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ACN 061 969 284
ABN 90 061 969 284

mail@tai.org.au
www.tai.org.au

A licence to print money

Governments and policymakers have long schemed to divest the banks of their monopoly position in the Australian economy but so far their efforts have failed. David Richardson examines some of the consequences of that monopoly and makes some suggestions for breaking it.

In 1964, Nugget Coombs, who had been the Governor of the Reserve Bank (and its predecessor) since 1949, said, 'Banks are exceedingly privileged people. They are—of all industries—the most privileged people. They are guaranteed against loss—and even guaranteed against competition'.

Banking is an essential part of the Australian economy—almost an essential service. It is also an old, mature and prosaic industry. So why does it have to be 'extremely profitable' to use Nugget Coomb's words? And why do bankers have to be exceedingly privileged? What does that mean to those of us who need to use the banking system? And what can we do about it?

A new report from The Australia Institute, *A licence to print money: bank profits in Australia*, tries to answer some of these questions. It confirms that the banks are extremely profitable—especially the big four, the ANZ, Commonwealth, National and Westpac. Despite the setback of the global financial crisis, the profits of the big four have been gradually increasing from one per cent of GDP 20 years ago to around two per cent today—and profits would have been higher still if not for the global financial crisis.

When loan losses are added back to adjust for the effects of the global financial crisis, the big four banks in the 2009 financial year earned

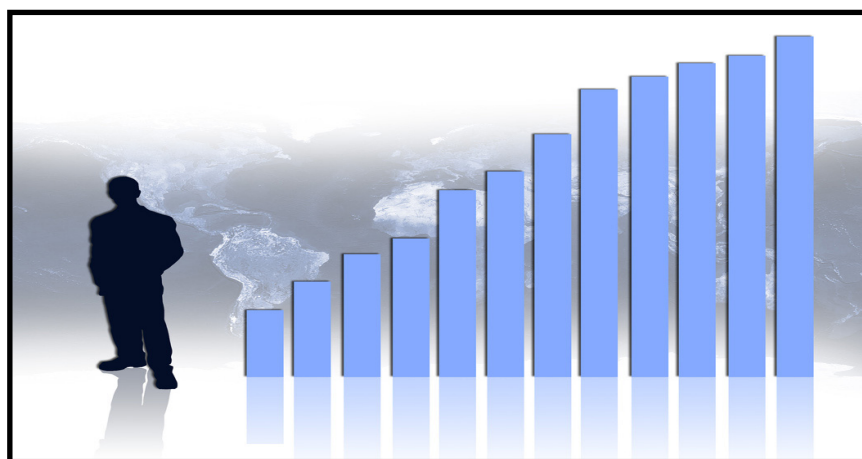


underlying profits before tax of \$35 billion, or just under three per cent of GDP. The implication is that of every dollar spent in Australia, three cents make up the underlying profits of the big four banks. And when the global economic and financial crisis passes, the banks' actual profits will again reflect their underlying profits.

Underlying profits in 2009 gave the big four a massive 29 per cent return on equity before tax. In more competitive industries, returns of around 10 per cent are more likely. It is estimated that the additional profit banks earn as a result of their market power approaches \$20 billion.

The period of deregulation saw the banks become stronger and part of the reason for their huge profits is

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the high degree of concentration in the financial market generally. In the early 1980s, banks accounted for 50 per cent of all lending in Australia. Today it is over 90 per cent. In the meantime, banks have seen off the credit unions, building societies, finance companies, mortgage originators and even the foreign banks. The tendency for increased concentration has allowed the big four banks to increase their proportion of banking, so that now they hold 76 per cent of the banking market with the remainder shared between 57 other banks. Most of these are foreign banks that are represented here but have never flourished as it was hoped they would.

Nugget Coombs stated that '[b]anks are exceedingly privileged people. They are—of all industries—the most privileged people. They are guaranteed against loss—and even guaranteed against competition'.

In previous years, the big four faced some competition from the smaller and the regional banks but the earlier demise of the Advance Bank, various state banks, the National Mutual Royal Bank, the Town & Country Bank, the Bank of New Zealand and the Bank of Melbourne has been followed by Westpac's recent takeover of St George and the Commonwealth's takeover of BankWest. The St George and

BankWest takeovers are now water under the bridge but they should never have gone ahead and no further takeovers should be permitted in Australia. Competition from the smaller banks may not mean much to the big banks' profits but at least it contributes variety to the market, providing consumers with some scope to avoid the plain vanilla services now offered by the big four.

The big banks do not hesitate to use the lack of competition for their own benefit. A good example of their exploitation of market power follows the increases in official interest rates by the Reserve Bank of Australia (RBA). For example, on Tuesday 2 March, the RBA put interest rates up by 25 basis points (0.25 per cent). The four major banks followed within a day or so themselves with increases of 25 basis points and the excuse that as official interest rates increase, so do bank costs.

At most, around half of bank deposits and borrowings are market-related and thus potentially affected by changes in the official interest rate, and even then with a long lag time. Banks pay zero interest on a large number of their deposits and fund much of their operations through overseas borrowings. The RBA decision has no effect on the cost of these funds. Only a very small fraction of banks' borrowings reflect the actual official interest rates that rule in the money market; objectively, the banks' costs have not changed from one day to the next but they use the official interest rate deci-

sions as cover to increase their interest charges.

Westpac justified its higher than official interest rate rise in December 2009 by explaining that when the price of bananas goes up, the maker of banana smoothies has to put up the price of smoothies. But Westpac did not say that the price of smoothies has to rise by the same percentage as the price of bananas—bananas are only part of the cost. Likewise, official interest rate increases do not affect all of a bank's costs. It should not be necessary for banks' interest charges to respond exactly to the changes in official rates.

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In previous years, Australian policymakers have tried to promote competition as their main weapon against the power of the banks. The first attempt, almost a century ago, was the founding of the Commonwealth Bank as a people's bank to provide genuine competition against the private banks. Since then, successive waves of competition from the credit unions, building societies, finance companies, mortgage originators and the foreign banks have been flung against the defences of the Australian banks. But, despite a century of competition, the big four banks are as strong now as they have ever been. Clearly, competition and deregulation have not worked and it is now time to try other weapons.

Suggestions for such weapons have included the following.

A social contract: The Finance Sector Union has called for a social contract with the banks, necessitating a community debate about what society wants from its banks to inform the content of such a contract.

Controlling fees and charges:

Tough regulations that give customers access to low-cost banking will be required to reinforce a social contract. Fees and charges should be controlled so that they represent actual costs and no more.

Taxation: Special taxation measures of the sort used with respect to the mining companies when they make excessive profits through their access to Australian resources could be considered as a way of curbing the excessive profits of the banks. Clearly, bank profits depend on privileged access to the Australian payments system just as the high profits of some miners are due to their privileged access to Australia's unique resource endowment. In both cases, high profits reflect the attributes of the resource the organisations are exploiting and they should be required to share that high profit with the owners of the resource.

It is the duty of government to address monopoly power with appropriate policies to ensure that Australians get their essential services at a reasonable price. Thus excessive bank profits effectively suggest that governments have not done their job in controlling the monopoly power of the banks. §

RBA finds that banks are profiting from higher interest rates

'For the major banks, the increases in lending rates have more than fully offset their higher funding costs, with their net interest margins in late 2009 about 20–25 basis points above pre-crisis levels.' (The Reserve Bank of Australia, *Reserve Bank of Australia Bulletin*, March quarter, 2010).

In its latest *Bulletin* just released, the Reserve Bank of Australia (RBA) observed that the major banks are using the excuse of higher funding costs to raise their interest rates higher than the official rate and profit at the expense of small business and homeowners.

Although the RBA did not specify the amount of this profit, it is believed to be in the hundreds of millions of dollars.

These observations support the claims of the Institute's paper, *A licence to print money: bank profits in Australia* written by David Richardson and recently published on the website, www.tai.org.au.

HAPPY EASTER



The Australia Institute wishes all its members a very happy Easter

Thankyou

A heartfelt thankyou to all those members and supporters who responded so generously to our appeal for funds to assist with the development of the 'Measuring what matters' project.

The Institute received well over \$4,000 in donations, which will be a great help in setting the project up.

Many thanks as well to those who have provided a recurrent donation. This is a very useful method of assisting the Institute and we would like to encourage anyone who can to contribute in this way.

To donate go to www.tai.org.au.

Programming loyalty

Josh Fear explores the loyalty programs offered by many retail outlets to their customers and discovers the dark side behind the glowing promises and 'feel-good' assertions.



Millions of Australians are members of a retail 'loyalty' program. The basic idea behind these programs is to encourage consumer spending by rewarding individuals for shopping at a particular store or group of stores. The more money a customer spends, the greater the rewards.

Sometimes rewards come in the form of discounts on products in the store. Other loyalty programs allow members to accumulate rewards 'points', which they can then redeem for a variety of 'free' goods or services. The most common kinds of rewards are shopping vouchers, electronic goods, flights and discounts on fuel.

These rewards come at a cost to the retailer. According to a recent survey by The Australia Institute, the commercial value of such rewards equates to around \$123 a year for each member of the biggest loyalty programs.

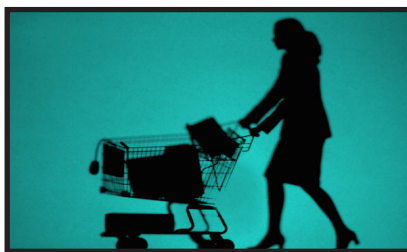
These are FlyBuys (5.5 million members), Woolworths Everyday

Rewards (3.8 million members, and growing very quickly) Myer one (4.4 million members) and the Priceline Clubcard (2.7 million members).

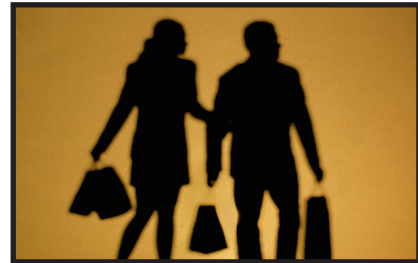
The costs of running a loyalty scheme can be substantial when spread across millions of members. For instance, it has been reported by the *Australian Financial Review* that the cost to Woolworths of purchasing Qantas frequent flyer points accrued through its Everyday Rewards scheme will be between \$60 and \$80 million a year and will 'lift the cost of customer loyalty by 0.4c to 3c for every dollar spent by customers'.

There are a number of ways that retailers can recoup these costs. The first and most obvious is to raise prices. If retailers with loyalty programs do this, it effectively means that members of the loyalty program, who receive benefits in the form of rewards points, are being cross-subsidised by customers who are not members and therefore do not receive any rewards. In such a case, it would cost someone who is not a member of a loyalty program an average of \$123 a year in forgone benefits to shop at a retail outlet that offers a loyalty program.

Another way to recover the costs of running a loyalty program is to generate more revenue by increasing sales volumes. This is the ostensible purpose behind a 'loyalty' scheme—to encourage people to spend their money at one store



rather than another so as to earn rewards points.



But an even more effective way to increase sales is to turn the purchasing data from a loyalty program into commercially valuable information, which might be used to refine the range of products sold to match customer habits, or to develop offers or deals targeted at particular types of shopper. For example, it has been reported that Woolworths uses postcode data from its Everyday Rewards members to evaluate possible locations for new supermarkets and petrol outlets.

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In addition, program operators can partially offset the cost of their loyalty program by aggregating member data to sell in de-identified form to suppliers or other corporate entities. UK retailer Tesco provides a telling example of how this can be done; its customer database is based on the behaviour of the 13 million households that hold a Tesco Clubcard.

There is a lack of awareness in Australia about the potential for loyalty program data to be aggregated and subsequently sold on to third parties. Selling data, or 'insights', in this way can generate income

for loyalty program operators, and shoppers are probably undervaluing the information that they provide. There is a strong case for loyalty card operators to reveal more fully the ways that they use the data and what it costs them to provide rewards to members.

In addition, there is the prospect of rewards 'points' being devalued over time. For example, the financial value of points accrued through credit-card rewards programs has been declining for some years. According to the Reserve Bank of Australia (RBA), in 2003 an average spend of \$12,400 per annum was required to earn a \$100 shopping voucher. By 2009, the average spend required was \$17,000, a much higher rate of 'inflation' than



the consumer price index. Unless consumers are vigilant, there is no barrier to loyalty program points being subject to inflation of a similar kind.

There are other parallels between loyalty programs and credit-card rewards programs. The RBA has recently expressed concern that consumers who pay by credit card are being cross-subsidised by consumers who pay by other payment mechanisms, such as cash,

cheque or debit card. There was also a concern that those credit-card holders whose cards were linked to a rewards program, were being cross-subsidised by those credit card holders who chose not to carry and use such cards. This would be similar to the way shoppers who do not have a loyalty card can end up cross-subsidising those who do.

None of this would be at all obvious to the typical shopper who simply wants a discount on already-inflated fuel prices, and chooses to participate in a loyalty program for that reason. That is why regulators are under an obligation to ensure that such schemes provide benefits to members without penalising those who have better things to do than track their loyalty card points. §¶

School daze

Trevor Cobbold, National Convenor of Save our Schools, makes some troubling observations about the methodology used by the My School website to rank schools under the government's new program aimed at providing more information about their children's education to parents.

The 'like school' comparisons on the My School website purport to compare the test results of schools with similar socio-economic student populations. However, like is not consistently compared with like. My School's measure of the socio-economic status (SES) of schools is systematically biased in favour of private schools when comparing their results with so-called 'like' government schools.

The bias works in two separate but compounding ways. My School under-estimates the SES of private schools that draw enrolments from high SES families living in lower SES areas. It also over-estimates the SES of government schools because high SES families resident in their area tend to choose private schools.

There are two sources of this bias. One is that the Index of Community Socio-Educational Advantage (ICSEA) used to measure the SES of schools is based on the average

socio-economic characteristics of the areas in which students live and not on the actual SES of their families. Studies by the Australian Bureau of Statistics show that some high-income families live in low SES areas and vice versa, so the actual SES of some students will be above the area-average and others below the area-average.

My School's measure of the socio-economic status (SES) of schools is systematically biased in favour of private schools when comparing their results with so-called 'like' government schools.

ICSEA also fails to allow for differences in the proportion of high- and low SES families that enrol in private and government schools. On average, 47 per cent of high-income families choose private schools compared to 24 per cent of low-income families. In the case

of secondary schools, 55 per cent of high-income families choose private schools compared to 26 per cent of low-income families.

The greater leakage of high SES students from each area into private schools causes the ICSEA rating of private schools to underestimate their actual SES because these students are classified according to their (lower) *area* SES measure rather than by their (higher) *family* SES.

On the other hand, the ICSEA rating of government schools over-estimates their actual SES because of the leakage of high SES students to private schools. Government schools take a greater proportion of low SES students, but these students are classified at the (higher) area SES rating rather than by the actual SES of their families. The lower SES students carry the higher area SES score, influenced by high SES families whose students

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do not attend government schools in the area. Thus, the level of disadvantage in government schools is under-estimated by ICSEA.

This systematic bias in the measurement of the SES of government and private schools can be illustrated by an example from My School.

My School classifies the wealthy King's School in Sydney as having the same SES rating as Gundaroo Public School, a small school in a semi-rural area of NSW near Canberra. The King's School has excellent test results with many green colour codes for above-average results while Gundaroo has many red colour codes for below-average results.

However, far from being 'like schools', they are very unlike schools.

The SES rating for The King's School is likely under-estimated because it traditionally draws many

students from farming families. About 30 per cent of its enrolments are boarding students and only the wealthiest of rural families can afford tuition and boarding fees of over \$36,000 a year for primary students. Yet, because these students are resident in lower SES rural areas, they carry a lower SES score than their actual family circumstances would suggest. The relatively large proportion of these students attending The King's School therefore significantly reduces its ICSEA rating.

On the other hand, the ICSEA rating for Gundaroo Public School is likely an over-estimate of its actual SES composition

The Gundaroo area has a large proportion of high-income, well-educated, highly skilled households, but it also has a significant proportion of lower SES families. Census data show that about 12 per cent of households in the Gundaroo region are relatively low-income. Some 32 per cent of the population over 20

years of age did not finish Year 12, 25 per cent have certificate-based qualifications and 30 per cent are employed in lower-skilled occupations.

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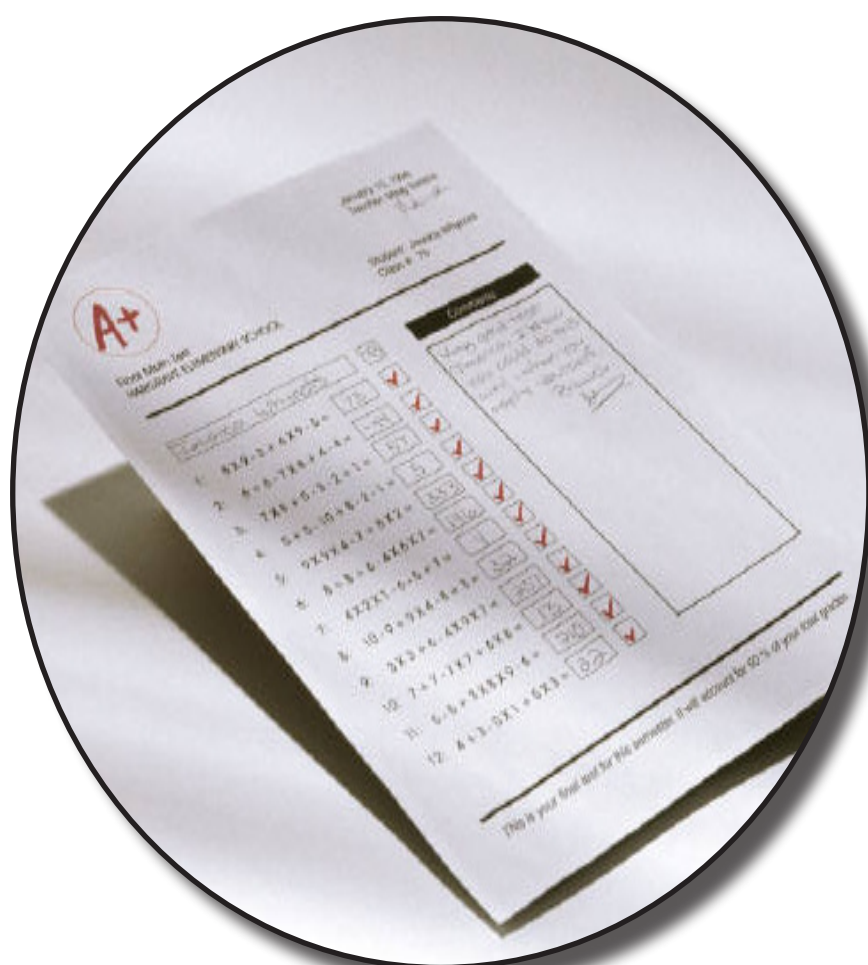
Only about half of Gundaroo's primary-age children attend Gundaroo Public School. Many high SES families send their children to schools in Canberra, leaving mostly lower and middle SES families at the local school. However, its ICSEA rating is based on the average SES characteristics of the area, including high SES families who do not attend the school, and therefore over-estimates its actual SES.

This comparison of dissimilar schools is not an isolated example. There are numerous others on the My School website

Another source of bias occurs because of the exclusion from the ICSEA ratings of international students enrolled in many high-fee private schools. They are excluded because it is not possible to geocode their addresses to a Census collection district.

This also artificially lowers the rating of some high SES schools because it is only wealthy overseas families who can afford the high tuition and boarding fees and associated costs of sending their children to Australia. This bias may not be large because of the relatively small number of international students, but it does add to the inherent bias of ICSEA.

Thus, the 'like school' comparisons on My School tend to pit higher SES private schools against lower SES government schools. This



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Barriers to women's employment

Marie Coleman conducted the consultations on which the report *Barriers to Women's Employment* is based. She chairs the Social Policy Committee of the National Foundation for Australian Women. Here she discusses the findings of the report.

The year 2010 will be full of interest for policy wonks as the major parties re-design or tweak their ideas and seek public endorsement in the run-up to the federal election. Enhancing the productivity of the economy and reducing the so-called 'burden of aging' are two shibboleths for these competing partisans.

Recently Tony Abbott, Leader of the Federal Opposition, has floated ideas which incorporate a potentially severe reduction in conditions and benefits for people with disabilities, arguing that improving workforce participation rates is an essential component of managing these issues. Strangely, he made no mention of improving female workforce participation, although he has announced a non-specific intention to develop a Paid Parental Leave Scheme.

Not that a failure to apply a gender lens to policy development is solely a characteristic of the conservative side of politics.

In early February, the government announced a new package for retraining and mentoring aimed at enhancing and extending workforce participation by mature workers (Productive Ageing), which will complement the raising of the Age Pension qualifying age to 67 years.

Curiously, the elements of the package are highly specific to older male workers—not a mention of the needs of female workers for retraining and mentoring to assist them to remain 'productive' as they age.

Treasury has several times raised the need for improving female

workforce attachment as a means of improving productivity, arguing that female participation rates in Australia are relatively low by international standards, and that this sector of the population remains one of the few elements where there is under-used capacity.

One might think it a wiser and more compassionate policy to seek to achieve enhanced female workforce attachment rather than to suggest punishing people with disabilities. One might think it sensible to improve workforce retention rates of mature female workers rather than to ignore them. After all, there are women who have worked in physically demanding or tiring occupations such as retail or aged care who could well wish to retrain in less physically demanding occupations.

The need for better access to training and retraining, as well as to care services to assist women workers to manage family-care responsibilities, is well-documented even though the facts seem to be continually ignored by the policymakers in the major political protagonists.

On 8 February 2010, the National Foundation for Australian Women (NFAW), with the four national Alliances of women's organisations, released their final report, *Barriers to Women's Employment*.

The need for better access to training and retraining, as well as to care services to assist women workers to manage family-care responsibilities, is well-documented.

The 'Barriers' report is based on consultations with women in states and territories about the findings of the research report from The Australia Institute, *The Impact of the recession on Women*. (That report can be found on www.tai.org.au). In the light of the report's findings, the NFAW and the Alliances called for all levels of government to review their social inclusion strategies.

The national Social Inclusion Agenda currently fails to ensure a gender analysis which would highlight the specific disadvan-

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Barriers to women's employment from Page 7

tages women face at regional levels. There is a deplorable lack of access to government statistical data, for example on such matters as apprenticeships, which is analysed by gender. The report says all agencies should ensure that there is better analysis of government statistical data by gender.

The national Social Inclusion Agenda currently fails to ensure a gender analysis which would highlight the specific disadvantages women face at regional levels.

The report demonstrates that VET and TAFE programs need to be re-balanced to ensure that training programs are financially and physically accessible to women wanting to return to work, and to provide appropriate work-training linkages.

Too many women are being put through repeated, different short-term training programs without being placed into actual ongoing work. Women who have been out of the workforce caring for older or disabled family members need access to appropriate retraining.

The report shows that:

- there is a complete failure to adequately address the needs for care of school-age children before and after school and during school vacations. Care for children under school age is expensive, and some waiting lists are excessively long
- the needs of women with a disability, and of women who are refugees or migrants, are not adequately met by support services, training programs, and English language programs
- the needs of Indigenous women

seeking to enter the workforce are not adequately addressed by training programs

- there is inadequate provision of respite and ongoing care services for people with disabilities, which would enable their carers to enter training and in due course the workforce
- the problems of inappropriate or inadequate public transport are a barrier to women seeking to work in cities; there is a dearth of public transport in regional and rural Australia.

A short DVD of interviews with women on their experiences of child care, produced by the WomenSpeak Alliance, was released at the same time. §

The *Barriers to Women's Employment* report can be downloaded from www.nfaw.org.

School daze from Page 6

shows private schools in a more favourable light because students from higher SES families tend to have higher average results than students from lower SES families.

It should also be noted that ICSEA omits a range of factors that strongly influence school results. These include differences in the student composition of schools by gender, ethnic sub-groups and students with disabilities as well as differences in funding, school size, student mobility between schools, student selection and private tutoring.

Some of these omissions may further disadvantage government schools in comparisons with their 'like' private schools. For example,

schools with higher proportions of students with disabilities participating in tests may have lower average results than other schools with a similar ICSEA value. Government schools generally have higher proportions of students with disabilities than private schools.

My School is a travesty of 'like school' comparisons. Its biased comparisons in favour of private schools will unfairly affect the reputations of government schools and the careers of their teachers and principals. It will also mislead parents when choosing schools and mislead policymakers when drawing conclusions about best practice in schools. § ¶

Save our Schools is at <http://www.saveourschools.com.au>.



BOOK REVIEW

Josh Fear reviews *The pleasures and sorrows of work*, by Alain de Botton.

Bertrand Russell once wrote that 'there is far too much work done in the world' and that 'immense harm is caused by the belief that work is virtuous'. He meant that work is valuable only insofar as it allows us to satisfy our needs and wants.

For Russell, the idea that work is worthwhile for its own sake, or for improving one's spiritual wellbeing, is a relic of pre-modern thinking. This 'foolish asceticism' has historically been a way for the ruling classes to assert psychological control over the working classes. 'The morality of work is the morality of slaves', he argued. 'The modern world has no need of slavery.'

Russell's proposed solution to overwork was to drastically reduce working hours so that nobody would be compelled to work more than four hours in a day. Since the time his essay was published almost 80 years ago, per capita income has increased many times over, making a shorter working day even more attainable. But much of the western world has taken an altogether different direction: towards longer working hours for some, and unemployment and penury for others.

In the meantime, the notion that work is valuable in and of itself has stubbornly persisted. The idea of virtue-through-work is ingrained in our culture, manifesting itself in our workplaces, our educational institutions and our public conversations.

In the modern world, work is seen as both a virtue and as a fundamental expression of personal identity. Instead of being simply a way to put food on the table, for many of us a job is a means of self-definition and a way to distinguish ourselves from other people.

In *The pleasures and sorrows of work*, philosopher Alain de Botton identifies another singular aspect of contemporary attitudes to work. According to this notion, each of us has a 'calling' that, if we only listen to our inner desires, should govern the type of work that we are destined to do.

Just as pious young men in the past were 'called' to the priesthood, today anyone can be called to be an accountant or a child-care worker or a public relations executive.

De Botton argues that the idea of the vocational calling owes much to the influence of American self-help literature, which, between the platitudes of popular psychology, emphasises personal growth and self-actualisation. Even if you have never read such a book, you have probably been exposed to this form of thinking through popular culture.

De Botton tells the story of a suburban career counsellor who spends much of his time disabusing clients of the belief that there is a job that each of us is innately and uniquely suited to doing. These people are 'tormented by a residual notion of having, through some error on their part, missed out on their true "calling"'. They have 'an expectation that the meaning of our lives might at some point be revealed to us in a ready-made and decisive form that would in turn render us permanently immune to feelings of confusion, envy and regret'.

When seen in this light, the doctrine of the calling seems slightly absurd. But there is little question that, to varying degrees, a great many people derive fulfilment, enjoyment and connectedness through their work. In this, modern workers are fortunate to find themselves at a point in history in which work 'could be something more than a punishment or a penance'.

The pleasures and sorrows of work is largely a celebration of the extraordinary variety of ways in which human beings occupy themselves in the modern economy, which after all is built on specialisation. So de Botton describes, as best a philosopher can, what it is like to do the work of a biscuit manufacturer, a transport logistics coordinator, an electrical pylon aficionado or an aircraft furnishings salesman. In each vocation he finds something of value, of meaning, but also a series of existential questions about the relationship between work, life and the wider world. His central premise is that our society does not adequately appreciate the intricacy and ingenuity that makes us spend many of our waking hours in our 'chosen' field. This is a compelling thought, one which prompts us to stop and consider the amazing diversity and expertise of human beings today.

But ultimately we need also to have some perspective. In an impromptu tour of the aircraft graveyard in the Mojave Desert, de Botton reminds us how close we all are to death and oblivion. In the end, very few of us manage to achieve something of lasting value through our day jobs. It is a lesson worth remembering next time your boss asks you to work back late.

Mining dissent—the Liverpool Plains

Mining in the Liverpool Plains will likely damage one of Australia's most fertile and productive agricultural regions. Rosemary Nankivell of the Caroon Coal Action Group outlines the failures of the NSW Government's planning process and the determination of the affected community to resist this threat.

Last year, The Australia Institute published a paper that questioned the economic benefits of mining in Australia. Its focus was on the macroeconomic impacts, which it discussed in the abstract, but there is nothing abstract about the actual business of mining. It involves specific projects with specific and local impacts. The following is an account of the likely environmental impact of the coal mining and coal seam gas (CSG) extraction planned for the Liverpool Plains, one of Australia's critical food production regions.

The Liverpool Plains is a highly productive agricultural area that reliably delivers a diversity of grains, oilseeds and livestock to Australia's domestic and export markets. But its production is currently being threatened by the NSW Government's sale of multiple mining exploration licences for coal and CSG.

This action has been undertaken by the state government without consideration of the impact to:

- the food production capacity of the state
- the supply chain of that capacity to food processors
- the increased costs of supply interruption
- agricultural and related industry jobs.

Between 2000 and 2008, the 800,000 hectares making up the Liverpool Plains accounted for 40 per cent of the state's sunflower and 46 per cent of the state's sorghum crops. In addition, the area produces corn, soybeans, wheat, barley, oats, canola, cotton, chick-



peas and other legumes as well as beef, sheep and wool. It also produces 42 per cent of all durum (pasta) wheat in Australia.

The extraordinary strength of this prime agricultural land is not only its consistent production but its adaptive production in response to market forces and climate change. As climate change affects more southerly and westerly regions, end users of agricultural products will depend increasingly on reliable areas such as the Liverpool Plains. However, if coal and gas mining are permitted to threaten this prime agricultural resource and its water supplies, many food businesses will face increased costs and a scarcity of clean, reliable domestic supply. Further pressure will be placed on an increasingly ailing Murray-Darling Basin with significant repercussions.

When NSW Premier Rees stated in June 2009 that there were 'more jobs in mining than in agriculture' in NSW, he was disappointingly

misinformed. As shown by the most current ABS data, agriculture, forestry and fishing employ three times as many people as mining and this does not include the high proportion of people involved in food processing, handling and retailing. According to the CSIRO, agriculture and downstream processes account for 12 per cent of GDP across the value chain, and they account for 63 per cent of Australia's total exports.

The Liverpool Plains is a highly productive agricultural area that reliably delivers a diversity of grains, oilseeds and livestock to Australia's domestic and export markets.

The Liverpool Plains are located in the Namoi Catchment which feeds into the ailing Murray-Darling Basin and the battle being waged there is essentially one of conflicting land and water use. Central to the concerns of the farmers, environ-

mentalists and the community are the devastating effects that such exploration and eventual extraction will have on the precious aquifers underlying the region. Over the last 18 months, exploration for CSG and coal has included core drilling on the ridges and hill country, which are regarded as essential recharge areas for the aquifers.

The people of the area are shocked by BHP Billiton and Santos, both of which have demonstrated a complete lack of understanding of the region's aquifers and their importance to farming communities and food provision in Australia. It required a community blockade of exploration drilling to get the state government to take the community's water concerns seriously and initiate a catchment-wide water study that is still being planned and



is waiting for funding a year later. Given that the evidence shows that mining has a demonstrably poor record of preserving the integrity and quality of water systems where it operates, this was not an unreasonable request. In the case of the gas companies, their continued mantra of 'minimum or no impact' falls on deaf ears as the community is well aware of the devastation and contamination in areas such as the Powder River in the US.

Closer to home, numerous environmental impact statements predict the drawdown of aquifers and surface water of up to 80 metres; claims that these aquifers will fully recharge after 150 years do nothing to allay community fears. Gas production uses millions of litres of water before the gas begins to flow and the companies exploring have no feasible plan for the waste water or potential geological instability of the Hunter-Mooki fault region.

Four years on, the NSW Government's glee at awarding coal and gas exploration licences over the highly-productive Liverpool Plains food bowl near Tamworth has evaporated as fast as the licence money has been spent. Coal is increasingly on the nose globally, exploration and mining within the Murray-Darling Basin and food bowl regions are already the subject of two Senate enquiries, and there is potential for federal intervention via the Water Act; these all signify that mining no longer enjoys the essentially free pass over land rights that it used to have.

It did not have to be like this. The Queensland Government has re-

cently released a discussion paper on the preservation of prime agricultural land where rich agricultural areas are seen as 'No go' zones.

The most current ABS data show that agriculture, forestry and fishing employ three times as many people as mining.

We are demanding action in NSW.

As a consequence of the NSW Government's lack of foresight, mining has become pitted against prime agriculture drawing unprecedented levels of public scrutiny on to the competence, compliance and consistency of exploration operations from Gloucester to the Liverpool Plains. Indeed, in a recent appeal to the Supreme Court, a decision made against farmers in the Mining Warden's Court of Gunnedah was overturned based on potential environmental damages and a failure to advise all interested stakeholders, a decision that has reverberated throughout those communities threatened by the extractive industries.

The people of the Liverpool Plains remain focused and are demanding the preservation of this unique area. Our region will not end up like the vast quarries of the Hunter Valley where once fertile land has been turned into a chain of quarries with not a successfully rehabilitated mine in sight. Our children and grandchildren will be grateful that a region such as ours banded together to ensure that future generations will still be able to benefit from our long-term sustainable industry with their food still grown within Australia. §

New publications

- D Baker, *Reining it in: executive pay in Australia*, Policy Brief No. 9, January 2010.
- R Denniss, 'Submission to the Department of Climate Change on its Discussion Paper 4: Treatment of new waste coal mine gas power generation in the RET', January 2010.
- D Richardson, *Telstra's price control arrangements: submission to the Australian Competition and Consumer Commission review*, March 2010.
- D Richardson, *A licence to print money: bank profits in Australia*, Policy Brief No. 10, March 2010.

Populate or perish?

Does Australia need a larger population? There are many who say, with a great deal of conviction, that it does, and a growing number who maintain, again with a great deal of conviction, that the country and its infrastructure cannot support more people. Richard Denniss looks at some arguments for and against a bigger Australia.



Managing population in Australia is much easier than in some other countries as the main source of population growth is immigration rather than a high birth rate. But should Australia increase its population to 36 million? When pressed on this issue recently, the Prime Minister admitted that he didn't really have an opinion. The problem is, whether he has an opinion or not, the population will continue to rise until his government acts accordingly.

Two main arguments are advanced to support Australia's maintaining a high rate of migration. The first is that it's 'good for the economy' and the second relates to humanitarian concerns. These are discussed below.

The most simplistic 'good for the economy' argument is simply that big is better; if more people come here, Australia will produce more and consume more and Gross Domestic Product (GDP) will rise. If state and commonwealth governments make a virtue out of their ability to create economic growth,

the addition of large numbers of new workers and consumers provides a quick and easy way to achieve that goal.

But if the goal is to improve the standard of living rather than the size of the economy, it is GDP per capita, not the absolute size of GDP, that may be of more interest. For example, the absolute size of China's population means that their GDP is much larger than Australia's, but their GDP per capita on the other hand suggests that in material terms Australians have a much higher standard of living.

Of course, the material standard of living, as measured by indicators such as GDP per capita, paints an incomplete picture when it comes to the standard of living of people in developed countries such as Australia. Indeed, one of the most common concerns with the objective of growing the economy via population increase is the obvious impact of a much larger population on the amenity of cities and the natural environment.

The way Australia's national accounts are constructed and the way politicians define progress mean that the value of peace and quiet, space, lack of congestion, biodiversity and air quality are all ignored when claims about the 'economic benefits' of rapid population growth are made. While there can be no doubt that the presence of such amenities is of immense value, there is also no doubt that the problems associated with placing clear dollar values on them makes it difficult to incorporate these issues into the 'economic' debate around population.

The material standard of living, as measured by indicators such as GDP per capita, paints an incomplete picture when it comes to the standard of living of people in developed countries such as Australia.

Some proponents of rapid population growth do rely on more nuanced economic arguments than simply saying bigger is better. For example, some claim that there are 'economies of scale' associated with a larger economy or that increased migration results in an increased propensity to export goods and services back to the countries of immigration origin. While these arguments are more sophisticated, they are also much harder to prove. Indeed, the Productivity Commission concluded in a 2009 study of these effects that:

Australia's migration program is increasingly focussed on skilled migration, which is generally improving the labour market outcomes for immigrants. However, the annual flow of immigrants is small compared



with the size of the population and the workforce, so a relatively small contribution to the economy is to be expected. Furthermore, there are economy-wide consequences that can offset the labour market effects of immigrants.

The humanitarian arguments for immigration are, for many, much more persuasive than the economic arguments such as the ones described above. The need to accept refugees, to open to other countries and cultures, and to ensure that Australian residents with families overseas can reunite on Australian soil if they wish to are all consistent with the values espoused by a large number of Australians.

Fortunately, a close examination of the immigration figures for Australia makes it clear that it is possible for Australia to actually increase its intake of refugees, humanitarian migrants and family reunions without placing any pressure on the total population.

The most simplistic 'good for the economy' argument is simply that big is better.

Debate in Australia typically focuses on the fact that so many people want to move here and tends to overlook the implications of the fact that each week around 1,600 people leave the country. In 2009, there were 82,710 permanent departures from Australia. At present, around 14,000 people come to Australia each year as part of our refugee and humanitarian programs and some 60,000 more move here as part of the family reunion intake. Combined, these figures suggest

that given the present birth rate and the rate of outward migration, the current level of humanitarian and family reunion intake would result in a slight but steady decline in the Australian population.

It is also important to note that while the 'skilled migration' category of migrants is by far the largest (around 108,000 this financial year), the skilled migrants themselves account for less than 40 per cent of the intake, with the majority of those coming in under this category actually being the immediate families of the skilled migrants. That is, most of the skilled migrant intake is simply a form of simultaneous family reunion.

The large flow of outward migration each year combined with the relatively small inward flow of humanitarian and family reunion refugees means that it is possible for Australia to significantly reduce its population growth without shutting the door on those in other countries. Indeed, it is even possible for Australia to increase its humanitarian intake without putting pressure on the population as long as the country is willing to limit the very large skilled migrant intake.

Australia is a nation of migrants, right from the first intake who sought no permission to settle here. Migration is, and is likely to remain, an important part of what makes the Australian population the diverse and dynamic society that it has become. But the benefits of migration should not be conflated with the benefits of an ever-increasing population. As the data presented above show, there is no reason for Australians to be forced to choose between being open, in-

clusive and stable or being closed, exclusive and stable.

Debate in Australia typically focuses on the fact that so many people want to move here and tends to overlook the implications of the fact that each week around 1,600 people leave the country.

The onus of proof should be on those who wish to see the population burgeon to make the case for it. Similarly, if we are to increase our population by 60 per cent in the next four decades we should invest in the infrastructure we will need *before* we invite new citizens, not *after* they arrive.

In this era of evidence-based policy, it seems strange that for all the government inquiries that have been held there is yet to be a major scientific, social and economic analysis of the impact of rapid population growth in Australia. While it might be hard to agree on exactly how many people Australia can handle, it may be a great deal easier to agree that much of our infrastructure, natural, physical and social, is already showing signs of stress. §



Caring for the carers

Sue Aiesi, Policy and Research Manager at Carers Australia, explains the 25-hour rule and the devastating effect it has on some young carers who risk forfeiting their Carers Payment if they undertake more than 25 hours of education, employment or volunteer work a week.

Young carers across Australia are coming up against an unforeseen barrier in their access to education—the '25-hour rule'. It is a term that few outside policy circles or the government would have come across, but it can have a devastating impact on the future plans of young carers. It is a term that is shorthand for a Centrelink requirement specifying that to be eligible for Carer Payment, no more than 25 hours of education, employment or volunteer work can be undertaken each week. This includes travel time to and from the place of work, volunteering or study.

A 21-year-old carer's life-long dream of becoming a doctor has been stopped in its tracks because medicine requires more than 25 hours of study time and travel a week.

A 21-year-old carer, who has been in contact with Carers Australia, has experienced firsthand the impact that this particular legislative guideline can have on a young person's life plans. Her life-long dream of becoming a doctor has been stopped in its tracks. Finishing school as the primary carer of her mother, who suffers from chronic kidney problems, had been challenging, but this young carer consistently worked hard to keep her grades up to get the marks that would allow her to gain university entrance to study medicine. Against the odds, she was accepted into the university of her choice and began her first year of medical study.

However, she soon realised that studying medicine would require more than 25 hours of travelling to

and from university and attending lectures and that she would not be eligible for the Carer Payment—an income support payment intended to provide financial support for carers.

As a payment that is tailored to the needs of carers, it would also allow her to access additional supports that other payments such as Austudy would not. Importantly, Carer Payment would provide recognition of her role as a carer, something that this young carer and many other family carers value very highly.

This young carer then had to make the difficult decision to give up her place studying medicine, opting instead to undertake an alternate university course with less intensive hours that would allow her to study, care for her mother and be eligible for the Carer Payment. She has had to sacrifice her pursuit of a career in medicine as a direct result of the 25-hour rule. She remains determined not to sacrifice her own goals and life opportunities because of her caring role,

but is left disappointed that she is unable to overcome the legislative barrier that stands between her and her dream.

The complexities that can be caused in individual cases by this rule may still remain to be seen, and many young carers may be negotiating this system and important decisions about their futures alone.

Young carers are now recognised in the Social Inclusion Agenda as a group 'who are likely to be at risk of disadvantage and its long term consequences'.

While the requirement may provide a necessary safety net to ensure the money is going to those carers who are less financially secure and unable to work, and not to those in full-time employment, the value of a protocol that acts as a disincentive for further study is troubling, particularly for a vulnerable group such as young carers.





Young carers are now recognised in the Social Inclusion Agenda as a group 'who are likely to be at risk of disadvantage and its long term consequences'. Further, young carers have been identified as a group 'who are often at risk of social exclusion because of their caring responsibilities but may not be identified and offered support'. One way to better support young carers would be to exempt study and travel hours from the 25-hour rule.

Providing more flexible eligibility requirements would not affect the intended outcomes of the legislation but would have a very positive impact on the lives of the 380,000 young carers who sometimes struggle with life choices and who have an increased likelihood of low socioeconomic status over their lifetime.

Young carers have been identified as a group 'who are often at risk of social exclusion because of their caring responsibilities but may not be identified and offered support'.

This one small step is important but there is also a range of wider supports needed to ensure good outcomes for young carers. Carers Australia has been disappointed that government has missed the opportunity to implement significant supports for young carers as part of the Senate Inquiry into Better Support for Carers, completed in May 2009. Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs had stated

in her response to the report of the Bring It! Young Carer Forum 2008, that issues for young carers would be addressed as part of this process. The government has agreed to further investigate supports for young carers in education, but agreements must be backed by significant and timely action. This includes significant involvement from the Minister for Education, Julia Gillard.

Julia and Jenny need to talk and the impact of the 25-hour rule on young carers needs to be addressed. If there can be consistent and robust policies and programs introduced across their portfolios, young carers stand a better chance of getting the education they deserve and reaching their full potential. §¶

Dick Smith talks population

The Australia Institute and the ACT branch of Sustainable Population Australia co-hosted a lecture by entrepreneur and aviator, Dick Smith, in Canberra in March.

Dick delivered a speech titled 'Population: the elephant in the room we have ignored for too long' to a standing-room-only crowd of 300 people.

Dick told the enthusiastic group who came to the lecture that he had never considered the issue of population growth until it was brought to his attention by his daughter and he began to be concerned about the future impact it will have on his 18-month-old granddaughter.

'Australia's population is set to explode, reaching at least 36 million by 2050. As it stands, our population is already growing faster than any developed nation, and faster than countries like China, India and Indonesia', he explained.

'If we maintain this rate of growth in the years to come, I believe it will be a disaster. The way of life we love in Australia will be forever changed as we are crowded into packed and dirty cities.'

Dick called for the government to appoint a group of scientific experts to conduct a study to assess how many more people Australia can sustain.

The Australia Institute
13 Murray Crescent
P O Box 4345
MANUKA ACT 2603

Staff profile

Institute out and about

- Richard Denniss delivered the keynote address to the Catholic Social Services National Conference in Canberra in February.
- Research Fellow David Baker participated in a symposium, 'Performing policy: the everyday experience of social policy'. David's presentation was titled, 'The effectiveness of Centrelink cards for delivering support for Australians'.
- As part of the Sustainable Living Festival in Melbourne, Richard presented on two topics:
 - * 'Sustaining a healthy brain and mind: keeping in shape for the future'. His speech was recorded for *Slow TV* and is available at <https://www.tai.org.au/index.php?q=no%2F19&act=display&type=7&pubid=731>.
 - * 'ETS: the climate change solution or scam?' Richard discussed the issue with Alan Pears in the 'think tent'.
- The Australia Institute and Social Business Australia co-hosted a lecture by Dame Pauline Green, the President of the International Co-operative Alliance. Senator the Honourable Ursula Stephens introduced the lecture which was held in Parliament House in March.

Institute in the News

- Mike Steketee reports on The Australia Institute's Freedom of Information request to the Department of Climate Change, *The Australian*, 'Labours in the ministry of truth', available at <http://www.theaustralian.com.au/news/opinion/labours-in-the-ministry-of-truth/story-e6frg6zo-1225824638788>.
- Research Fellow Josh Fear discusses superannuation reform on ABC's *Australia Talks*, available at <http://www.abc.net.au/rn/australiatalks/stories/2010/2802504.htm>.
- ABC PM reports on Institute paper *A licence to print money: bank profits in Australia*. You can listen to the interview with Research Fellow David Richardson at <http://www.abc.net.au/pm/content/2010/s2836855.htm>.

TAI opinion pieces and regular news updates can be found on the website, www.tai.org.au.



Community Liaison — Kerrie Tucker

I have had the pleasure of working with The Australia Institute for just over a year now. The main purpose of my work is to ensure that the Institute's research does not just sit on a shelf but rather reaches the groups and individuals who are working in related areas. I liaise regularly with groups and individuals from advocacy, academic, private and government sectors, to enable a good flow of information regarding research and current policy issues.

My previous work has included being Greens MLA in the ACT Legislative Assembly from 1995–2004 and Executive Officer of the housing advocacy organisation, ACT Shelter, in 2005. Both these experiences taught me how important good research can be for effective advocacy and policy work.

It is a great delight to be now working with the team at The Australia Institute and also to be keeping up my contacts in the broader community. I work only two days a week and I have to say, at this time in my life, this is the perfect work-life balance! I have plenty of time to work in the garden and spend time with family and friends, as well as do a bit of art and craft work.