

## Australian Greens Budget Reply 11 May 2006

Senator MILNE (Tasmania) (8.27 p.m.)—The budget reflects the soul of a nation. It is the economic tool that gives effect to the vision and values that a government has for its people. On Tuesday night, Australians heard that the vision and values of the Howard government over 10 years in office had delivered rivers of gold and manna from heaven. They heard that the vision and values had turned Australia into a debt-free country, awash with cash—some \$178 billion in extra revenue since 2002—and that the same vision and values, business as usual, would see the good times roll on into the future. It was a live-for-today package, a reaffirmation of the Howard government philosophy that the richer you are, the more you are valued and rewarded.

The budget message was that the Howard government had perfected the Midas touch, and people were prompted to rejoice and be glad to spend, spend, spend—for the vision and values of Prime Minister Howard and his Treasurer, the Hon. Peter Costello, would guarantee that the only direction for the Australian economy was up, and, on that assumption, the tax revenue base could be permanently narrowed. In the next four years, \$45 billion will be forgone in tax cuts, as if there were no national imperatives to fund nor any global responsibilities, as if an ecological deficit did not exist, as if the nation's health and education systems were already world class and as if the \$2.6 billion required to address Indigenous health and housing were not a priority.

The nation got the message, and the partying and the backslapping began. The media was euphoric and most commentators gushed. Few political and economic analysts could find any fault with the formula or the outcome, so much so that the Treasurer felt sorry for the opposition for, seemingly, it had nowhere to go. And from the response of the opposition, I have to say, it appears to have felt sorry for itself, by repeating the refrain 'we was robbed'. What were they robbed of? The opportunity to say and deliver the same things themselves, because the Beazley opposition supports the tax cuts.

The Howard government's vision and values expressed through its budget have made me realise that we have actually become two nations in Australia: one that is fixated on the present and cannot see what the problem is and the other that can see the problem and the huge risks for our children, grandchildren and future generations. The Howard government's budget is a budget for those who cannot see what the problem is. It is predicated on the assumption that it is the Howard government's own policies and business as usual economics that have delivered and will continue to deliver prosperities to Australians into the future. Its fundamental flaw is that in its supreme confidence that the surplus is of its own making, the Howard government has lost sight of the fact that the global economy and ongoing economic growth depend on the natural environment and its resources. The Howard government does not seem to understand that without the environment there is no economy.

What is different in 2006 is that the capacity of the earth and its ecosystems to sustain economic growth is in doubt if 'business as usual' use and exploitation of resources such as fossil fuels continues. Whereas previously individual civilisation or regions have collapsed because of unsustainable use of water, soils, forests or fisheries, the difference now is that the whole globe is at risk. As leading environmental thinker Lester Brown has said:

In our preoccupation with quarterly earnings reports and year-to-year economic growth, we have lost sight of how large the human enterprise has become relative to the earth's resources—

Take China, for example—

China has overtaken the United States in the consumption of most basic resources. Among the leading commodities in the food sector (grain and meat), in the energy sector (oil and coal), and in the industrial sector (steel), China now leads the United States in the consumption of all except oil.

What if China reaches the U.S. resource consumption level per person? If China's economy continues to expand at 8 percent per year, its income per person will reach the current U.S. level in 2031.

If we further assume that Chinese resource consumption per person in 2031 will be the same as that in the United States today, then the country's projected population of 1.45 billion will consume an amount of grain equal to two thirds of the current world grain harvest ...and it would use 99 million barrels of oil per day—well above current world production of 84 million barrels.

The western economic model ... is not going to work for China.

... in an increasingly integrated world economy, where all countries are competing for the same oil, grain and steel and mineral resources, the existing economic model will not work for industrial countries either.

Lester Brown concludes:

The days of the fossil-fuel-based, automobile-centered, throwaway economy are numbered.

This has greater ramifications for Australia than it has for most other countries in the OECD because it is not the Howard government's vision that has delivered metaphoric rivers of gold but, rather, real truckloads and shipholds of minerals powered by fossil fuels. Total mineral exports from Australia doubled in value between 2000 and 2006.

Australia is awash with cash because of a minerals boom which has delivered corporate profits to the Treasury. Between 2002 and 2007 company tax collections will have doubled to \$57 billion. But instead of recognising that these profits are completely unsustainable and using the cash to invest in nation-building through the development of a highly educated nation and a more sophisticated low-carbon economy significantly less dependent on extraction of natural resources and fossil fuels, the Howard government has pursued policies that have narrowed and weakened the economy to the point where we have virtually no manufacturing industry and only a weak tertiary sector left. In 1990 manufacturing contributed 13.4 per cent of GDP and it now contributes 10.9 per cent. We have regressed under the Howard government to riding on the sheep's back. As Doug Cameron, from the Australian Manufacturing Workers Union, has said: 'A farm, a quarry, and a nice place to visit.'

When the Howard government came to power, the current account deficit was three per cent of gross domestic product and now it is six per cent. Then, the Treasurer could not stop talking about it. Now, it is as unmentionable as climate change. Australia's economy is on shaky ground and is vulnerable to a global loss of confidence in financing these deficits. If that happens there will be upward pressure on interest rates. This is hardly a situation in which Treasurer Costello should be boasting about being a good economic manager and throwing money around. The economy is structurally weak. The Howard government has exposed Australia to perilous economic risks.

What happens when the boom ends or when the rest of the world decides not to use our coal because of global warming or our uranium because nuclear power is shown to be too expensive, too dangerous and too slow? What happens when we need to import 70 per cent of our oil and we have already exported the bulk of our liquid natural gas? Will we feel so confident then of the decision to decrease the tax revenue base when oil imports alone add an extra \$30 billion to the already shameful trade deficit and therefore to our current account deficit as well?

What happens when salinity continues to render farmland infertile and rivers too saline to use? What happens when climate change causes dislocation to traditional agriculture, and the benefits of the \$500 million injection into the Murray-Darling river system are negated by reduced rainfall and higher evaporation rates? Who will pay for the damage from the increased frequency and intensity of the floods, fires and storms that climate change is bringing? Whilst the Howard government budget provides for \$394 million in national security spending, it fails to recognise the greatest risk to Australia, to Australian people, to Australian families—and that is climate change.

In the budget papers one risk that is identified is the possible need for greater expenditure on drought relief, although the analysis concludes that this is unlikely to occur and that agricultural production forecasts are similar to previous years. Does no-one in the government listen to the CSIRO climate scientists—or have they now all been replaced by coal and petroleum industry spokespeople? In this budget 170 CSIRO jobs have been cut; so much for the clever or innovative country. Does the Prime Minister expect, when he dons the Akubra hat and visits drought affected and storm damaged areas, to be taken seriously when he expresses surprise that these events have occurred?

The Australian Greens believe that it is both prudent and equitable to develop a climate change disaster fund to provide certainty to individuals and communities. As the threat of climate change increases, so too should the amount allocated to this fund increase. The federal government does not publish an annual assessment of the costs of natural disasters, but government figures averaged over decades and adjusted for inflation put the average cost of natural disasters at around \$13.7 billion per decade to date. The climate change disaster relief fund should be funded by taxes on activities that will increase the likelihood of climate change related disasters, as such an approach ensures that the incidence of the tax will have a double dividend of decreasing reliance on harmful activities. While a carbon tax would be the most effective mechanism for achieving such an objective, the reintroduction of fuel excise indexation or the introduction of the planned increase in the heavy vehicle road user charge would easily fund such a scheme.

It is hard to estimate just how far Australia has fallen behind the rest of the world. I doubt there is any other country in the OECD which does not identify climate change and oil depletion as high risks to their economy. I cannot imagine one of those OECD countries which has a budget and puts out budget papers which identify the risks to its economy not mentioning climate change. In fact, the Australian risk assessment is that there is a greater risk of space objects falling out of the sky; it does not mention climate change.

The Kyoto protocol must be ratified and Australia must join the world at the table for the post-2012 dialogue, with serious intent to invest in mitigation and adaptation by the adoption of a new post-Kyoto multilateral treaty. Voluntary approaches such as the Asia-Pacific Partnership do not work, and the failure of voluntary action is exactly why the Kyoto protocol was negotiated in the first place. It would therefore appear prudent for the Commonwealth government to invest around \$1.5 billion per year in order to provide appropriate resources to mitigate the financial, if not the personal, costs of natural disasters.

Australia has no strategy to deal with oil depletion or to oil-proof the nation. The expectation is that, given enough tax breaks, the explorers will simply go out and find more oil. The assumption is that there is plentiful, cheap, easily accessible oil to be found, that the market will set the price and that, when it gets too high, alternatives will be found. But even the federal government's experts, Geoscience Australia, say that by 2012 there is a 90 per cent chance Australia will

be producing less than half of its oil requirement. In contrast, the Swedish government in its budget announced a strategy to make Sweden oil free by 2020. All over the world nations have introduced regulation for energy efficiency. The Greens want an energy efficiency target. Instead of providing accelerated depreciation across the board, the Greens believe that accelerated depreciation should be restricted to those companies which implement energy efficiency measures identified in the energy efficiency audit mandated by the government.

In Europe, governments have invested heavily in public transport, renewable energy and alternative fuels. They have moved freight off the roads and onto rail. They have recognised that oil-proofing a nation improves the resilience of its economy and its quality of life by reducing private vehicle use, improving air quality and reducing traffic congestion and greenhouse gases. As a first step, they have provided incentives for making car fleets fuel efficient. In this country Western Australia has taken the lead in a similar initiative to improve the fuel efficiency of its car fleet, and the Commonwealth would do well to do exactly the same with its own government fleet.

While Australia panders to the whim of the automobile industry by setting toothless voluntary fuel efficiency targets, California and nine other US states are fighting the Bush administration for the right to impose tighter mandatory vehicle emission limits. Even China has adopted a mandatory fuel efficiency target of 6.8 litres per 100 kilometres. It is a similar target to Australia's, except that the Chinese are serious about actually achieving it. It is hard to believe that Treasurer Costello has granted a subsidy—that is, corporate welfare—to Ford of \$52 million, without tying it to fuel efficient design. I cannot imagine any other OECD country that would give a handout to a motor vehicle company for design specifications and not tie it to fuel efficiency. The Howard government clearly does not recognise energy security as a risk to this country's economic wellbeing.

Other nations have recognised that urbanisation requires national oversight. Whereas public transport is a state issue in Australia, oil depletion and choked and congested cities are a national concern because they impact on the productivity of cities and on the quality of life of those who live there. A government with vision for the future would have instigated a COAG process and a financial strategy for the oil proofing of Australian cities and would have invested heavily in public transport. In the 1970s, 12 per cent of Australia's passenger kilometres were carried by public transport and today it is less than eight per cent. We need to exempt public transport and low-emission vehicles from the GST. But, no, nation building for the Howard government consists of road building, with the oil price approaching \$100 a barrel. It is a brilliant strategy!

AusLink is set to receive \$13 billion over five years, but new road funding in this week's budget has been allocated at nearly 10 times the amount for rail. Until we invest more in rail than we do in road, we cannot hope to shift the freight task from our crumbling roads and on to fast tracks linking our major cities. The decision not to proceed with the planned increase in the heavy vehicle road user charge is a slap in the face for transport reform.

If Australians had been asked whether they would prefer to permanently reduce their energy and petrol costs by being assisted to upgrade to a more fuel efficient vehicle, to put a solar hot water system on their roof or to access faster and better public transport or, alternatively, to have tax cuts to enable them to pay higher petrol and energy costs, the government would have found that the community would prefer government intervention to accelerate the transition to a low-carbon economy to head off higher costs rather than just being assisted to meet them if future budgets allow for it. At the moment, Australia has the third

cheapest petrol in the OECD and our electricity is 40 per cent cheaper than the OECD average cost, yet energy affordability is up there with housing affordability as a major issue in our community. How much worse will it become?

Whilst reducing fuel excise on alternative fuels is essential, cutting fuel excise on conventional fuels is not the answer, because in a world experiencing peak oil it is economically unsustainable and it lulls people into thinking that they do not need to make changes to their vehicle standards or use. Being strategic and proactive provides national energy security, whereas reacting to short-term market forces leaves the nation insecure and exposed to the vagaries of the global market.

The same applies to other fossil fuels. It is reckless and irresponsible not to plan for adaptation to climate change, because we know that the costs of acting now are far less than the costs will be if we do not. In that regard, how can we argue that we have a surplus when we have failed to assess the financial risks and costs of climate change? This is not just about the Great Barrier Reef. This is about the liveability of country towns. It is about health; it is estimated that 10,000 people will die from heat exhaustion because of increased temperatures. It is about dislocation in agriculture. It is about just about every aspect of our lives.

Whilst the Howard government is relying on coal and pinning our future on unproven carbon capture and storage technology, other nations are moving rapidly to invest in renewable energy technology and products. One day Australia will price carbon. The cost of disposing of carbon dioxide into the atmosphere has been subsidised by the community for too long. This subsidy must end. Whilst the switch towards taxing atmospheric pollution is a complex area of policy, what is simple is the need to send a signal to the market. The longer we delay sending the signal the longer plans for coal-fired power stations will continue to be advanced.

The Greens propose that the government introduce an emissions trading scheme and/or a carbon tax as a matter of urgency to send a clear signal to the market, to shift the financial risk from the government to the market, to minimise transition costs and to fund emerging renewable energy industries. This is good business. Australia is blessed with fantastic solar and wind energy. We could lead the world in photovoltaics, but to do so we need to invest in the commercialisation of existing technologies and R&D for improved technologies. We need to provide incentives for the roll-out of those technologies, including reform of electricity tariffs through guaranteed prices for renewable energy and, in the short term, an extension of the photovoltaic rebate scheme.

Germany has created 150,000 jobs by introducing legislation to drive the solar industry. Over 19 US states have introduced renewable energy targets to attract those industries, whilst in Australia the government has effectively strangled the renewable energy industry by refusing to extend the mandatory renewable energy targets. We have an Australian solar energy billionaire who made his money by investing in China. There is no capacity for him to do the same in Australia, and those jobs are being created in China. Just today, Roaring Forties announced that it will not proceed with its Heemskirk wind farm, blaming the government's failure to expand MRET. Not dealing with climate change is costing Australia jobs and innovation.

As to uranium, a leadership role for Australia in global non-proliferation, global security and antiterrorism would be to see us decide to leave it in the ground. Apart from the danger of weapons and waste, the nuclear fuel cycle is dangerous, expensive and replete with un-costed externalities that the taxpayer will have to

pay for. The budget papers themselves reveal that taxpayers already have to pay \$7 million to clean up the Kakadu World Heritage area of abandoned uranium mines. Who will pay for the clean up if the current uranium mining speculation ever leads to new mines opening? As well, the budget statement of risks makes it clear that there is no way to cost the decommissioning of the Lucas Heights reactor. What does that say about the government's assertion that nuclear power may become financially viable in Australia?

Rather than seeing Australia's coal and uranium reserves as a competitive advantage, Australia needs to see them as a competitive disadvantage, because focusing on coal and uranium is blinding the government and the nation to risk and to the cause and consequences of climate change, and it is preventing investment in the innovative industries that will power this country. Dependence on natural resources will leave the nation vulnerable to resource depletion, new foreign sources and technological changes that reduce and eliminate resource needs. That is according to Michael Porter, a quite well-known economist.

Australia is being held back, jobs growth is being restricted and the nation's ability to build a sophisticated economy, manufacturing base and tertiary sector is being constrained by the Howard government's short-termism, intellectual laziness and indebtedness to the resource sector for its political support. To effectively capitalise on the opportunities inherent in the transition to a low-carbon economy which is knowledge, skills and service based, a massive injection of funds into education, research and training is needed.

Our children are our future, and if you had an eye to the future you would not reduce education spending as a proportion of government outlays, as has occurred in this budget. Would most Australians choose a tax cut if they realised that their children would have to borrow as much for their university fees as they had to borrow for their first home? The tax cuts could make tertiary education free again. In the Howard government's values system, this is a lesser priority than increasing the ability to consume for people who are earning over \$100,000.

In addition to putting further education beyond the reach of most Australians, the government has provided no extra funding for university research. We need that public interest research. We cannot rely on industry partnerships to deliver the science we need to address climate change and the public interest dimensions of the ethical dilemmas posed by the biotech and nanotech revolutions. The wealth of the country should be seen in its people and in its ability to capture creativity and innovation in adapting to changing global circumstances. In this context, we have to fund the arts.

Adaptation to changing global circumstances needs to be reflected in building a coherent society in which there is not a massive gap between the rich and the poor, in which women are given equal opportunity to participate and in which no child is kept behind razor wire. Conflict and antisocial behaviour occur when some in the community are left without hope, worthwhile work or provision for their old age while others benefit from tax cuts and superannuation advantages. What an opportunity we have missed to adequately fund primary health care from early childhood right through to old age! What an opportunity we have missed to reduce the gap between the rich and the poor, and to provide support for people with disabilities and for carers!

The government may claim that the budget is in surplus, but what does that say about its values if the nation is deep in deficit, if its children are not properly cared for and if its Indigenous communities are forced to live in Third World conditions? If we cannot address Aboriginal disadvantage in an economic boom time, when can we address it?

Unlike the Howard government, the Greens' vision for Australia and the values we hold mean we would not squander the surplus on a spending spree. We do not support the tax cuts or superannuation windfall for high-income earners. We would spend the \$45 billion instead on fostering equity and high standards of education and public health and on accelerating the transition from a narrow resource based economy to a low-carbon economy with a strong innovative new industry and employment base. We would oil-proof the country and invest in energy security and adaptation to climate change. We would offer the leadership that Australia needs in the 21st century. Just as Tony Blair identified climate change and making poverty history as the themes of Britain's leadership of the European Union and the G8 so, too, Australia should adopt climate change, renewable energy and energy efficiency as key themes for APEC in 2007. This would truly provide genuine leadership for the region.