters from page 8

to $13 million in overcompensation in year one. With the expansion increasing the facility's capacity to 750,000 tonnes of ammonium nitrate per year, there is the potential for Orica to be overcompensated by up to $23 million in the first year.

Because of the way the compensation package has been designed we may even see international chemical companies choosing to move production to Australia in a process we've dubbed "carbon bloating".

Orica has a second facility at Yarwun in Queensland with a capacity of 580,000 tonnes. At full capacity it would generate $22 million in windfall gains in the first year.

And the cherry on top for these companies is that during the fixed price period the carbon price will increase faster than the assistance rates will decrease. This means that windfall gains are expected to increase over the three years.

This overcompensation has effectively escaped the notice of the public and media due to the complexity of the compensation scheme. Orica and other Australian producers are likely to expand production of ammonium nitrate when production is effectively subsidised by the government. We may even see international chemical companies choosing to move production from other nations to Australia in a process we've dubbed "carbon bloating", the opposite to carbon leakage, which we hear so much about from the Opposition.

After talking about carbon pricing for years, most Australians still don't fully understand how it works. The compensation package adds another layer of complexity that does not just shield some of the dirtiest industries from the carbon price, but allows them to profit from it. This results in a win for an already overcompensated industry, politicians who have moved on to another issue and a confused taxpayer left to foot the bill.

A copy of *Carbon bloating: The unintended consequences of giving away free permits* can be downloaded for free from www.tai.org.au §

Not all government payments are promoted equally

Unlike other forms of government assistance, the Education Tax Refund has been heavily promoted by the federal government to maximise its take-up. In a forthcoming paper David Baker continues his research on the important role of awareness campaigns.

Since early 2010, The Australia Institute has researched the extent to which Australians who are entitled to government assistance are missing out. As was reported in the December newsletter of that year, more than 168,000 people are failing to receive benefits worth more than $620 million across just four Centrelink payments. This is in no small part due to a lack of awareness campaigns by the government.

So, it is interesting to compare this situation with recent campaigns which promote new forms of assistance, often the initiative of the current government. The Education Tax Refund (ETR) is one such example.

The aim of the ETR is to:

… provide financial support to low income families to help meet the cost of primary and secondary school education.

The capped 50 per cent refund covers items such as stationery, text books, computer expenses, school shoes and uniforms.

The challenge of informing everyone eligible for this government assistance was recognised during the implementation of the ETR. As the federal Treasurer, Mr Wayne Swan, acknowledged:

"… without an advertising campaign there is a risk that eligible families will miss out on the refund."

In order to maximise take-up of the ETR, $9.3 million was allocated in the 2008–09 Budget to promote the refund. Compare this with the funding for ETR claims in the same budget, which was $1,015 million. The government was willing to spend one dollar for every $109 available in support.

According to an Australian Taxation Office report, as at 30 June 2010 only two out of three eligible families had made a claim, with payments totalling $615 million. This means that around 500,000 families had failed to take advantage of the initiative.

> The limited promotion of existing forms of assistance has played a large role in 168,000 people failing to receive benefits worth more than $620 million across four Centrelink payments.

The "lower than expected" take-up of the ETR meant that for every dollar the government spent promoting awareness of the refund, the value of claims generated was approximately $66. Low take-up persists, with *The Sunday Telegraph* reporting at the end of January that $300 million in education refunds was still going unclaimed.

Promotion of the ETR has emphasised the importance of keeping receipts for education related purchases. Although loss of receipts appears to be an important factor in the continuing low take-up of the refund, the process for making a claim if you are not a taxpayer is also an obstacle.

The government claims that low income earners are the target of the program, but this is not reflected in the data being collected, which only reports claim rates by taxpayers. The government needs to do more to ensure that low income families are benefitting from the ETR.

The fact that the scheme continues to be promoted shows that the government recognises the importance of maintaining

Continued on page 12

Choice on tax is simple

The need to simplify the tax system is a common catchcry of big business in Australia, yet they are the beneficiaries of numerous concessions which make the system far more complex than it needs to be. As Richard Denniss points out, making the tax system simpler by removing tax concessions would free up billions of dollars, which could be spent on disability insurance, education, public transport or addressing indigenous disadvantage.

In a world of spin there is a simple way to find out what people really mean: give them a choice to make. Big business in Australia is banging on and on about simplifying the tax system, again, but do they mean it? I doubt it. How can we tell? It's simple really; they never seem to support any of the most obvious ways to make the tax system simpler and fairer. Consider the following options for tax reform.

We could start by stripping away the estimated $15 billion dollars per year in tax concessions that we grant to the mining industry. That would simplify things quite nicely. At present the "complex" tax system has to make all sorts of distinctions, including deciding on whether diesel fuel is to be used "on road" (in which case it will be taxed), or "off road", where it will be tax-free.

> The federal budget loses more than $50 billion per year through tax concessions for the mining industry, superannuation, capital gains and the use of company cars.

We could remove the complex and distorting tax laws which ensure that income received from buying and selling things (that is, capital gains) is taxed at half the rate of income earned from going to work. Few people in Australia seem to understand that those who earn $80,000 per year from selling assets pay literally half as much tax as someone who goes to work and earns the same amount. This complex tax concession on income from capital gains costs the budget about $4.7 billion per year.

That brings us to the near $30 billion per year cost of tax concessions for superannuation, and all of the associated complexity. According to Treasury, about $10 billion per year of those concessions goes to the highest 5 per cent of income earners. At the same time, the lowest income earners, including those receiving disability or carers benefits, receive virtually nothing.

In January the government announced that a new superannuation roundtable would be formed to consider the ideas raised at the Tax Summit for 'providing Australians with more options in retirement and improving certain superannuation concessions'. The Australia Institute's Executive Director Richard Denniss was invited to be part of the roundtable, as was one of our Board members Ged Kearney in her role as President of the ACTU. The roundtable has met once and we will keep you posted on the discussions.

A much simpler system would be to divide the $30 billion up between all adult Australians and make a flat annual contribution to their super fund. If we wanted to make it fair, as well as simple, you could even means test such grants in such a way that those with the least received more, and those with the most received less. I wonder if the big end of town will support a "simple" idea like that?

Another clear case for simplification is the concessional treatment of company cars under the fringe benefits tax system. This subsidy, a subsidy that accrues almost entirely to the highest paid members of the community, actually increases if the car owner drives their car long distances each year. According to Treasury this little red tape generator costs the budget about $1.2 billion per year. I wonder when the executives will begin chanting for its abolition in the name of simplification. And finally, there is the concessional treatment of the biggest polluters under the incoming carbon price.

In recent weeks the campaign against the soon-to-be-introduced tax has shifted to the argument that the $23 per tonne starting price is just too high compared to schemes in other countries. What the government is too embarrassed to admit, however, is that the so-called "emissions intensive trade exposed" industries like steel makers will receive 94.5 per cent of their pollution permits for free. That is, they will not be paying $23 for every tonne of pollution; they will be paying 5.5 per cent of that, or about $1.27 per tonne.

It's hardly onerous. Wouldn't it be simpler if we just scrapped the near $10 billion worth of free permits that we are about to provide the biggest polluters? It seems, from their public statements at least, that they are unaware of the generous concessions. If that is indeed the case, then maybe they won't even miss them too much if we direct those funds into health or education.

> Under the carbon price steelmakers will be so heavily compensated that they will only pay around $1.27 per tonne of pollution.

The simple truth about the big business push for a "simpler" tax system is that what they really want is to pay less tax. Of course, they are entitled to

Continued on page 13

Not all government payments are promoted equally from page 10

awareness campaigns to ensure take-up is maximised. Unfortunately this recognition is not extended to existing forms of government assistance. In fact, performance measures used by Centrelink indicate that the government is satisfied if four out of five people receive the payment they would qualify for. As a result existing forms of assistance receive little promotion, while new forms of assistance, such as the ETR, are heavily promoted.

In the Institute's forthcoming policy brief, *Showing their helping hand*, it is estimated that $47 million in additional funding is needed to promote existing forms of assistance. This figure was determined by calculating the amount of assistance that people appear to be missing out on.

Centrelink is quite open about this lack of effort to market programs, stating that:

Centrelink did not undertake any communication campaigns in 2010–11.

In the case of the Education Tax Refund the government acknowledged the important role that awareness campaigns play in maximising take-up.

Nor did the Department of Families, Housing, Community Services and Indigenous Affairs undertake any such promotion. The Department of Education, Employment and Workplace Relations did report a campaign to promote awareness of Child Care Assistance in 2010–11, spending $8.3 million; although this is a good start, similar spending on existing assistance payments is required to go some way to ensuring that those entitled to government help are aware of it.

From the many examples that the Institute has researched, it is evident that the government does not give equal priority to promoting different forms of government assistance. Although the government continues to promote the ETR to ensure that take-up is maximised, there is only selective and minimal promotion of existing forms of assistance. Until the government treats all forms of government assistance as equally important and seeks to maximise take-up, many Australians will continue missing out on assistance intended for them. §

In January The Australia Institute published *Rubbery figures: An examination of the claimed and likely cost of poker machine reform in Australia*. The new Stop the Loss Coalition used this paper to counter the exaggerated claims of the clubs industry. Our analysis found moving to a system of mandatory pre-commitment would cost between $171 million and $342 million, significantly cheaper than the $5 billion that those fighting the reforms had suggested. The Institute's analysis can be downloaded from www.tai.org.au

Chance to put money where it will make a difference from page 7

desirable. A substantial funding boost to struggling schools (i.e. the schools left with the children no one else wants) could be a significant game-changer.

Those who have walked away from local schools will find that these schools are again serious contenders. When revamped and properly supported by a range of families, local schools will be firmly back on the radar.

> If we do substantially fund on need and lift student achievement, the smorgasbord of school choices is going to expand.

No doubt some private schools could become more expensive as their public funding reduces in real terms. These will be the schools that enrol the more advantaged students. That's why they will have less call on the public funds needed to create a resource standard for all students.

Their fees will go up, but they do anyway. Public funding has never made these schools more accessible.

The fortunes and affordability of other private schools will vary. The My School website shows some are far less needy than others. Anglican schools, for example, disproportionately cater for the advantaged — far more so than Catholic and non-denominational Christian schools. They will need to strike a better balance of enrolments to keep their funding.

In Australia, unregulated and subsidised choice on one hand and equity on the other have become polar opposites. We've tilted the balance towards choice for some at the expense of opportunities for others. For the children trapped in underfunded and low socio-economic schools it is a double whammy: they have always struggled; now they are increasingly surrounded by children just like them.

As the Organisation for Economic Co-operation and Development pointed out recently, lumping low achievers together is a recipe for falling academic standards. And indeed, Australia is the only OECD country where academic achievement has fallen, despite an increase in education funding.

> Australia is the only OECD country where academic achievement has fallen, despite an increase in education funding.

Our problem is not how much money we spend on education but where we spend it. The Gonski review gives us an opportunity to stop over-investing in children who are already well resourced and achieving highly, so we see little return for our money, and start putting our money where it will make the most difference — with the schools who teach the students who are being left behind.

Jane Caro and Chris Bonnor are the authors of the forthcoming book 'What makes a good school', from NewSouth Publishing. This article was first published in The Sydney Morning Herald. §

Choice on tax is simple from page 11

look after themselves. But the fact is that lots of other people really want more money spent on services and infrastructure. The problem is that only one group can get what they want.

Business groups understand that calling for tax cuts makes them look greedy, especially when mining profits, bank profits and executive pay are at an all-time high. So rather than simply come out and say that we should give them tax cuts, they talk endlessly about the need to simplify the system. The fact is that they would prefer to see more money go into the pockets of their shareholders than see it spent on the Productivity Commission's disability insurance scheme or the Gonski review's education reforms. Indeed, it would be fascinating to know whether Gonski would prefer to see big tax cuts for business or big funding increases for schools.

Australia is one of the wealthiest countries in the world and we are in the middle of the biggest mining boom in our history. Our banks are doing very nicely. Our mining magnates are throwing money at everything from rival soccer leagues to expensive propaganda. Everything, that is, except supporting the new mining taxes we need to improve our society and to invest in the infrastructure of tomorrow.

> Australia is one of the wealthiest countries in the world and we are in the middle of the biggest mining boom in our history.

There are obvious benefits to simplifying the tax system, but let's not pretend that simplifying the tax system is the same as paying less tax. If the business community wants to lead an honest debate about public policy, then it should be honest about its objectives and honest about the consequences of pursuing those objectives.

If business groups really want to simplify the tax system then they should support the removal of tens of billions of dollars' worth of complex, and inequitable, tax concessions. In one fell swoop we could shorten the tax legislation, collect tens of billions of dollars, fund essential services and get the budget back into surplus more quickly.

Alternatively, if they just want to pay less tax they should be clear that they don't want the government to invest in disability insurance, education, public transport or indigenous disadvantage. That's a pretty simple choice, isn't it? §

Insecure work

This is an edited extract from The Australia Institute's submission to the independent inquiry, commissioned by the ACTU, examining the extent of insecure work and the impact it has on workers, their families and the community. The inquiry is chaired by former Deputy Prime Minister Brian Howe.

There is a widespread view that labour market flexibility is essential for high employment and productivity growth. For example, Treasury Secretary Martin Parkinson has argued that "unemployment would rise if Australia 'went back' to the rigidities of the labour market that were a feature of the economy in the 1970s and 1980s". However, it is not as simple as that statement suggests.

Although the labour market has become more flexible in the years since the 1950s, unemployment has been on an upward trend, at least until the 1990s. While proponents of increased labour market flexibility like to suggest a clear link between flexibility and low unemployment, history demonstrates that no such simple link exists. A good example of this is the United States, which has a very flexible labour market but also has high unemployment, currently at around 8.3 per cent.

In Australia around a million and a half people change their labour market status each month. A significant proportion are continuously moving between part time work, unemployment and dropping out altogether, but with perhaps occasional stints of full time work. This mobility is mainly taking place among casual workers, in sharp contrast to those workers in 'good' jobs, who tend to have longer term and stable employment arrangements.

Casuals are concentrated among occupations and industries where workers are typically low paid and experience high levels of unemployment. Often the issues confronting casual workers and those facing the hidden unemployed/occasionally employed are the same as they move between different labour market states — or between low quality jobs and spells out of work. The individuals concerned will occasionally be found in low quality jobs; at other times they may be out of the labour market altogether and sometimes they will appear in the official unemployment figures.

While of course it should be noted that for some people casual arrangements are desirable and suit their circumstances, for many others secure employment and 'job security' are generally inconsistent with casual employment. This has significant spill-over effects, as permanent or ongoing employment generally gives both the worker and the employer more incentive to increase the skills of the worker. Casuals tend to receive very little training. Whatever benefits some business interests think go with flexibility, casualisation is inconsistent with a skilled workforce and high productivity growth. For those employed on a casual basis there can be considerable additional spill-over effects, such as lower superannuation, which can entrench long-term hardship for those workers.

The Brian Howe inquiry received more than 500 submissions from workers, unions, academics, businesses and community organisations, which can be viewed at www.securejobs.org.au. §

Justice for all

Since 1973, the system of legal aid in Australia has provided legal assistance for people who would otherwise not be able to afford access to justice. Unfortunately, for much of the time since then the legal aid system has been underfunded. Because funding does not match the level of need in the community, Legal Aid Commissions at the state/territory level use complex mechanisms for rationing legal aid so that only the most deserving cases qualify.

In practice, the tight rationing of legal aid means that only the poorest and the richest Australians can ever hope to receive legal representation. For those who inhabit the vast middle ground between very poor and very wealthy, the legal system can remain forever inaccessible. This is true regardless of the strength of someone's case or the degree of injustice that they are seeking to remediate (unless they are fortunate enough to receive *pro bono* legal help, perhaps because their case has a public interest dimension).

A new research paper by the Institute, *Justice for all: Giving Australians greater access to the legal system*, proposes that in the absence of significant and continued government funding, one possible reform might be a complementary funding model. This would be based on an income-contingent interest-free loan scheme akin to the Higher Education Contribution Scheme (HECS). While a Legal Expenses Contribution Scheme (LECS) is not a final solution, nor is it a comprehensive legal aid scheme, it is a practical initial step towards improving access to legal aid.

To read more about this proposal, you can download the paper from www.tai.org.au. §

Institute out and about

- Executive Director Richard Denniss led a discussion on why Australian banks are so profitable and the Parliament so reluctant to do anything about it at a Melbourne Free University Occupy Melbourne event in February.
- Senior Economist Matt Grudnoff returned to his hometown area of Newcastle to speak at a public forum on the fourth coal terminal which has been proposed for the city.
- Senior Research Fellow David Richardson gave evidence to the Senate inquiry into the Minerals Resource Rent Tax.
- Richard Denniss joined the Shadow Minister for Climate Action Greg Hunt, Greens' Deputy Leader Christine Milne, Chair of AYCC Anna Rose and the ABC's Fran Kelly for a panel discussion 'building a sustainable future' at the Green Cities in March.
- The Institute hosted two events in Queensland on the impact of the mining boom. The events in Cairns and Brisbane included speakers from the tourism and agriculture sectors and were very well attended.

Photo courtesy of Daniel Taylor

Institute in the media

The Institute has had an amazing start to 2012, already publishing six papers. This has led to a great deal and variety of media interest. Some of the highlights from broadcast media include:

- Richard Denniss spoke to Counterpoint's Michael Duffy on the use and abuse of economic modelling
- Weekend Sunrise on the government's obsession with returning the Budget to surplus
- ABC Radio National Drive with Waleed Aly on the Australian work culture
- Richard was asked to be a guest tweeter for Lateline during the time of the Labor leadership showdown
- Sky The Nation
- ABC 24 Capital Hill
- Today Tonight on the impact of the mining boom
- Lateline Business
- And we even had the rare privilege of one of our press releases relating to coal seam gas being read verbatim by Alan Jones on 2GB!

Richard continues to write his fortnightly column for *The Canberra Times*, which now features in the Saturday edition, and he will appear once a month on Sky's Lunch Agenda panel.

There are many ways you can follow the Institute's work and keep up to date with our research and events:

Facebook – TheAustraliaInstitute

Twitter – TheAusInstitute

YouTube – TheAusInstitute

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Institute News

New publications

M Grudnoff, *Job creator or job destroyer: an analysis of the mining boom in Queensland*, Policy Brief 36, 20 March 2012.

R Denniss, J Fear and E Millane, *Justice for all: Giving Australians greater access to the legal system*, Institute Paper 8, 19 March 2012.

D Richardson, *CSG economic modelling; On the alleged benefits of the Santos coal seam gas project in North West NSW*, Technical Brief 13, February 2012.

R Denniss, *The use and abuse of economic modelling in Australia*, Technical Brief 12, February 2012.

D Richardson, *Casual Labour: A stepping stone to something better or part of the underclass*, Submission, January 2012.

R Denniss, *Rubbery Figures: An examination of the claimed and likely cost of poker machine reform in Australia*, Policy Brief 33, January 2012.

R Denniss, *An analysis of the economic impacts of the China First mine*, Submission, December 2011.

Opinion pieces

All opinion pieces written by the Institute staff can be downloaded from the website www.tai.org.au. You can also receive regular updates via our Facebook page or Twitter.

Action trumps 'vision', *The Canberra Times*, 3 March 2012

Solar subsidies just the tip of the energy policy confusion iceberg, *Crikey*, 1 March 2012

Mining industry's big lie, *The Canberra Times*, 22 February 2012

When the powerful buy into the media, can the media still scrutinize the powerful? *The Conversation*, 10 February 2012

Super rort for wealthy, *The Canberra Times*, 4 February 2012

Mining boom the real cause of our lost jobs, *Herald Sun*, 24 January 2012

'Nonsense' of $5b claim, *The Canberra Times*, 21 January 2012

An exclusive school system won't build an inclusive society, *The Canberra Times*, 14 January 2012

Pointless politics of gesture, *The Canberra Times*, 7 January 2012

Whalers are an easy target, *The Canberra Times*, 31 December 2012

At home with contradictions, *The Canberra Times*, 24 December 2012

In Australia's New Carbon Tax, A Host of Missed Opportunities, *Yale Environment 360*, 12 December 2011

Green ideas gone bad, *The Canberra Times*, 9 December 2011

Go home. Get outa here. Spend some family time, *The Punch*, 30 November 2011

Love your think tank

In February the Institute launched a fundraising drive based around the theme **'Love your think tank'**. Our goal over two months was to reach 100 people who each month can help us work towards a more progressive Australia.

We are delighted to say that we are half way towards reaching our target with 50 people now signed up as monthly donors, many of whom are members.

The Institute would like say to a very big thank you to everyone who has responded to the 'Love your think tank' initiative by becoming a regular donor or by making a one-off contribution.

As we like to say, independent ideas can only come from independent funding and for a small organisation like ours these donations make a big difference!

In the coming months we want to make sure the issues of coal seam gas, women and equity, public school funding and the skewed nature of our tax system are front and centre of the political debate, as well as continuing our influential work on the impact of the mining boom, climate change, superannuation and pokies reform. If you are in a position to 'Love your think tank' by becoming a monthly donor, we will use every cent of your donation towards progressing this important research.