

The Big Picture

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“News to use & amuse”



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www.abetteraustralia.com

Happy Xmas

I imagine a few whitefellas might get on the piss, but no such luck for people on prescribed communities. Under welfare management they are not being trusted to spend to save the economy. From my understanding, people whose income is quarantined will have these bonuses paid into their quarantine accounts, but will only be able to access it \$800 at a time, sweet Jesus, and even then within limits (something like they are not allowed to have more than \$1500 in their quarantined account at a time). So a family with four kids will get \$4000 but spread over a few months. This means they will not be able to spend up big on the kinds of items that are designed to save the Harvey Normans of this world.

Of course, if you are on income management and want to buy toys for your kids for Christmas, you have to go to the toy shop and get a written quote which then is taken to Centrelink, who pays the merchant directly. After all this, the Christmas present can be picked up, no doubt, by Santa and his helpers. It was a lot easier for baby Jesus who got his presents delivered by three wise men, rather than through the offices of the 880 Commonwealth public servants up here in the Territory managing the lives and incomes Aboriginal people. Merry Christmas. [Crikey](#)

Relevant decisions

In complex systems, requisite variety means that a system has all of the necessary abilities (resources, skills, means etc) to achieve its purpose(s).

In human decision terms, it means that decision makers need access to sufficient information to make a sensible decision – ie. most likely achieve the desired objectives.

Cut to the rhubarb in the media this week about Rudd0's climate policies – what do we see? A decision process informed by economics and various lobby groups but not informed by those with the requisite climate information e.g. climate scientists.

Personally, I know little about the climate in technical terms yet it is obvious to me that the Australian government's White Paper is a result of political decision making (negotiating a course between competing interests) that fails entirely to have requisite variety.

Here's the kind of process I'd expect our leaders to use:

- Publish scientific reports on the risks and options
- Show the probable outcomes for each major choice
- Identify means of cutting any serious downsides
- Show the criteria on which the decisions will be taken.

As far as I can tell, virtually none of these steps were taken. Instead we had a process that operated something like this:

- Get an economist to write a report (trial balloon)
- Assess public and other reactions to the report
- Start scare campaign to justify 'extraordinary measures' like ignoring science and paying polluters

- Hold multiple closed discussions with those with most to gain
- Write a policy that appears to satisfy as many selected financial 'stakeholders' as possible
- Increase size & power of government

Such a process fails to include the climate in its deliberations, it also fails to educate the public about the choices. Rudd0's background is diplomacy so we can expect him to try for the 'diplomatic' solution – pretty much what he's done I'd guess.

It appears that John Howard's decade of making all decisions political – presumably to increase his own power - has led to virtually all governments copying that method – after all federal funding probably depended on it.

Unfortunately in many cases, political decision making is not appropriate. For example it doesn't apply to producing a workable and efficient transport system, neither does it apply to producing a healthy or educated population, nor is it useful to control the climate. In fact political decision making, as a process, has brought us to our current crises – climate, economy, health, transport, energy, terrorism.

One of the purposes of scientific inquiry, is to provide more complete and impartial information to help us avoid mistakes and get things right first time. The repeated mistake that government is making is to avoid using scientific inquiry.

Wherever we look we see the results – Gunns pulp mill, Victoria's water desalination plant, NSW transport chaos, the collapse of the Murray Darling system, budget overruns and service quality degradation just about everywhere.

Until and unless our politicians can recognise that they are not always the right people to make complex decisions, we're likely to keep experiencing social, financial and environmental pain that comes with the best of intentions and the worst of results.

Oftentimes the best political decision is to give the decision to someone who actually knows what they're doing! In that way our political parties could avoid the almost constant and repeated odium created by the outcomes of their policies and actions.

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Back to the financial crisis

News hound Mike Whitney reports a London banker as follows...

It's this simple: I won't invest in a country that bails out failure and punishes savers. I won't invest in the US or UK until they change course and protect savers and investors, ensuring a reasonably predictable positive return.

It is now clear to me that policy makers in the West are determined to apply every available resource to underpinning failure, misallocation and executive excess. As this discourages the honest saver from parting with cash, policy makers are ensuring that deflation will wreak its havoc on the financial and real economies of the world.

Some day soon savers will revolt at financing further deprecations. When that final massive bubble bursts, deflation will follow its harsh corrective course and clean out deficit-financed "unproductive works".

The market has failed, and officialdom is collaborating in perpetuating that failure." [ICH](#)

Why is it all happening? Here's an interesting take from Chris Hedges at [Truthdig](#)...

The multiple failures that beset the country, from our mismanaged economy to our shredded constitutional rights to our lack of universal health care to our imperial debacles in the Middle East, can be laid at the feet of our elite universities. Harvard, Yale, Princeton and Stanford, along with most other elite schools, do a poor job educating students to think. They focus instead, through the filter of standardized tests, enrichment activities, advanced placement classes, high-priced tutors, swanky private schools and blind deference to all authority, on creating hordes of competent systems managers. The collapse of the country runs in a direct line from the manicured quadrangles and halls in places like Cambridge, Princeton and New Haven to the financial and political centers of power.

So we're not educating people to think, we're educating them to obey authority and maintain system stability for the existing gatekeepers. When things go wrong, people with this background don't know what to do.

Intelligence is morally neutral. It is no more virtuous than athletic prowess. It can be used to further the rape of the working class by corporations and the mechanisms of repression and war, or it can be used to fight these forces. But if you determine worth by wealth, as these institutions invariably do, then fighting the system is inherently devalued. The unstated ethic of these elite institutions is to make as much money as you can to sustain the elitist system. College presidents are not voices for the common good and the protection of intellectual integrity, but obsequious fundraisers. They shower honorary degrees and trusteeships on hedge fund managers and Wall Street titans whose lives are usually examples of moral squalor and unchecked greed. The message to the students is clear. But grabbing what you can, as John Ruskin said, isn't any less wicked when you grab it with the power of your brains than with the power of your fists.

John Howard has converted tertiary education into an elitist system here too so I'd guess that the situation isn't too much different. In Australia, helping large overseas corporations to achieve goals that have no relevance for local people is rewarded as a career pinnacle, while speaking up and acting for communities is often met with official hostility.

In case you missed it

Financial mess

Businesses/investors angry over post bubble land tax [Australian](#)

Household wealth crashes [TheAge](#)

What exactly is money? [ICH](#)

Governance

UNICEF slates Aus failing child care [TheAustralian](#)

Coal port doldrums threaten Qld economy [TheAustralian](#)

Rego up, water scheme scrapped in Qld [NewsLtd](#)

Shallow pool of talent [Mercury](#)

Last words – the Tamar valley [TasTimes](#)

Don't bail out failed (Aus) states [TheAustralian](#)

Public counts costs of Rudd's democracy [HeraldSun](#)

Tackling the political arms race [TheAge](#)

Environment/food/water/forestry

Forestry threat to farms [WeeklyTimesNow](#)

Water restrictions cost \$6 bn per year [TheAustralian](#)

Pipeline saga's new turn [Mercury](#)

Climate

Warm up act in climate war [TheAustralian](#)

Overcompensation blunts ETS value [TheAustralian](#)

Economy won't matter if Earth dies [TheAge](#)

Industry revolt on green plan as miners sacked [TheAustralian](#)

G'peace/WWF damn paper on climate [SMH](#)

Real leaders would set real targets [TheAge](#)

Whitlam redux (Ergas on Rudd) [TheAustralian](#)

Health & education revolution

Tas cancer rate shock [Mercury](#)

Skilled NSW nurses to be replaced with cheaper staff [SMH](#)

Blast for Tas education marks [Mercury](#)

Communications/transport/energy

Vic transport plan – the joke's on us [TheAge](#)

Sydney transport behind Mumbai [SMH](#)

New suburb roads too narrow for buses [CourierMail](#)

CityRail on the brink [SMH](#)

Axed Sydney buses strand 650,000 [SMH](#)

Telstra slashes town services [HeraldSun](#)

NBN compo to Telstra could hit \$80 bn [TheAustralian](#)

Chinese spy fears on NBN [TheAustralian](#)

WA risks power shortages [TheAustralian](#)

World

Ex Nasdaq chief on \$76 bn fraud charge [SMH](#)

Why are they there?

After years of being told that forestry and agriculture chemicals are not harming us, and after years of disclosures of poisons in our waterways, we read '[Tassie rate cancer shock](#)' which reveals that we have the country's highest cancer rates.

After parents complaining about Essential Learnings and teachers panning David Bartlett's new education program we read '[Blast for Tassie education marks](#)' revealing that Tassie schoolkids performance in reading, writing, spelling, grammar, punctuation and numeracy is getting worse.

What value are we getting for our taxes? Why are these governments there at all if they can't get results?

If I describe governments' purposes by their behaviours – they are what they do then included in my list are:

- To legitimise otherwise illegitimate activities
- To create social 'churn' and social costs
- To coerce the people to conform to government requirements
- To take from the many and give to the few
- To use government as a tool for self enrichment
- To maintain a facade of social responsibility
- To attack other countries
- To hound and harry its citizens

Have I missed any?

Readers are encouraged to do their own analysis of government.

Who will pay for inaction? We will

Letters – [The Age](#) December 19, 2008

MR RUDD, I am 17. Although my opinion will be politically insignificant for another year, it is my generation who will suffer the consequences of inadequate climate change action. After your election, I was one of many excited at the prospect of change. Now I feel extreme disappointment. What happened to taking climate change seriously; to listening to science; to climate change being the greatest challenge of the generation?

I understand how such a politically cunning response would blunt Opposition attacks. But we don't need clever political manoeuvres or more excuses, summits or reports. We know the facts. A carbon reduction of 25-40 per cent by 2020 is necessary to keep global temperatures within 2 to 2.4 degrees of pre-industrial levels. A mere 5 to 15 per cent means destroying the Great Barrier Reef and Kakadu and catastrophe for the Murray-Darling Basin, thus threatening 700,000 jobs.

Global warming may be the greatest challenge of your generation but it is the greatest threat to mine. Don't go down with John Howard as one of the men who stood by and watched it happen.

Robert Moseley, Upper Ferntree Gully

The concept of illegal and illegitimate debt

Brenda Rosser. 16th December 2008

Last month a special debt audit commission in Ecuador released a report charging that much of that nation's foreign debt was illegitimate or illegal. "The commission evaluated all commercial, multilateral, government-to-government and domestic debt from 1976-2006".

Perhaps the most critical element of this commission's ruling is the charge that Paul Volker's decision to hike US interest rates to extraordinary and unprecedented levels in the late 1970s [1] constituted a "unilateral" increase in global rates that compounded Ecuador's indebtedness.

The loans to Ecuador, according to John Perkins in his 2004 book 'Confessions of an Economic Hit Man' were denominated in US dollars and designed from the outset to "to foment conditions that make [Ecuador] subservient to the corporatocracy running our biggest corporations, our government, and our banks." The conditions of the infrastructure loans were that "engineering and construction companies from our own country must build all these projects. In essence, most of the money never leaves the United States; it is simply transferred from banking offices in Washington to engineering offices in New York, Houston, or San Francisco." [2]

How legitimate can it be for, on the one hand, political leaders to be accepting loans on terms that leave their nations economically vulnerable, and on the other for the US to have the power to 'unilaterally' and unjustly increase loan liabilities for the world's poorest (and other) nations?

The long-term outcomes of such an international lending regimes have been disastrous. Since 1970 – in the period known as the 'oil boom' the official poverty level grew from 50 to 70 percent and under or unemployment increased from 15 to 70 percent. Public debt increased from \$240 million to \$16 billion. At the same time "Vast areas of rain forest have fallen, macaws and jaguars have all but vanished, three Ecuadorian indigenous cultures have been driven to the verge of collapse, and pristine rivers have been transformed into flaming cesspools." [3]

Ecuador's use of legitimacy as a legal argument for defaulting on their loans sets a major precedent in international finance and the global economy. "Indeed, the mere formation of a debt auditing commission does so." [4] There is no doubting, however, that the rapidly increasing poverty and hunger along with the dire state of the world's living environment means attention to the impacts of unreasonable and unjust debt regimes is long overdue.

[1] Paul Volker was then chairman of the US Federal Reserve.

[2] Confessions of an Economic Hit Man by John Perkins

Plume, 2005, paperback, 280 pp.,

<http://www.ecobooks.com/books/ecohitman.htm>

[3] Confessions of an Economic Hit Man by John Perkins

Plume, 2005, paperback, 280 pp.,

<http://www.ecobooks.com/books/ecohitman.htm>

As Crisis Mounts, Ecuador Declares Foreign Debt Illegitimate and Illegal - Daniel Denvir, AlterNet. Posted November 26, 2008.

http://www.alternet.org/audits/108769/as_crisis_mounts_ecuador_declares_foreign_debt_illegitimate_and_illegal/

Macklin decides where dollars go in Yuendumu

Bob Gosford writes from Yuendumu, NT: © [Crikey](#)

If the Federal Government's continuing Northern Territory intervention has had one stand-out success it has been in centralising power in Jenny Macklin's Department of Families, Housing Community Services and Indigenous Affairs.

Under new arrangements governing the control and licensing of community stores in the remote Territory, the department will not only take over the management of many of the Territory's community stores, but also license any new operators. The department will then determine which stores can be used by Aboriginal people whose income it controls.

Outback Stores, currently owned by the statutory authority Indigenous Business Australia (IBA), is being taken over by the department. In recent months, IBA has expanded its empire of stores in the NT to 16, with more stores planned. That expansion has in large part been made possible by favourable legislative treatment and funding from IBA's potential departmental owner.

According to John Kop, the CEO of Outback Stores, the transfer of ownership of Outback Stores from IBA started in early November and is currently undergoing "due diligence".

In Yuendumu, the local Yuendumu Social Club, which operates the community's "Big Shop", has been trying to get a departmental licence to accept quarantined income for months.

In late November, the managers of the Big Shop wrote to Minister Macklin expressing their "extreme concerns" about possible Government-sanctioned manipulation of the local retail food market and the apparent stonewalling of applications for their shop to be licensed to accept income quarantined by the NT Intervention.

Yuendumu residents already have 50% of their welfare payments quarantined. Beginning this week, several hundred thousand dollars of Kevin Rudd's Christmas bonus money will flow into Yuendumu. In Yuendumu 100% of those bonuses will be similarly quarantined.

The Yuendumu Social Club asked Minister for Indigenous Affairs Jenny Macklin:

How can it be considered fair trading or beneficial to the community to give this money to these residents and then tell them that they have to use it in only one store...or force them into Alice Springs...(w)hy shouldn't the people in Yuendumu be given the same opportunities as people in town to decide where and on what they should spend their money on?

The Yuendumu Social Club store is locally owned and has operated since 1972, and, like many small stores in remote Australia, has had its share of financial and management troubles and triumphs. For over three decades The Big Shop has provided a full-service supermarket and service station in what must be one of the most difficult markets in Australia – virtually all of its clients live in grinding poverty, it is at the end of a long, expensive and dusty supply chain and can exercise little influence on its suppliers. It has never taken a dollar from any Government and has always supported local ceremonial and sorry business and sporting activities.

The other locally-owned store is the Mining Store, known locally as just "Mining", which provides an idiosyncratic but locally-loved convenience store service from a converted Nissen

hut. When the arrival of income-management at Yuendumu was announced in February 2008 neither the Big Shop nor Mining was interested in participating in that scheme. At the time the Big Shop was struggling in one of its occasional financial, management and administrative troughs and Mining was just not placed to provide the full service required to meet the particular standards required by FaHCSIA.

Unable to convince the Big Shop owners that they should participate in FaHCSIA's income quarantining scheme, the NTER Task Force hunted around for an alternative. This is where the Outback Stores come in.

[Outback Stores](#) was established by the previous Indigenous Affairs Minister Mal Brough in 2006 and is wholly-owned (for now at least) by the Federal Government statutory authority [Indigenous Business Australia](#).

16 of the 24 stores that Outback Stores operate across northern Australia are in the NT, where Outback Stores has been granted a preferential corporate licence to operate stores and receive welfare payments quarantined as part of Macklin's Intervention. This means that, unlike any other proponent wishing to run a store on 'prescribed land' in the NT, Outback Stores does not have to go through the onerous and confusing requirements established by FaHCSIA in order to get a licence to operate.

Undoubtedly, the management and operational regimes established by Outback Stores have lifted the standards of service, governance and quality of store services in many communities, particularly those where only one store may have been struggling to make ends meet. But it is those townships where more than one store operates that many see that the preferential treatment given to Outback Stores by FaHCSIA and the NT Intervention task Force gives rise to real concerns about market manipulation and anti-competitive conduct.

Day no charges to message

NAME OF ADDRESSEE Ron Walker
STREET ADDRESS First Class Saloon
RMS FAIRFAX

URGENT: DELIVER WITHOUT DELAY

RECEIVER'S NUMBER 555572
DATE 10 Dec 2008
TIME FIELD 5:45 P.M.
CHECK

WORD COUNT, SYMB
SENDING STATION
RMS FAIRFAX, MID ATLANTIC

SYMBOLS: BL-DAY LETTER BL-NIGHT LETTER LC-DEFERRED CABLE RL-CABLE NIGHT LETTER BR-SHIP RADIOGRAM

TELEGRAM
The World Wide Electrical Printing Telegraph Co. Ltd.

FROM RMS FAIRFAX, MID ATLANTIC.

Re iceberg incident as noted previous STOP still taking water STOP all else going swimmingly STOP full meeting of band yesterday resolved to keep playing regardless of new steep tilt to deck STOP captain appears to have been flung overboard STOP purser now in charge STOP have decided on new pattern for b-deck promenade deckchairs STOP sort of an expanded clover leaf STOP very much the future of deckchairs STOP

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS REGARDING ITS SERVICE

Polluter assistance and 5% target

Rudd's betrayal

Canberra correspondent Bernard Keane writes in Crikey:

The Government has restructured its [emissions trading scheme](#) to deliver even greater assistance to Australia's biggest polluters and to scale back its commitment to participate in any international agreement, well below that advocated in the Garnaut Review.

The emissions trading scheme White Paper released this morning proposes that Australia commit to a unilateral 5% reduction in carbon emissions on 2000 levels by 2020, equivalent to a 27% per capita reduction given Australia's population growth.

In the event of an international agreement, the Government has proposed committing to up to a 15% reduction by 2020, equivalent to a 34% per capita reduction.

The unilateral target of 5% is in line with that recommended by Garnaut, and the 15% target would reflect an international agreement somewhere between the 550ppm realistic goal discussed by Garnaut -- which would require a 10% cut -- and the 450ppm ambition that would require a 25% cut by 2020.

However, the Government has rejected Garnaut's recommendation that it commit to a 25% cut if an international agreement around 450ppm is reached (equivalent to a 40% per capita reduction). Australia will go no lower than a 15% cut, even though the White Paper specifically states that "the Government believes that it is in Australia's national interest to achieve a comprehensive global agreement to stabilise atmospheric concentrations of greenhouse gases at around 450ppm".

In the event such an agreement is reached, the Government has only committed to reconsider its post 2020 targets.

The Government strongly argues that its 5-15% effort is comparable to that adopted by Europe on a per capita basis -- Europe's current goal of 20-30% below 1990 levels equates on a per capita basis to 24-34% below 1990 levels; Australia's 5-15% goal would be 34-41% below 1990 levels.

The Government has also made significant concessions to Australia's biggest polluters in the design of the scheme. Under the White Paper scheme, the carbon price will be reduced by permitting unlimited importation of accepted international permits, and there will be a \$40 price cap for the first five years of the scheme. The Government expects the initial permit price to be around \$23 a tonne, and some borrowing of the following year's permits will be permitted in addition to unlimited banking.

The compensation arrangements have been significantly broadened to include industries that previously missed out on compensation and to provide greater flexibility for companies in determining their eligibility for compensation, through providing a value-added option in addition to the tonnes per million dollars revenue, and extending the period on which the calculation is based.

The threshold of 2000t per million dollars revenue/value added has been retained from the Green Paper, above which trade-exposed firms will be eligible for 90% free permits. But in a big

victory for the LNG industry and other previously borderline industries, the lower threshold at which 60% of permits are provided free has been dropped to 1000t per million dollars revenue/value added.

As a consequence the proportion of free permits under the scheme has increased from 20% to 25% -- with another 10% for agriculture, which will remain excluded until at least 2015.

The Government has also clarified that such firms will receive increasing numbers of free permits if they increase production, meaning there will be no cap on emissions from our worst polluting sectors. There will be a 1.3% "dividend" deducted from caps each year but under normal economic growth conditions, it means that by 2020 45% of permits will be handed out free to polluters.

The Government will also provide \$3.9b over five years in handouts to the coal-fired power industry, as well as a \$2.15b "climate change action fund" for handouts to businesses, community groups and the coal mining industry. The petrol excise offset from the Green Paper has been retained, and the Government has strengthened its household assistance measures, promising to overcompensate nearly all low-income households with 120% of their additional costs, and committing that most middle-income households will not be out of pocket.

The Government expected to generate \$11.5b in permit revenue in 2010-11, with all permit revenue recycled back into assistance, and a substantial risk that if big polluters grow faster than the rest of the economy, the Government will be forced to fund some assistance measures from the Budget.

Now the Government's selling task begins, commencing with Kevin Rudd -- having bumped Penny Wong -- at the Press Club today. Next stop, the Senate.

Rudd's Emissions Target: A Policy Analysis

By Anna Rose © NewMatilda 16 Dec 2008 *A detailed report on what the Government's White Paper will mean for industry, the public and the climate*

Protests are kicking off all around the country today as ordinary Australians react to the Government's White Paper on climate change. After a late night driving back from Canberra, I've written a summary on what exactly is in the White Paper, since it's 850 pages of complex jargon. Here's how I've deciphered it: your quick and simple guide.

Target: 5 per cent

The Government has committed to cutting Australia's carbon pollution to 5 per cent below 2000 levels by 2020. Beyond that base commitment, the obligatory reduction could be as high as 15 per cent "in the context of a global agreement under which all major economies commit to substantially restrain emissions and advanced economies take on reductions comparable to Australia".

The Government's household support package, its industry support package and the carbon price it is using are all based on a 5 per cent target. Treasury estimates that revenue from the scheme will be \$11.5 billion, at a carbon price of \$25 per tonne. They estimate that a carbon target of 5 per cent will result in permits priced at around \$23, but they've set the \$25 estimate based on expectations of market fluctuation.

The Government did not leave the door open to a 25 per cent reduction by 2020, which had been a feature of the earlier Green Paper. The White Paper states that Australia's target may be changed after 2020 if we get a global deal based on 450 parts per million [carbon dioxide equivalent \(CO2e\)](#) with sharp reductions from developed and developing countries. This seems to be code for increasing the Government's 60 per cent reduction by 2050 target to move in line with Obama's 80 per cent by 2050.

Compensating Australia's biggest polluters

The Government has significantly increased the amount of compensation it will be giving our biggest polluters from the model proposed in the Green Paper. Thirty per cent of the permits from the scheme will be given away for free, and there will be direct cash handouts to some industries like coal-fired generators, who score a cool \$3.9 billion — untied to any structural adjustment programs to transition out of this dirty fuel.

In the [words of Tim Colebatch](#) in *The Age*, "Come to Australia, polluters' paradise!"

The Government will give free permits to new and existing firms in "emissions exposed trade intensive industries" (EITEs) like aluminium producers, iron and steel makers, petrol refiners and LNG producers.

The Government has divided these industries into two categories depending on how much greenhouse gas they emit. The more polluting you are, the more free permits you get. The biggest polluters get 90 per cent of their pollution permits for free, and the second biggest polluters get 60 per cent of their permits for free.

The principle of growth has been used to set the compensation package to trade exposed emissions intensive industries. Put simply — the more that polluting companies expand and the

more greenhouse gas emissions they emit, the more compensation they receive. If a firm doubles its output and doubles its pollution it will get double the amount of free permits.

This means the Government is not seeking any meaningful structural adjustment to a clean energy future. And keep in mind that the more assistance given to polluting industries, the greater the burden on other sectors of the economy.

It's worth noting that LNG companies like Woodside and Santos are huge winners from the scheme, as they had been excluded from receiving assistance in the Government's Green paper in July. Now, they'll receive 60 per cent of their permits for free, despite being well positioned to make windfall gains from emissions trading since LNG is a less polluting fuel than coal and oil.

The Government will "review" its assistance to EITEs every five years but has committed to providing five years notice before any changes take effect. Five years is a long time when it comes to climate science; so again we're locking Australia into a situation that will be rapidly outdated as the climate science gets worse.

Compensation for companies if the scheme tightens up

Even though so many pollution permits are being given away for free, if the Government needs to take them away from companies to reduce the cap on carbon, these companies will get monetary compensation from the Government.

That is because carbon pollution permits will be personal property, and companies have been guaranteed that these rights can't be extinguished without compensation. This means that in future, when climate change impacts start really kicking in, and the climate movement becomes stronger and governments have no choice but to strengthen the cap, the Government will have to buy back the permits from polluting companies.

It's like what happened with the Murray, where water rights were over-allocated, and now the Government has to buy back what they should never have given away for free in the first place.

Risky business: banking and borrowing

One thing that may be overlooked in the mass of other bad things in the White Paper is companies can "bank" and "borrow" permits from future years. Banking means that companies can purchase emission permits from future years in advance of that year, if they think the price will go up in the future. This means they can continue emitting high levels of pollution even if the carbon price goes up in future years.

Borrowing is even worse, because, say I run a company and am not doing very well financially, I can "borrow" permits from future years to make up for excess emissions that I've emitted over the cap this year with the "intention" of paying them back in future years. How convenient it would be if I go bankrupt and avoid having to pay my carbon liability...

And just to make sure the scheme can't be too effective, here's a price cap

Just in case the carbon price rises too high, the scheme will have a price cap of \$40 for the period 2010-11 to 2014-15. This price cap will be in the form of "access to an unlimited store of additional permits, issued by the Government at a fixed price".

Let other countries do the work for us: overseas credits

There's another reason why the scheme is not contributing to a structural change to a low-carbon economy in Australia. There is no limit on the amount of permits companies can import from other countries' emissions trading schemes. This means that if it is cheaper to buy emission reduction units from overseas, companies could make no changes domestically in Australia.

Companies can profit from this scheme — but it will cost the government money

The White Paper suggests that the cost of compensating business will be fully met by the revenue received from the auctioning of permits.

However the scheme allows polluters to deduct the cost of the permits they need to buy from their taxable income. This means the Government will likely receive less tax from our major corporations, which will impact the bottom line, leaving less money for renewable energy, schools, hospitals and public transport.

So if I hate this scheme, should I put solar on my roof and "do my bit"?

Unfortunately, this is one of the worst aspects of the scheme. It negates the impact of individual household emission reductions, in that if I put a solar panel on my house, it doesn't lower Australia's overall emissions but just frees up permits for my generator that they can then sell to Alcoa to produce more aluminium. It also lowers the carbon price, meaning companies have an incentive to produce more greenhouse pollution.

This is because the scheme "locks in" net emissions, aside from reductions in total permits through people buying and retiring permits.

This means that if an individual decides to do their bit and reduce their energy usage or put up a solar panel, they are making no difference our total levels of carbon emissions.

Unavoidable conclusions

The scheme is supposed to start 1 July 2010. It will have to pass through the Senate first. I hope you're all gearing up for a big year in 2009, because we'll have to build this climate movement a lot stronger than it's ever been before.

We've got a big task ahead of us in order to get the Government to realise it can't take the Australian public for granted anymore on climate change. The people who voted Kevin Rudd in can also vote him out.

Time now for the biggest movement in our history — the movement where we unite across our differences to build a movement to solve climate change.

Readers comments

Since Paul Keating, politicians have attempted to be the apparent gurus of economic matters. The real experts do the job on a full time basis and probably prefer not to sign their recommendations. What politicians might try to do is to question, understand or interpret all of that economic mumbo jumbo in the context of real experience in their respective electorates. My late father an accountant always said: "If the answer isn't simple it's invariably wrong."

When ordinary people question the economic or employment benefits claimed to flow from the proposed Gunns Ltd Pulp Mill or more recently the wisdom of propping up failed companies, they're probably right. When they question the merit of competing in the woodchip paper pulp export market with countries such as Chile and see the cost in Sydney of a huon pine kitchen cabinet door compared to an American Oak (aka Tasmanian Hardwood) door and conclude that we're not being clever with the utilisation of our forest resources I don't think there is any doubt they are correct.

Thanks to JI