Supplementary Submission No 3a

INQUIRY INTO THE GOVERNANCE OF NSW UNIVERSITIES

Name: Dr Carol O'Donnell

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Dear Sir/Madam

Please accept this submission below and related information attached as a second submission to the inquiry into the governance of Australian Universities. It relates to your term of reference 6 which is: Current and future mechanisms for reviewing the performance of chancellors and governing body members in discharging their responsibilities. Basically, I argue for transformation of all management to achieve the goals of sustainable development and also provide support in the related information attached. In my view, universities are most appropriately managed to assist achievement of the general national direction in cooperation with the ABC, SBS and related others. I would be extremely grateful for any discussions you undertake with these or other organisations to support the regulatory sustainable development direction more effectively than currently appears possible. Thank you for considering this general direction.

Cheers, Carol O'Donnell, ⁸

WE ARE ALL CAPITALISTS NOW: A CONSUMER'S RESPONSE TO THE CONSULTATION PAPER ON AUSTRALIA'S FUTURE TAX SYSTEM (2008)

1. THE CURRENT REVIEW CAN GO NOWHERE: WORK OPENLY IN INDUSTRY GROUPS TO ACHIEVE SUSTAINABLE DEVELOPMENT

This submission later answers the following selected questions from the Consultation Paper on Australia's Future Tax System (2008) for a Review Panel chaired by Ken Henry:

Q. 5.13: The cost of providing health and aged care to older Australians is currently met by government through the health sector. Should retirement incomes policy take into account projected increases in health costs for older Australians? If so, what would be the most effective mechanism and how might the transition to such a system be achieved?

Q6.1 Can the tax system be structured to better attract investment to Australia in a way that increases national income and if so how?

Q 8.4: How could the governance of the tax-transfer system be reformed to reduce complexity, uncertainty and cost, and to improve transparency, understanding and support for the system?

Q. 11.1: Is it appropriate to use taxes on specific goods or services to influence individual consumption choices, and if so, what principles can be applied in designing the structure and rates of such taxes?

Q. 14.3: What is the role of the tax system in ensuring that renewable resources are used both sustainably and efficiently?

The main aim of this response, however, is to argue that tax can only be effectively understood in its relationship to all government assistance provided to industry on one hand and to communities on the other. The consultation paper on Australia's future tax

system considers tax and transfers to communities in a very partial way, and has a related and flawed development perspective, which is primarily that of old-fashioned business. Financial services and related law reflect a theoretical paradigm which was dominant long before the United Nations (UN) was established. The consultation paper reflects this.

The best way forward now is to set up industry groups to consider tax in the same context as the range of government assistance to industry. Each group goal is ideally to develop law and related financial management recommendations to support the goals of sustainable development in business, including through taxation. The White Paper Summary Report (2008) which discusses the aims and implementation of Australia's carbon pollution reduction scheme is now ideally treated as law. Other law ideally is subordinate, while awaiting repeal or reform to support sustainable development. This approach was taken when occupational health and safety acts (OHS) with broad aims and duties of care, rather than narrow, contradictory and wrong prescriptions, were introduced in the mid 1980s.

Further justification for this position is below. I cannot think of a more educational exercise for all involved. The categories of capital, labour and land on which the taxation discourse relies are outdated. Prime Ministers Hawke and Keating buried the class struggle when they brought in compulsory superannuation. We are all capitalists now and some of us don't like the language that others of us are using. This must be discussed before we can go on further together. During the current international crisis and before the introduction of the carbon pollution reduction scheme is the perfect time to do it openly, flexibly and fast. These recommendations are also justified in answers to questions later.

WHY INDUSTRY GROUPS TO ACHIEVE SUSTAINABLE DEVELOPMENT?

The Consultation Paper on Australia's Future Tax System, like its predecessor, which supposedly addressed 'the architecture of Australia's tax and transfer system' has no conceptual direction and appears to be a pile of complex rubble which now may be endlessly picked over by so-called experts at great expense. I have seen similar problems in many volumes produced by the Australian Law Reform Commission (ALRC) - on privacy, for example. (No offence to the good ones produced with the National Health and Medical Research Council). The poorer volumes seem the modern, costly versions of presenting medieval debates about how many angels can dance on pinheads. They are far too narrowly theoretical and represent interests historically divorced from most of those in the modern world. Modern interests require widespread open practice justified through more open practice designed to try to tell us clearly where we are going, in case we get confused. Managerial authority is ideally based on science which serves the population. Much law and its closely related theoretical perspectives are not designed to support this. Populations live in an environment which must be understood. (Just ask a doctor.)

The consultation paper on Australia's future tax system never addresses the aims of taxation directly and deals with 'tax-transfer' impacts on the environment eventually, in chapter thirteen, even though 'environment' was the most common of twelve issues raised for consideration in submissions from organizations and also from individuals.

One may disagree with the Productivity Commission (PC), but one has confidence that the organization has an idea about where it is trying to drive Australia and why. The PC appears to try to develop the competitive direction for Australia in the global economy that Labor and Liberal governments have been painfully developing, at least since Whitlam. I wonder if the writers of the current papers on Australia's future tax system have any goal other than producing more work for people like themselves. For this reason I have no confidence that the research commissioned by the Review in 2009 will have any point and wonder why the particular research topics in Appendix D (p.273) were the chosen ones. Why do we need a brief history of how tax and transfer theory have evolved over time? How useful is it going to be to help solve the current international financial crisis? We must stop re-embroidering the past in law that gets more complex. Give up and move on.

Keynes remarked that the difficulty is not so much in developing new ideas as in escaping from the old ones. The Summary of the Consultation Paper on Australia's Future Tax System notes that the Panel views environmental sustainability to be of such importance to Australia's future that it is ideally a principle against which the current system and potential reforms ought to be tested (p.14). I agree completely. My later response to the Panel is designed to take their concern into account through describing ideal regional and national industry and community approaches for sustainable development, which tax goals ideally support. It also focuses on the first term of reference of the review, which is that 'in order to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century and to enhance Australia's economic and social outcomes' it will consider:

> The appropriate balance between taxation of the returns from work, investment and savings, consumption (excluding the GST) and the role to be played by environmental taxes (p.44).

The review is also expected to 'make coherent recommendations to enhance overall economic, social and environmental wellbeing' (p. 44). One wonders how this can occur because the people who wrote the consultation papers on Australia's future tax system show no historical understanding of the development of industry or government or tax. Can they define 'environment and wellbeing' consistently with relevant UN, World Health Organization, and related national goals? They must, or produce an expensive regulatory mess. These problems are discussed again later and in the attached article on insurance.

I assume the goals of the tax system are ideally to serve current and future generations of Australians through meeting key regional economic, social and environmental goals as effectively as possible. Those who wrote the consultation paper on Australia's tax system only ever refer to the goals of the tax system as being 'simplicity, transparency, equity and efficiency'. Those are not government goals – they are ideal ways of doing business. The statement that they are goals suggests the outdated perspective that individuals can most effectively meet their needs through the market without any government interference and that the ultimate pursuit of self-interest is also in the interests of all. In fact, an elected government's aims are ideally broader than those of its business partners, whose driving goal is to create the appearance of greater business value to encourage further investment. From a government perspective, the business goal of genuine production, as distinct from its appearance, are the means for achieving

broader social and environmental aims. The aims of government should not be confused with those of its business partners. The consultation paper is outdated and confused. Land is discussed in this context later.

The consultation paper notes in passing that Cnossen identified five international objectives for product specific taxes in 2005. These goals appear fairly consistent with the social, environmental and economic direction recommended here for industry and related community consideration and development. This is discussed later in response to specific questions raised in the consultation paper. Cnossen found the following tax goals:

- To raise revenue for general purposes (What purposes?)
- To reflect external costs (These are described as being associated with quantifiable social harm, and the example of a tax to reflect the cost of sulphur dioxide pollution on the surrounding environment is offered.)
- To discourage consumption of harmful or addictive products for health reasons
- To charge for government provided services (When is a service considered a tax?)
- Other objectives (The primary example of making the tax system more progressive is offered.) (p.69)

I recommend closer consultation with key industry participants, as defined by the Australian and New Zealand Standard Industry Classification (ANZSIC) System, to achieve key government and regional community goals and in order to educate everybody better, rather than blinding all with an increasing mountain of economic pseudo-science.
This direction has a history. When the Hawke government came to power in 1983 it began to address Australia's increasingly unacceptable terms of trade partly through an economic management agreement (an 'accord') with the trade union movement. Eleven industry councils were also set up to cover manufacturing. These conducted industry stock takes and developed strategic plans. This moved industry from an automatic reliance on barrier protection to strategies which included economic incentives for microeconomic reform to make organizations more competitive in the longer term. In 1992, the Commonwealth introduced a superannuation guarantee. Industry managed superannuation funds have now become big players in providing savings and investment services. Call them non-profit?

The current and future directions of Australian primary production, manufacturing and the services sector should now be considered in the light of carbon pollution reduction goals, current PC reports on primary, manufacturing and service industries and other reports. As savers and investors through our superannuation, ordinary Australians are capitalists now. As workers, we also join the capitalists as producers. Besides being savers, investors, and workers, we are also consumers and borrowers who belong to regional and related communities with particular characteristics. All our related individual goals, whatever they are, are now ideally aligned to serve our diverse populations and the wider world.
('We don't need no education, we don't need no thought control?' Far from it! Read on.)

Australian taxation should be conceptualised and constructed to meet key industry and community goals in clear and mutually supporting ways. The Australian carbon

pollution reduction scheme ideally embraces this. It will cover around 75% of emissions and involve mandatory obligations for around 1000 businesses (White Paper Summary Report, 2008). The Government is committed to using 'every cent it receives from the sale of pollution permits to help households and businesses adjust and move Australia to the low pollution economy of the future' (p. 4). Major employers and governments are expected to pioneer more sustainable development and environments globally. I get the impression from the White Paper Summary Report and related announcements that we may soon have government money coming out of our ears if we want to pursue it, but the primary difficulty will be in getting it spent sensibly, or even spent. At the same time, the international financial services system and its providers are being shown not only as opaque, complex, unaccountable and unstable but also criminal. Deliberations on taxation to support national goals by those businesses most affected by carbon pollution reduction requirements should be of considerable interest to government and regional communities during this period of change. This is discussed again later in responses to questions.

WHY NOT ASSESS LEGISLATION AND TAX AGAINST INDUSTRY GOALS IN THE LIGHT OF DIRECTIONS FOR SUSTAINABLE DEVELOPMENT?

In the new international context, where a great deal of current Australian regulation, including in taxation, is outdated and dysfunctional, if only because it has no clear aims or definitions of the key terms necessary for scientific practice, the PC issues paper for the Annual Review of Regulatory Burdens on Business – Social and Economic Infrastructure Services (2008) provides a useful checklist for assessing regulatory quality. It states that regulations that conform to best practice design standards are characterised by the following principles and features:

- **The minimum necessary to achieve *objectives* (my emphasis)**
- Not unduly prescriptive
- Accessible, transparent and accountable
- Integrated and consistent with other laws
- Communicated effectively
- Mindful of the compliance burden imposed
- Enforceable (PC 2008, p.14)

The major sources of taxation are ranked below. This information is taken from Chart 2.2 entitled 'Ranking of Australian Taxes by revenue in 2006-07' from the earlier consultation paper produced in August. (Treasury, 2008, p.14):

1. Personal tax ($120 billion)
2. Company tax ($60 billion)
3. GST ($40 billion)
4. Fuel excise ($20 billion)
5. Payroll tax (less than $20 billion)
6. Conveyance stamp duties (ditto)
7. Local government rates (ditto)
8. Superannuation taxes (ditto)
9. Tobacco excises (ditto)
10. Land taxes (ditto)

Chart 3.1 entitled 'Contributions to Australia's tax mix: All Australian governments 2007-2008' in the recent consultation paper (2008, p. 54) seems somewhat different. I am confused. However, from the history of the introduction of superannuation, I guess the competitive way forward to achieve the goals of sustainable development would be for company and personal tax to be reduced and for savings and investment through superannuation funds to be increased. One must also be assured such investments are managed in a way which is guaranteed to assist sustainable development in a more productive, competitive and stable way than otherwise likely. This is discussed later.

The problems of tariff and related industry assistance appear to be more evident when it is also realized that sustainable production depends on product and service innovation which meets social and environmental goals, as well as short-term economic ones. For example recommendation 3 in the recent inquiry into the textile, clothing and footwear (TCF) industries states that 'the scheduled tariff reductions for the TCF industries to 2015 should be allowed to take their course, as it is widely recognized that tariff protection is a blunt instrument for the promotion of innovative and competitive capability at the enterprise level and can in any case have only marginal impact in the context of large exchange rate movements. It is recommended the emphasis of future policy should instead be on well-designed industry assistance measures'. The Australian carbon pollution reduction scheme may be best understood as an opportunity for more open public and private planning partnerships designed to lead to fairer, cleaner, greener and more stable development everywhere. This requires broader, more open, more innovative thinking.

Ideally, all government assistance to industry and communities is considered to achieve related sustainable development goals. This is discussed again later. In this regional development context one wonders if Treasury, financial service providers and other key organizations use the Australian and New Zealand Standard Industry Classification (ANZSIC) or related occupational classification systems which are applied by the Australian Bureau of Statistics and the PC. I guess most financial service providers run more confidential races, supported by their lawyers. This increases the lack of transparency and accountability which led to international financial collapse. Americans call this a free market. (It's the politics, Stupid.) To create markets in the long-term interests of people outside some charmed financial and political circles, governments and communities they ideally represent must produce in better ways than normal. See below.

Q. 5.13: The cost of providing health and aged care to older Australians is currently met by government through the health sector. Should retirement incomes policy take into account projected increases in health costs for older Australians? If so, what would be the most effective mechanism and how might the transition to such a system be achieved? A: See below and attached article on health and social insurance.

Retirement incomes policy should clearly take account of the projected increases in health care costs for older Australians but ideally so that younger generations are not burdened with the costs or debts of those who went before. This goal of intergenerational equity is a key principle of the new international regulatory model based on the 20th century UN ideal of universally guaranteed standards of living, which also place fair treatment, wellbeing and the guardianship of natural resources for future

generations at the centre of all development. A related international regulatory context for protecting health and biodiversity by embracing carbon pollution reduction began in 1990, when the World Commission on Environment and Development defined sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. In 1992 the UN Rio Declaration on Environment committed governments to producing healthier environments. The first principle is that humans are at the centre of concern for sustainable development and entitled to a healthy and productive life in harmony with nature. This is a new way.

The development and management of health care, related services and taxation to assist the achievement of national goals are best understood in the above historical context and also in the regional and community environments which often determine health, broadly conceptualised as wellbeing. The Council of Australian Governments (COAG) committed itself to this direction in 1990 when it called for development of national standards for health and environment protection, including related occupations and training, disability services, social security benefits and labour market programs (Premiers and Chief Ministers, 1991). Competition is ideally designed to achieve a national platform of guaranteed service standards, with the aim of equal treatment being given by law to the private and the public sector service provider, unless another course of action appears in the public interest. Additional services are ideally available in the market to provide greater flexibility and choice. Perfect information is vital for perfect competition, and for perfect accountability, democracy and risk control. It is resisted in areas like financial services, which may live on lying, control and ignorance. All laws, including on taxation, retirement income and investment, are now ideally constructed in a new international context of regionally planned, competitively delivered programs and projects to meet triple bottom line accounting requirements which are economic, social and environmental.

The Retirement Income Consultation Paper (2008) notes that 'the age pension and superannuation systems are intended to have complementary roles' but they were developed and operate largely in isolation from each other'(p.41). The same is true of state workers compensation systems, the Medicare system, private health care services and insurance, accident insurance, life insurance, the disability support pension, the carer's pension, and a range of related services. The attached article entitled 'Recent Australian perspective on health and social insurance' describes the background and continuing inquiry into major Australian health and social insurance systems in their primary context of national taxation based welfare provision and private insurance against injury. It may assist all industry discussion of management direction and related taxation issues. Australian policy makers have been particularly interested in the extent to which all health and related funds for services or pensions should be underwritten (owned) and managed by government or in the private sector, in order to gain the best outcomes for individuals, taxpayers, premium holders and the Australian community. Nationally designed, health and related social or environmental service funds owned by government and/or industry, which are transparently, regionally and competitively managed, are likely to provide superior outcomes to market based underwriting of risk and related service provision. It is necessary to construct broader understanding that competitive pursuit of stakeholder interests is more broadly functional than the narrower pursuit of stockholder interests.

The purpose and management of taxation, as well as of retirement saving and investment through superannuation and related funds, are now ideally conceptualized and designed together, to meet the new international goals of health and sustainable development. These goals are ideally implemented more competitively, through open government, industry and community partnerships. This would bring Australia closer to the social insurance model of a government and industry managed retirement income and related investment system recommended by the World Bank. The ideal World Bank multi-pillar retirement income structure is outlined in Appendix C of the Retirement Income Consultation Paper (p. 48). This direction would assist creation of other more broadly stable and competitive forms of industry and community planning, saving, taxing, borrowing and related investment systems and services. In this process, financial service providers are ideally positioned by legislation to perform more cost-effectively and with greater accountability to consumers of financial services. Tax is addressed again later.

The Retirement Incomes Consultation Paper (2008) states that requiring an amount of superannuation savings to be taken as an income stream would better integrate the age pension and the superannuation system and provide greater protection against longevity and inflation risks (p. 31). I assume so. A frequent message in submissions was also the need to increase compulsory savings through superannuation with targets of 12% to 15% of remuneration commonly being recommended (p. 21). If this money is to be safe rather than lost by those who brought us the latest global financial crisis or others like them, a broader social insurance management perspective which links government, industry and regional community interests more clearly and effectively is necessary. This ideally aims to achieve sustainable development through more information sharing and dialogue designed to achieve regional goals which are social and environmental as well as economic. The carbon pollution reduction scheme provides a related early development opportunity which is discussed later. Health is also produced by the total environment surrounding every body, not simply by the services specifically designed to cure the sick.

Government and major businesses should now define the major goals of key government and industry partnerships for health and sustainable development consultatively in related industry and regional community service contexts. Retirement income funding, taxation and other financial policy and services are ideally designed to support regional goal attainment more competitively. A way forward is addressed below and in the attached submission to the PC Inquiry into Drought Support (labelled Telstra). It suggests the following steps. The land (or seabed) supporting production is discussed later.

1. Plan agriculture, mining and eco-tourism in their regional land matrix contexts nationally and internationally to achieve all the goals of sustainable development.

2. Consider carbon trading and offset development in the context of the land matrix regionally, nationally and internationally to address global warming and loss of biodiversity.
3. Act to reduce carbon pollution and protect biodiversity by weed and pest removal, planting native vegetation and protecting river banks.

4. Seek more innovative, better coordinated management of urban and rural waste, pursued in more open markets
5. Consider the management of life and death to support the aims of the Australian Organ and Tissue Donation and Transplantation Authority Act (2009) and to assist personal choice to be exercised more effectively
6. Intervene in the national broadband communication content planning and service delivery processes to achieve all community goals as scientifically, effectively and competitively as possible (Christians may think of all things bright and beautiful.)

Harnessing the broader goals of sustainable development to carbon pollution reduction offers a new global vision of protection which is ideally embraced by all. Regulations and systems which do not clearly support the new direction should be dispensed with unless another course of action appears in the public interest. Transition to sustainable development may be lead by better coordination of many industry development directions recommended by the PC as well as by those charged with implementation of the Australian carbon pollution reduction scheme, so all Australians and related others may achieve their goals more competitively, in more open and stable markets. This direction also requires open education for sustainable development, which includes education to achieve the directions outlined in UN Conventions which nations have embraced. However, many professions appear to have locked themselves firmly into outdated laws and academic enclaves forged for narrower interests. ABC and SBS ideally help drive the necessary open community education for change. An education revolution is needed.

Q6.1 Can the tax system be structured to better attract investment to Australia in a way that increases national income and if so how?

A. Yes. Do it by defining key regional industry and community goals and also by designing tax, industry support, welfare systems and superannuation management to achieve all goals more effectively, as discussed earlier and in attached articles. Also use the carbon pollution reduction scheme, discussed below, as a vehicle for going forward.
However, the ownership and treatment of land must also be discussed. See later below.

Q 8.4: How could the governance of the tax-transfer system be reformed to reduce complexity, uncertainty and cost, and to improve transparency, understanding and support for the system? A: The same answer as above. See related discussion below.

The writers of the consultation papers on Australia's future tax system need to broaden their perspective and put it in a suitably historical and scientific context to be of further use. Conceptually, Australian taxation policy also needs to be clearly situated in the broader context of global and national production, consumption and investment to support sustainable development, with carbon pollution reduction playing a leading role. To reform taxation policy, one also needs to be aware of the full range of Australian government payment systems which provide support to industry on one hand, or to citizens on the other. The Australian Bureau of Statistics (ABS) apparently defines taxes as 'compulsory unrequited transfers to the general government sector' and taxation revenue as 'revenue arising from compulsory levies imposed by government'. In the consultation papers the concept of 'transfers' is used only to mean spending on welfare services and supports. This entails a focus which is different and narrower in scope than the ABS concept of the term 'transfer'. The tax analysis is therefore partial and muddled.

Western governments, laws and taxation systems often have similar origins in European feudalism. Such systems were also exported to colonies centuries later. Under feudalism, peasants paid for the armies and comparatively rich lifestyle of the royal family and their supporting overlords by working the land. The ordinary family and church looked after welfare. As capitalism developed from feudalism, the goals of government and taxation were increasingly to provide the conditions and services necessary for the further development of capitalism, such as roads, railways or bridges. Governments were also called upon to satisfy growing education and welfare demands made by workers and their families, which they were too poor to satisfy in the market. From this historical perspective, as capitalism became increasingly productive, and the vote was increasingly extended to those who demanded it, the goals of government and taxation increasingly became the redistribution of wealth, so that goods or services, (e.g. for a guaranteed level of income in old age, health care or a flourishing environment), would become increasingly available to all. This is the historical reason that Cnossen identified those particular five international objectives for taxes in 2005.

The development of capitalism also produced a clear conceptual distinction between the trading classes representing capital (investment) and labour (production). Small business was always involved in both classes through saving and/or borrowing for production. The concept of consumers as a class of traders, as distinct from the class who deploy their capital or who sell their capacity to work, developed later still and is not yet properly recognized in Australian law, including in the Trade Practices Act. Workers have now also become investors or potential investors, primarily through their membership of superannuation funds or 'ownership' of land, a house or business, on borrowed money. Finally, government concern has included the effects of production on the natural environment surrounding communities. Enter the carbon pollution reduction scheme.

Financial services and business law may drag centuries behind the above conceptual development. For example, the US has a colonial history of perceiving government as a malign interference in the otherwise benign outcomes of market operation, or as a related defender of the faith. Government is allowed to attack supposed monopolies, but not the obvious ones of lawyers and related professionals. One wonders what most Americans now think they have won as a result of this other than obscene income differentials, lower minimum wages, fewer paid holidays, inadequate health care, higher education costs, unstable employment, lost savings, huge debts, by far the highest murder rate in the OECD and family deaths and injuries from constant war. Sant and Kinsley point out that energy independence has been the policy goal of US government for 35 years (Australian Financial Review, AFR 16.12.08, p.54) and this is a dramatic exception to the broader policy of free trade. The theory of free trade holds a nation is better off when its citizens are permitted to buy goods from foreigners at any price they wish to pay and worse off if government interferes. The quest for energy independence is now ideally a new form of national protectionism. Ideally it strongly assists the creation of a new world order where the major goals of government are for health and sustainable development for all people.

The opportunities now presented by the pollution reduction scheme, outlined in the Australian Government White Paper Summary Report (December 2008) require consideration in this context. There are around 7.6 million registered businesses in Australia. The overwhelming majority will not face any direct obligations under the scheme. However, approximately 1000 of the nation's largest employers and polluters

will be centrally involved. The White Paper Summary Report supplies a text for all which is addressed later below. Under the National Greenhouse and Energy Reporting System (NGERS) the key polluters will first have to measure and report the level of greenhouse gases they produce before they receive carbon permits from government. Emissions intensity 'will be measured on the basis of the emissions-to-revenue or emission-to-value-added of activities being above nominated thresholds' (p.20). Will these measures clarify the relationships between trading and financial operations and how measurement of real world productivity is related to this? Such a lack of value clarity appeared to help Fannie Mae, Enron and other US Ponzi or similar schemes to flourish.

The White Paper Summary Report (2008) on Australia's carbon pollution reduction scheme states that we can wait and leave our children and grandchildren to face the full impact of climate change or take responsible action now by investing in the industries and jobs of the future. It states the world is confronting the worst financial crisis in three quarters of a century, which makes it more important we secure the long-term prosperity that comes from building the low pollution economy of the future. It establishes a package of financial assistance for Australian households worth about $6 billion per year ongoing from the commencement of the scheme in 2010. A further $2.15 billion over five years will be invested to help business, community sector organizations, workers, regions and communities adjust to a low pollution future through the New Climate Change Action Fund. There is $12.9 billion available to fund a new 10-year plan called Water for the Future. Australia is also involved in the $200 million International Forest Carbon initiative, which supports efforts to reduce emissions from deforestation and forest degradation in developing countries. The Global Carbon Capture and Storage Initiative (p. 11) and many other government funding initiatives have been announced.

I guess the capacity to achieve openly shared and sensible direction, rather than the actual amounts of money involved in real production, is the vital driver necessary for future economic stability and for achieving all Australian sustainable development goals. For example, according to Winestock (AFR, 23-29.12. 08, p. 30) Japan had net financial liabilities equal to 88% of gross domestic product (GDP) in 2007; the US had 52% and Britain 35%. On the other hand, Australia has net financial assets of 7.7% of GDP. Winestock states that in September 2008 US Congress produced a massive bail-out package called the Troubled Asset Relief Program to invest in the assets of troubled banks. He claims Warren Buffet said, 'If I could buy a hundred billion of these kinds of instruments at today's prices, and borrow a non-recourse $US90 billion, which I can't, but if I could do that, I would do that with the expectation of significant profit'. Trust is all you need to make some rich and achieve production? I have no idea but I bet you do.

Q. 11.1: Is it appropriate to use taxes on specific goods or services to influence individual consumption choices, and if so, what principles can be applied in designing the structure and rates of such taxes?

A: Tax to promote health and environment protection. Decide rates on the basis of estimating the cost of injury prevention and rehabilitation when the product causes harm which has to be addressed (e.g. cigarettes, alcohol). Keep lawyers out of the system and keep broad ownership of the relevant premium or related tax/levy funds, in order to control how fund managers use and invest them competitively on your behalf. Never give away the premium/levy/tax fund and lose control over its deployment, because the shareholders of the private fund exert downward pressure which undermines all injury prevention and rehabilitation services the fund is set up to

support. Own the funds and reap benefits of their competitive investment yourselves. You will then also have much greater control over the competing fund managers. You can ensure they provide adequate prevention and rehabilitation services. You can also have more money from owning the fund and its investment income, which you also direct. Lawyers have traditional relationships with private fund underwriters and together with courts their battles drive up ruinous costs without producing data or incentives to assist injury prevention or rehabilitation services or to establish premium setting properly. The monetary cost of calamity is passed to better managers instead, and massively increases all business instability. Then we all pay for the crash which the lawyers also feed on. See attached on health insurance; see Michael Moore's film 'Sicko', and ponder the international financial crisis for further information.

Q. 14.3: What is the role of the tax system in ensuring that renewable resources are used both sustainably and efficiently?

Come to terms with the land by first dealing with it clearly and openly on a national basis. From the earlier paper on Australia's future tax system one learns that there are many taxes in Australia, all of which are ultimately paid from the earnings from only three factors of production: labour, capital and land (including natural resources) (p. 167). I assume land is overwhelmingly a non-renewable resource upon which most production involving renewable resources must be conducted. However, the appropriate treatment of land is a mystery to me. I am unclear about its essential rules of ownership and the ideal relationship of these to indigenous land rights, property or human rights of any kind. (This is yet another picnic exclusively for lawyers?)

I regard the absence of the theoretical and regulatory discussion of land in the consultation papers on Australia's future tax system as another major inadequacy. One cannot discuss renewable resources, housing and much other policy sensibly without first discussing land. I guess that most state land taxes eventually get passed on in extra costs to the people who buy houses or businesses. Land taxes must also be infuriating for other small borrowers such as me, because they appear primarily and unfairly designed to provide revenue for unnecessary lawyers and financial service providers in badly designed systems, as well as for state governments. (See attached discussion of the irrational relationships between a superannuation fund, Perpetual Ltd and a bank called 'Trust'. (The management seems like expensive self-blinding. Who needs Perpetual and why?)

I have recently read the NSW Environmental Planning and Assessment Amendment Bill (2008), the Building Professional Amendment Bill (2008) and the Explanatory Notes for these. They are perhaps the worst examples of incomprehensible, expensive and time wasting legal and related government product that I have seen for years. As a person who worked in policy and advisory positions in the WorkCover Authority for ten years, I have seen a lot of outdated, determinedly unclear, uninformative, repetitive, voluminous, legislative rubbish in my time. However, the Environmental Planning and Assessment Bill and the Building Professional Amendment Bill took the cake. No wonder NSW Councils have recently been sacked for corruption. If this is the standard of legislation in planning it is a wonder that anybody involved in the process has any idea of what they are supposed to be doing. The proposed legislation is so incomprehensible that it is hard to believe that this is not what state government wants. One wonders why.

For example, under Division 4 88 (1) Definitions, one is told that a Crown development application means a development application made by or on behalf of the Crown. Why call government the Crown and why use a definition which simply repeats the most confusing or contentious word? (I hate lawyers.) Section 88 (2) states:

A reference in this Division to the Crown:

(a) includes a reference to a person who is prescribed by the regulations to be the Crown for the purposes of the Divisions, and:

(b) does not include a reference to:

(i) a capacity of the Crown that is prescribed by the regulations not to be the Crown for the purposes for the purposes of this Division, or

(ii) a person who is prescribed by the regulation not to be the Crown for the purposes of this Division.

The above merely states the obvious, extremely confusingly, without providing any necessary information. It is vital to know whether any person involved in the planning process is expected to be acting on behalf of government, in a regulatory capacity, or on behalf of a member of the private sector, in a market capacity. In spite of its wordily incomprehensible statements of the bleeding obvious, I have absolutely no idea what the discussion of Crown developments means or requires. This problem is typical of the rest of this outrageously worded legislation. This is lawyers' talk, whose ultimate purpose is to convince ordinary people that they are stupid and must give control of their affairs to the legally trained at great expense. A government which stands behind such abuse of the public trust and purse is criminal in my view. Why does there appear to be no government desire to support plain English in legislation? A clear national approach is necessary. Much of the current academic discussion of land and housing is useless in my opinion. I guess they do not want to know much about the real world because knowing is frightening.

The concerns of 85 Councils from across NSW whose members rallied to oppose the proposed changes to the NSW Planning System are logically treated in a coordinated, national context. Councils call for an efficient development and approvals process, which is not undertaken at the expense of heritage, sustainability and the democratic right for input into the future of the neighbourhood. These claims must be implemented from more broadly open and scientific regional perspectives to be effectively met and corruption free. The alternative is more confusion, division, cost and conflict, driven largely by the twin desires for market and political advancement. Councils are concerned that any NSW plans to limit monetary contributions to councils from developers will prevent the latter from providing local facilities and services. They also say these development contributions provide only a fraction of the cost of infrastructure needs. However, future funding or in-kind contributions for land purchase, housing and infrastructure development need to be more clearly and broadly justified. One needs to clarify land management to address tax.

The PC report of the review of the regulatory burden on upstream petroleum (oil and gas) states in chapter 5 that under Australian law, petroleum resources are owned by the Crown (i.e. by government (p. 69). I assume, therefore, that government, not the private sector oil company, ideally manages all operations conducted upon the resources it owns. Government ideally also manages such operations competitively, in the public interest,

by contracting mining companies to extract and market oil and gas to government specifications. In this ownership context, PC discussion of the rationales for government regulation, which briefly addresses 'public goods' is unacceptable. Box 3.1 states:

> Public goods exist where provision for one person means the product is available to others at no additional cost. Public goods are characterised by being non-rivalrous in consumption (that is, consumption by one person will not diminish consumption by others) and non-excludable (that is, it is difficult to exclude people from benefiting from the good). Given that exclusion would be physically impossible or economically infeasible, the private market is unlikely to provide these goods to a sufficient extent. The nature of public goods makes it difficult to assess the extent of demand for them. Common examples include flood-control dams, national defence and street lights (p. 30).

The above perspective is what one might expect from Daniel Plainview, the oil man in the recent movie, 'There Will Be Blood', rather than from Australian government in 2008. Government is established to seek the public good for current and future generations – which is economic, social and environmental. Government does not envisage the public good as 'similar analytically' to 'externalities or spillovers'. The PC appears to be the subject of the regulatory capture it deplores on page 33. The report seems like the tool of oil company shareholders thinking of their short term profits and very little else. This is likely to mean potentially competing renewable resources are not used or are destroyed. The PC appears uninterested in innovations to make production more sustainable, but sees regulation more as a hindrance it wants to be rid of, rather than as any potential incentive for more innovative and cleaner production. For example, on page 29 the PC discusses crude oil and condensate, natural gas, LNG, LPG and the countries to which these products are sent without providing any idea about what these products are used for, their cost, their impact on the environment, their substitutability and their general level of sustainability. This disinterest in the relative merits of oil and gas products from any social or environmental perspective appears typical of the report. Yet such information may be vital for carbon pollution reduction and renewable resource development.

In the current context, where even the PC appears to be confused about who it is supposed to be serving, it is not surprising that industry participants find 'a lack of clarity of policy intent and definition of good oilfield practice' (p.79). I assume that good oilfield practice is ideally that which meets the stated aims of oilfield legislation. I also assume that these aims are ideally to meet the interests in sustainable development of current and future generations of communities, workers and customers in environments which are involved in or affected by production and consumption of oil and gas. The PC proposals for change in the industry are ideally reconstructed in this wider context of national and international legislative aims, including carbon trading and renewable resource development.

I have no idea why the WA Government states 'The concept of 'good oilfield practice' balances the competing objectives of maximising both net present value and ultimate recovery' in cases where 'the interests of operators may diverge from those of regulators' (p. 83). I assume regulators ideally expect the operators to serve regulatory goals, in the same way that I expect a building contractor to build the house I want, not something else it prefers. It is important to understand such issues if governments are being requested to

introduce 'lighter handed regulation of retention leases by increasing the period of the initial lease from five years to 15 years, with renewals for a period of ten years'.

In the current context, oil and gas extraction and petroleum production appear ideally linked to major sources of automotive and related transport and energy innovation. I assume oil, gas, petroleum, auto and related transport sectors should all seek a consistent safer, greener, planned transport innovation and energy funding approach in which all production and consumption are driven by incentives for more sustainable development. A regional industry and community stakeholder management framework, rather than a petroleum production chain management approach is necessary for consolidating current regulation to achieve sustainable development across all national industry and community boards. One assumes the ideal role of partnerships, unincorporated associations and sole traders must be considered in a related context by Australian and other governments. The COAG ideally assumes that competition between business entities should take place on a level playing field of national minimum standards related to health (welfare) and environment protection, unless another course of action appears to be in the public interest. Management structures are ideally designed to serve all relevant goals competitively.

Funding projects for more sustainable development in areas of primary production, such as mining and energy, forestry, fishing and farming require early consideration in related global, regional and local communities. Many projects should be partially guaranteed by government credit on the basis of their apparent ability, if handled properly, to reduce major problems related primarily to dealing with financial crisis on one hand and global warming or related problems of environment degradation on the other. In general, projects are ideally ranked and chosen for funding on the basis of their potential for controlling all related current risks to populations which are economic, social and environmental, as fast as possible. This is also the basis for triple bottom line accounting. This recommended funding approach delivers biggest bang for buck in part because the general direction of holistic regional and local development and related risk reduction may become gradually clearer to all the stakeholders. This also helps them to identify and deal with problems by teaching themselves. The direction also provides a more stable future by producing better coordinated understanding and control of all development related risks.

Thank you for the opportunity to make this submission.
Yours truly, Carol O'Donnell,