

# The Australian

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## Opinion

### Not a model way to sell a carbon tax

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**IT has taken three months and 10 hours of questioning in Senate committees. Ultimately, however, the facts do emerge. And they did last Monday.**

Replying to a question from Senator Mathias Cormann, Phillip Glyde, executive director of the Australian Bureau of Agricultural and Resource Economics and Sciences, admitted that "at the moment, it is not possible" for anyone outside Treasury to access the models Treasury used for its carbon-tax analysis.

Yet Treasury's most senior officials have persistently claimed the opposite. In the Senate Select Committee on the Scrutiny of New Taxes, Treasury said "these models are publicly available".

Asked "So, if Professor Ergas were to go with a cheque in hand it would be available to him?", Treasury's reply was unambiguous: "Yes, he would be able to receive these models."

Treasury's claims were false. For central in Treasury's work is a model called GTEM. That model was initially developed by ABARES. Under the Howard government, GTEM's documentation and computer code were placed on ABARES' website. And in early 2007 ABARES moved to full commercial release of GTEM.

But with Labor's election victory, the planned release was aborted. Since then, access to GTEM has been denied.

It is difficult to believe Treasury did not know this. But Treasury is not alone in the misinformation game. Also on Monday, Climate Change Department secretary Blair Comley told a Senate hearing that scrapping emissions permits would increase uncertainty and "feed into higher electricity prices".

True, investors in electricity generation face uncertainty. But that is because the future international environment for carbon pricing is itself highly uncertain. And merely introducing a carbon tax here does nothing to wipe that uncertainty away.

After all, mad though Australian governments may be, no rational investor believes Australia will stick with a carbon price climbing towards the hundreds of dollars should it become apparent that the rest of the world is not following. Rather, under that highly plausible scenario, the likelihood must be that the system will eventually be dismantled.

No permit trading mechanism can do much to insure investors in very long-lived generating assets against that possibility. Tax or no tax, those investors must therefore face the risk inherent in an uncertain world. And that will reduce investment and increase electricity prices.

But to that source of price rises the government's scheme adds a further, much larger, hike by taxing our lowest cost generators. And to that extent the tax does provide consumers with certainty: the certainty that electricity prices will be higher with the tax than without it, as they must be if it is to have its intended effect. Indeed, while estimates vary, by 2020 the tax seems set to increase household electricity bills by between 10 per cent and 35 per cent, and by much more than that in some states.

Even on the government's own modelling, repealing the tax will therefore lower, not raise, electricity prices; and repealing the renewable energy targets, which merely hand consumer dollars to rent seekers, would further ease the burden on households.

That Comley would claim otherwise is surprising. And along with Treasury's conduct, it raises serious questions about the public service's understanding of its role.

The public service exists to loyally and effectively serve the government of the day. But it must be ready to serve the opposition, should it form government, every bit as loyally and effectively. This requires that it retain its separate identity from the government and its policies. It should be an instrument in the process of government, not an actor in the battle of politics.

That distinction is admittedly not an easy line to tread. And it must be especially difficult when weak governments, unable to defend policies on their own, try to cloak them in the authority departments such as Treasury enjoy. But those difficulties cannot excuse misleading the public.

As for the government, its conduct is even less excusable. For it is clear from Glyde's evidence the decisions about what should be released rested with the government. When Penny Wong, again replying to a question from Cormann, claimed the government had been "extraordinarily transparent" on the Treasury modelling, she must have known that it had reversed the previous policy of allowing access to GTEM.

Yet on sweeping to office in 2007, Labor had trumpeted a new era of open government. "There is," Senator John Faulkner said, "no better way to achieve accountability than by promoting transparency and openness." Lamenting "the constant temptation, for elected governments and appointed public servants, of becoming less democratic as they go along", Faulkner committed Labor to creating and entrenching "a pro-disclosure culture".

Government advertising too, would be "objective, fair, and not directed at promoting party political interests". And while "it is reasonable for ministers to have staff to assist them", Labor promised "such taxpayer-funded resources should be used for the business of government, and not exploited for partisan political advantage". Overall, in Faulkner's words, there would be "an end to political spin".

That may have been the initial intention. But it bears no relation to the reality. Rather, the government's approach to the carbon tax has been that the end justifies the means, no matter how tawdry they may be. Crucial information suppressed; advertising that is obviously political; and now a spin unit, reporting to Climate Change Minister Greg Combet, and staffed, at taxpayer expense, by five Labor operatives paid up to \$170,000 a year.

Has the government lost all sense of Faulkner's promises? Plainly it has. Yet the evidence suggests the public demands better: for to say the government's selling of the carbon tax has not been a success is to say Mount Everest is a bump in the road.

Rather, its efforts are reminiscent of an old cartoon. A couple are driving through the countryside. They approach a marker that reads FEAR NO EVIL. "Why, dear," the woman says, "we've made good time. We're already in the valley of the shadow of death." And so, it seems, is Labor.

## Have your say

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