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Secretary
Fuel Taxation Enquiry
c/- Department of the Treasury
Langton Crescent
PARKES ACT 2600

Submission to the
Fuel Taxation Enquiry
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Summary
This submission argues that tax law in Australia, including fuel taxation, is unprincipled and excessively bureaucratic with detrimental consequences. Recent tax reform could only be described as half-baked and a small step in the right direction. Further tax reform is both necessary and inevitable as Australia restructures into a sophisticated banana republic (a post-industrialised economic order). Greenhouse climate change is yet to emerge as a factor that will require the regulation of energy consumption in all sectors of the economy.

This submission outlines some rational and principled changes to the present tax system, including changes to fuel taxation. This submission also outlines how the present tax system could be gradually modified to foster fossil energy conservation. The Fuel Taxation Enquiry must recommend or outline future possible changes to the present tax system that will remove the bias implicit in current fuel excise rates.

1. Introduction
This submission is written from the perspective of a single primary producer living on a sub-economic land holding in which off-farm income is required to make ends meet. However, the potential to earn off-farm income in the local region is limited and periodic.

Future tax reform must lower the ‘essential’ AUD cost of living in a principled and equitable manner and this change should be reflected in the CPI. Future tax reform must also foster a reduction in fossil energy consumption for the same amount of useful output from the economy.

The tax reform outlined in §11 could be used to provide a carrot and stick approach to future fossil energy conservation i.e. tax incentives could be used to stimulate energy conservation, followed up at a later date by tax penalties.
2. **Greenhouse climate change**

From my research into greenhouse climate change that has occurred during the past 100 years, I have concluded that future possible climate change is a disaster waiting to happen. It appears that the earth’s climate is now in **new fluid-dynamic territory as far as extreme events are concerned**. The Kyoto protocol does not even begin to address the issue of stabilising the current rate of greenhouse climate change. A few comments about future potential greenhouse climate change are given in Attachment 1.

The re-organisation of the Australian economy to cut per capita fossil energy consumption to sustainable levels is beyond the scope of this submission. However, this is going to be forced on Australia by inevitable international treaties superseding the Kyoto protocol and involving mandatory global cuts in oil and coal production.

Reform of the present tax system, including changes to existing tax rates on various fuels, is required to foster fossil energy conservation in Australia.

3. **Reorganising the Australian economy into a sophisticated banana republic**

For the purpose of this submission, a sophisticated banana republic (post-industrialised economic order) is defined as a highly energy efficient, low consumption, technologically sophisticated economy that is stable in respect of most variables. By definition, fossil energy consumption patterns must be environmentally sustainable.

Australia, as a nation, with its huge reserves of fossil energy, minerals and surplus agricultural produce is probably the richest nation in the world on a per capita basis. However, at present, Australia is squandering precious fossil energy resources at unsustainable rates. This fossil energy consumption must be reduced to protect the well-being of future generations of Australians and stabilise the current rate of greenhouse climate change.

The last twenty years have seen significant changes in Australia, many of these changes detrimental e.g. unprecedented numbers of Australians have become redundant and dependent on welfare in a demeaning manner. It is not acceptable that both the private and public sectors be managed to dump and maintain over 1½ million able-bodied men, women and children on social security (many destitute) and thereby place an unacceptable and unnecessary additional work load on other Australians.

In view of current unacceptable unemployment levels, the Federal government needs to reorganise Australians off unemployment benefits into both the private and public sectors. This change must be carried out so that both sectors support each other and offer complementary goods and services. This reorganisation is to be the subject of a further policy statement submitted to the government by the author in the future.

Attachment 2 discusses the 2 billion dollar ‘black hole’ that will emerge in the Federal government budget over the next three years due to the projected increase in the number of welfare recipients.

Tax reform outlined in §11 is designed to manage this budget ‘black hole’ while the Federal government formulates plans to expand the public service. As many as one million welfare recipients need to be absorbed into the Australian public service on a **permanent part-time basis**. This reorganisation will allow many hundreds of thousands of older Australians to either semi-retire or fully retire.
4. The indirect tax on registering and operating a vehicle

Road transport plays a vital and strategic role in the operation of the Australian economy.

The government in Australia (all three tiers) has seen fit to impose substantial taxes on anyone wishing to drive a vehicle on public roads. This tax occurs by way of excise on petrol and diesel, compulsory vehicle registration and associated taxes (stamp duty and Emergency Services Levy in SA), compulsory third party (CTP) insurance and local government property taxes required to maintain local roads. These taxes are artificially inflating the ‘essential’ AUD cost of living and must be reduced, which change should be reflected in the CPI.

The author is writing from the perspective of a single primary producer on a very low income. I need to use at least three vehicles in the pursuit of earning income. The three vehicles comprise a dual-cab truck, a small car and a motor bike. (I could also need to register a tractor to go on public roads). The total market value of these three vehicles could be less than $7,000 i.e. aged, low value vehicles. Furthermore, these aged vehicles may not be roadworthy at the same time.

The above mentioned vehicles have different applications. My over-riding concern is to minimise my total cost of transport, especially fuel consumption and use the lowest cost vehicle at every opportunity. At the moment I am legally prevented from minimising my fuel consumption and hence greenhouse gas emissions by foolish law imposed on me by the SA government. I object in the strongest possible terms that I am legally compelled to pay compulsory registration, stamp duty, Emergency Services Levy (in SA), administration fee, and CTP insurance on each vehicle separately.

The Fuel Taxation Enquiry must recommend the rationalisation of indirect taxes on the registration of vehicles, including CTP insurance and road tax buried in local government rates.

A new Federal/state system of vehicle registration and insurance is required as discussed in §11.3. This system must allow anyone in Australia to own and register any number of vehicles at some minimal cost. Furthermore, any compulsory personal insurance must travel with the driver and reflect the risk of the driver to other road users. This change is required to allow millions of Australian motorists to buy and own an additional more fuel efficient vehicle as discussed in detail in Reference 1. This investment process will reduce future fossil fuel consumption and hence greenhouse gas emissions.

5. The present tax rates on petrol and diesel are unprincipled and inequitable

The author first became a wool-grower and prime lamb producer in 1978. I recollect that the cost of petrol in the early 80’s was not a major concern in operating my part-time farming property.

However, since 1978, the Australian population has increased enormously (by over about 5 million) due to both natural increase and immigration (Reference 2). It appears that nearly half of this population increase has ended up welfare (Reference 3).

It also appears that Federal government taxes previously raised by tariffs on imports have simply been transferred to excise on petrol, diesel, beer, wine and cigarettes in a foolish manner, as reflected in the utterly ludicrous % tax rates. These corrupt and unprincipled tax changes have undermined manufacturing in Australia - manufacturing vital to the welfare of all Australians. Restructuring the Australian economy and the associated changes to taxation over the last 20 years have effectively and simply ‘robbed Peter to pay Paul on welfare who really wants a properly paid job’. The last twenty years have seen millions of Australians suffer a drop in living standards and this is reflected in the decline in some rural and regional areas.
A wool-grower or prime lamb producer produces a commodity that has a USD or AUD price at a wharf ready for loading onto a ship.

**The fundamental inequity in the present amount of fuel excise** (% consumption tax) is that one can not take a bale of wool to the wharf for export and then back load imported petrol or diesel **WITHOUT paying a ludicrous amount of fuel excise.**

The current % rate of excise on petrol, diesel, beer, wine and cigarettes is the means whereby the Federal government is taking a huge proportion of the real and natural income from primary producers in Australia. This tax (excessive % excise rates), especially on petrol and diesel, is the mechanism for depressing rural and regional Australia.

**The fundamental principle** enshrined in the tax reform measures proposed in §11 is:

- Essential and unavoidable energy consumption e.g. petrol and diesel, should be taxed at a lower rate than discretionary energy consumption e.g. most airline travel and many discretionary products, including many imports.

However, the simplest tax system could enshrine a principle that ‘essential’ energy consumption (from one individual’s perspective) be taxed at the same rate as ‘discretionary’ energy consumption (from the same view point). This follows because the definition of ‘essential’ versus ‘discretionary’ energy consumption is matter of opinion or circumstance. If the taxation system can be fully computerised to minimise bureaucracy/paper work, then some degree of sophistication can be introduced to enhance the equity of its application.

Gradual taxation reform is proposed in §11 that will see petrol and diesel excise, along with excise on wine, beer and cigarettes distributed by consumption taxes onto a host of other **physical products** especially imported products. This change will see the taxation system become fairer and more principled and lead to an increase in domestic manufacturing i.e. taxes built into the price of Australian **labour** will be transferred to imports in a rational, principled and equitable manner.

6. **Domestic generation of electricity and hot water**

For the last 6 years the author has been researching the design of a mini steam power plant that could have domestic/remote area applications and a useful energy efficiency greater than most centralised power plants by a factor greater than 2.5 (as high as 2.8 may prove possible). These domestic power plants will be inherently cheaper to build and run than centralised power plants for reasons not elaborated here.

Attachment 3 sets out the system diagram for a typical house incorporating a mini steam power system with a useful energy efficiency of over 93% (compared to most centralised power plants of less than 35%). **This increase in energy efficiency must be achieved to reduce domestic greenhouse gas emissions to environmentally sustainable levels.**

The author is presently working on the design of a mini boiler/turbine. A working prototype could be a reality by the end of 2002. This technology could be ready for commercial production within about two years if technical and financial constraints can be overcome. The author is not aware of any other power company in the world working to commercialise a mini steam turbine power plant system with domestic applications.

The author proposes, for reasons not elaborated here, that the Federal government create the Australian Energy Trust (AET) to bring all aspects of this technology to the point of commercial manufacture (before June 2003 could be possible). **This technology will give all Australians the cheapest domestic electricity and hot water in the world using any available fuel source (including domestic rubbish) and minimise domestic greenhouse gas emissions.**
Within about a decade, most building owners that use electricity and hot water could have a mini steam power plant that will be intrinsically cheaper and more energy efficient than most centralised power plants.

Tax reform must foster the introduction of mini power plant technology.

7. Harvesting and using grain stubble

For thousands of years, grain stubble has been harvested for use for cooking and heating water. From my observations I expect it has a high volatile content, burns readily and has an energy content around that of soft wood (about 15 MJ/kg - to be confirmed). At present, most grain producers plough their stubble back into the ground. This is a waste of energy that needs to be harvested to replace oil, gas and coal.

It is understood that for every tonne of grain, about a tonne of stubble is produced. So the potential harvest of grain stubble in Australia is of the order of twenty million tonnes. This grain stubble has a total energy content at 15 MJ/kg of around 9 billion litres of oil equivalent (loe).

It is suggested that grain stubble could be harvested and converted to pellets or briquettes for distribution. This potential fuel resource could have an energy cost (¢/Megajoule) below that of natural gas and firewood. This environmentally benign fuel source will give Australian households the cheapest electricity and hot water.

The author proposes that the AET with the CSIRO research and bring to commercial reality the harvesting of grain stubble into pellets/briquettes of renewable fuel for use in the mini power plants discussed in §6 above. Tax reform must foster the introduction of this technology in Australia.

Harvesting grain stubble in Australia to replace oil, gas and coal, could create around 40-80 million man-hours of work annually within about 5 years, which labour cost must come out of the future social security budget. It is suggested that employment could be significantly increased in all grain producing regions of Australia within less than 3 years, if the introduction of mini power plant technology is properly managed.

If grain stubble (pellets and briquettes) can be burnt in domestic power plants to produce electricity and hot water, some of this electricity could be used to charge the batteries of hybrid electric cars. Consequently, imports of petrol into Australia could be reduced. If grain stubble can be used to substitute for imported oil, it can be used by the government to lower the cost of transport for millions of Australians over the next decade. This technological advance must be promoted by the government at the greatest possible speed.

8. The development of steam powered locomotives in Australia

It is proposed that the AET co-ordinate the development of small-scale steam power systems at Mt. Barker in South Australia. This will include the development of the most powerful modern steam locomotive running on either grain stubble pellets or coal. This steam power plant will be at least as energy efficient as a diesel engine, but have over 10 to 20 times the design life whilst operating on intrinsically lower cost fuel. Mt. Barker is proposed for this work for reasons outlined in Appendix H of Reference 1.

It should be appreciated that a 300 kilowatt output modern steam locomotive burning coal or grain stubble pellets could have an operating life (with very minimal maintenance) of over 300,000 hours (at a lower energy operating cost than with diesel fuel). This is about 10 to 20 times the life of diesel engine locomotives (with a comparable fuel efficiency).

For example, a 300 kilowatt output locomotive could pull a 500 tonne train comprising 25 carriages with 1500 people at a fuel cost of ~ 30 MJ/km (= 2 kg of grain stubble pellets per km)
at, say, 100 AUD per tonne. That is, a fuel transport cost of 0.0133 ¢/km = $80/person to travel about 6,000 km from Cairns to Perth in about 60 hours plus site-seeing on the way. **Most of this cost could come out of the social security budget.** (This calculation is based on a loaded carriage of 60 persons weighing 20 tonnes and a steam powered locomotive efficiency of 0.38.)

It is proposed that the AET acquire (in Australia at Mt. Barker) state-of-the-art expertise in small-scale power plant systems (from all around the world) and then publish this expertise for commercial development in every nation around the world. The Australian government could rightly expect the co-operation and financial support of the US, Japan and England in developing and promoting this technology.

9. **A steam-turbine powered farm tractor/truck using pellets of grain stubble for fuel**

The steam-power technology relevant to the locomotives discussed in §8 above must be advanced to the point at which Australia can manufacture a steam-turbine powered farm tractor/truck using grain stubble pellets as fuel. These steam power plants will be fundamentally cheaper and more efficient than diesel powered tractors and trucks. This technology will render broad-acre grain producers essentially independent of diesel fuel. Most grain producers will market a surplus of fuel as grain stubble pellets. This technological advance will make grain and stubble production the most profitable primary production activity in Australia.

Tax reform must foster the introduction of this technology in Australia.

10. **The manufacture of a hybrid electric vehicle in Australia**

Tax reform must foster the manufacture in Australia of a hybrid electric vehicle that can get some of its energy from domestic power plants burning grain stubble pellets. This will be an environmentally benign and cheaper energy source than imported petrol or diesel.

11. **Future potential taxation reform**

11.1 **Introduction**

Nothing proposed herein limits any tier of government in Australia from achieving a balanced budget over coming years.

The management strategy advocated for Australia by the author (refer Attachment 2) is to slash net immigration at the fastest possible rate and consequently allow interest rates (official cash rates) to be gradually lowered to almost zero (as in Japan). As well, the AUD/USD exchange rate must be allowed to float freely i.e. achieve and maintain a ‘clean’ float condition.

11.2 **Three new consumption taxes to substitute for existing excise taxes and company tax**

It is proposed that the government create three new consumption taxes that apply at exactly the same point that GST is calculated and collected. A major objective of these three taxes is to give government (all three tiers) full control of taxation income whilst reducing fuel excise and abolishing company tax.

The three new consumption taxes are:
1. Exporters tax, denoted as Etax.
2. Importers tax, denoted as Itax, and
3. Manufacturers tax, denoted as Mtax.

(a) **Exporters tax (Etax)**

Etax will be applied to all physical products leaving Australia. However, for many categories of product, the rate will be zero or only a few percent. However, the government will be able to set whatever Etax rate it deems fit and proper.
It is proposed that when Exporters first pay Etax, the present system of calculating company tax be repealed.

(b) Importers tax (Itax)

Itax will be applied to all physical products entering Australia. The consumption tax rate could be any rate the Federal government deems fit and proper. However, the notional rate is the same rate of Mtax that applies to the same category of physical product manufactured in Australia.

For example, if an oil producer in Australia sells crude oil to a refinery in Australia, the Mtax applied at the point of sale will be identical to the Itax rate on crude oil imported into the refinery from overseas.

(c) Manufacturers tax (Mtax)

Mtax will be applied to all physical products manufactured and sold in Australia.

The rate of Mtax could be any rate the Federal government deems fit and proper. However, as set out in 11.2(b) above, the rate is notionally the same as the rate of Itax for the same category of product.

11.2.1 The introduction of Exporters tax, Importers tax and Manufacturers tax and the abolition of Company tax

An important objective of the creation of Etax, Itax and Mtax is to simplify the taxation system by abolishing the present system of calculating company tax. The specific intention of introducing these three taxes is to allow the tax system to be fully computerised whilst eliminating a host of ambiguities (orting) associated with the calculation of company tax.

The system of imposing a consumption tax system on Australian businesses allows the government to take a proportion of the output from various sectors of the economy. By increasing the consumption tax rate, the government can increase its ‘take’ from the economy. However, this ‘take’ must occur in a manner that is principled, equitable, bureaucratically efficient, difficult to rort and readily audited.

It is intended that Etax, Itax and Mtax apply at exactly the same point as GST, but these taxes can only be claimed back from the ATO by eligible businesses i.e. Exporters, Importers and Manufacturers. So the majority of businesses (wholesalers, retailers and service providers) will pay Itax and Mtax on all of their physical inputs and pass these taxes plus GST onto consumers. It is proposed that at the same time as these three new taxes are charged by a limited number of businesses, the present system of calculating and paying company tax can be repealed.

The creation and collection of Etax, Itax and Mtax will automatically index Federal government tax receipts as inflation takes place.

It is vital to the ongoing development of the Australian economy that % fuel excise rates be reduced and company tax be abolished. It is envisaged that the Federal government will produce a number of accounting systems on a CD ROM that will be provided to businesses (free of charge). These accounting systems will allow any business to calculate any tax payable and prepare all tax returns at the click of a mouse button.
The replacement of fuel excise and company tax by Etax, Itax and Mtax can be used to provide tax incentives to encourage development of the Australian economy in the national interest:

**Example 1.** A manufacturer might be given a honeymoon period from the application of Mtax on particular products as a tax incentive to set up to make that product in Australia in the national interest. Furthermore, some manufacturers in Australia e.g. vehicle manufacturers, could enjoy a permanently lower Mtax rate than the respective Itax rate on the same category of import. **This is the methodology by which the standard of living of all Australians is going to be maintained at a higher level than in any other country in the world.**

**Example 2.** The Mtax rate on photovoltaic cells, insulation and other insulating products could be set at (say) minus 20%. So a manufacturer can claim back from the government a tax rebate intended to subsidise the manufacture of particular products in Australia in the national interest. This particular mode of operation of the tax system would be the exception, but the process is simple, computerisable and readily auditable.

11.2.2 The legal definition of Exporters, Importers and Manufacturers

The Federal government will legally define who are Exporters, Importers and Manufacturers and thus who are required to charge and collect these three new consumption taxes. Clearly, very few of the present number of businesses collecting GST will be involved in charging and collecting these three new taxes.

11.2.3 The rates of Exporters tax, Importers tax and Manufacturers tax

Initially, the rates of Etax, Itax and Mtax could be set to compensate the government for the abolition of company tax. However, rates could be set up to lower and rationalise the % excise rates on diesel, petrol, wine, beer and cigarettes to the same tax rate as on nearly all imported physical products. That is, Itax on imports will be increased to the same rate of Mtax on diesel, petrol, wine, beer and possibly cigarettes.

It is beyond the scope of this paper to project what the rates of Etax, Itax and Mtax would be to rationalise the current rates of excise, especially on diesel and petrol, and replace company tax. However, it is expected that this rationalisation would significantly push up the cost of most imports and dramatically lower the cost of diesel, petrol, wine and beer, if not cigarettes.

In other words, one spends one’s money as one sees fit and the effective consumption tax paid is generally proportional to how much one spends and not the way in which one spends. The reduction in the rates of petrol and diesel excise, increasing the tax on imports and abolishing company tax are the most important, rational outcomes of the above argued consumption tax changes.

Businesses who are not manufacturers and who are supplying services to Exporters, Importers and Manufacturers will be under pressure to minimise the cost of their inputs that will be inflated by Itax and Mtax. However, this is a second order influence, compared to the effect of the disproportionate rate of excise on diesel, petrol, wine, beer and cigarettes built into the cost of Australian labour and inflating the AUD cost of living in Australia. The AUD price of Australian labour is also very much a function of the high taxation cost of welfare recipients locked out of the work force. This cost could be reduced if the economy expands and is reorganised to reduce unemployment.
The Fuel Taxation Enquiry must appreciate that physical products that involve very significant fossil energy consumption must be taxed at a much higher rate than pure human effort. This very important change to the taxation system will tend to offset the present and inevitable bias that promotes the elimination of human effort by increased (fossil) energy consumption. For example, the process of repairing an aged product (involving significant human effort) must not be taxed at an effectively higher rate than the purchase of a new product (which manufacture involves very little human effort). This is the reason why the GST rate on human effort should be lower than the consumption tax rate on pure (fossil) energy consumption. However, the present % tax rate on petrol, diesel, beer, wine and cigarettes is imposed in an unprincipled and inequitable manner compared to the % tax rate on most imports.

The cost of Australian labour is a function of both Australian and imported goods and services. Future tax reform must tax imports at a higher rate than Australian goods and services to protect jobs in Australia and minimise unemployment. The strategy of the government in moving taxes on imports to excise at utterly ludicrous % rates has produced and is maintaining an unacceptably high unemployment rate, factored into current tax rates and biased towards imports. The proposed introduction of Itax, Mtax, Etax will allow the government to protect and expand manufacturing in Australia in a manner that is both principled and sustainable.

11.3 Reform of motor vehicle registration and compulsory third party personal (CTP) insurance

During the next decade, millions of Australians must be encouraged to invest in an additional motor vehicle to reduce consumption of petrol and diesel. For example some Australians could buy a motor cycle or a very fuel efficient commuter car (as discussed in detail in Reference 1). Consequently, the Federal government can not depend on the present amount of fuel excise when petrol and diesel consumption must be cut.

Motor vehicle registration and CTP are compulsory indirect taxes that are inflating the cost of Australian labour to a greater extent than many other trading nations, especially developing nations. The present system of taxing motor registration and CTP is irrational, unprincipled and inequitable as set out in §4.

It is proposed that most of the present indirect tax in motor registration and CTP be transferred in a fair and equitable manner to Etax, Itax and Mtax, where one pays one’s taxes as one earns and spends.

The following propositions are put forward in accordance with the author’s understanding of ‘the present system’:

(a) The Federal government (with the support of state governments) will create and operate the Australian Government Insurance Commission (AGIC). This company will provide legally compulsory insurance policies where the insurance pay outs are prescribed by law and which may ride on the back of welfare benefits such as the Disability Support Pension (DSP).

(b) The Federal and state governments will create a single computer register of motor vehicles. This register could be used by government and private interests to track any registered vehicle, engine, chassis across Australia.

(c) The cost of registering any and every additional vehicle will be set by the Federal government. The cost of registering one or more vehicles could be substantially reduced as current indirect registration taxes are built into Etax, Itax and Mtax. Some proportion of these taxes will be passed onto state and local governments as the cost of registering vehicles is reduced. The reduction in the cost of motor vehicle registration should be reflected in the CPI.
(d) The cost of CTP will be fixed by the Federal government and reflect the risk of the driver to other road users. If a driver can demonstrate a very safe driving record, the cost of CTP could be negligible i.e. a few AUD per week. Dangerous drivers could be penalised very heavily under the CTP insurance system to retain the right to drive on public roads. The reduced cost of CTP for safe drivers should be reflected in the CPI.

(e) As part of the renegotiation of vehicle registration taxes with state governments, all speeding fines and the like imposed on drivers breaking road rules could be paid to the Federal government to subsidise the CTP insurance system.

(f) The AGIC could offer a third party property insurance policy that might not be compulsory but it could cover all the vehicles a driver has registered to drive on public roads. This policy might cost only a few AUD per week (about the present rate) for a driver with a proven good driving record.

(g) The Federal government will set up a combined registration and insurance accounting system whereby motorists can pay registration and insurance premiums on a monthly basis by direct debit system from a nominated bank account.

(h) The AGIC could be used to offer various other insurance policies specified by law and/or not offered by commercial insurance companies. Any surplus from annual premiums could be loaned to the Federal government and thus be used to partially fund government debt. In other words, the Federal government will tax Australians to pay out any legally specified insurance liabilities of the AGIC.

(i) Any Australian can take out additional, private, non-compulsory insurance policies to supplement legally prescribed pay outs by the AGIC.

11.4 Phasing out income tax by individuals

The purpose of this subsection is to flag a proposition the author would like to put to the Federal government in the future that will see income tax paid by most Australians phased out.

The present allocation of the human work load involved in running the Australian economy and the corresponding financial reward is inequitable. Australians are not born equal, and this reality remains true as Australians progress through life. A simple error of judgement can render an individual disabled for life and dependent on others in the community for decades. Some Australians, by good fortune, hard work or the efforts of others are able to gain a legally entrenched elite position in the economy whereby they can obtain a generous income that has little to do with their ongoing contribution of human effort or ‘human productivity’. Thus it could be argued that income tax is a reasonable way of adjusting the allocation of the income ‘pie’.

This subsection argues the case for income tax and any social security support to be calculated on a family basis in such a manner that very few Australian families will be eligible for ‘free’ income support. Instead, families on low incomes will have one or more members trained and incorporated into an expanded public service that will be self-serving to a considerable extent i.e. the public service will consume much of its own output. This change to the operation of the Australian economy will see unemployment in Australia cut to negligible levels. Many public servants will only work one or two days a week to sustain a simple, sustainable lifestyle.
The author intends to propose a fundamental, and initially voluntary change to the operation of the social security system, whereby adult children can accept financial responsibility for their parents instead of paying income tax. Instead of older Australians, who have adult children, receiving some amount of the Age pension at some prescribed age, such older Australians can receive income support from their adult children and semi or fully retire at some much younger age.

At some prescribed age, older Australians receiving income support from their children, will be able to claim back from the Federal government, a rebate of Itax, Mtax, excise and GST paid as a result of living in Australia on a week by week basis.

The author intends to propose an income support system for older Australian in which they will receive a ‘Parental Living Allowance’ from their adult children plus a fortnightly rebate of tax built into their cost of living. As a consequence of paying a ‘Parental Living Allowance’, the adult children supporting their parents will gradually take legal equity in any parental assets, which transfer of equity will take precedence over any legal will of the parents.

Some Australians are members of a family trust that could be set up to own assets and distribute income. The author intends to propose a change to the income tax and social security systems that will see virtually every functional family institute an asset building and income sharing agreement. This arrangement will see the income tax system with all its complexity and bureaucracy/paper work gradually phased out. The transfer of income from adult children to parents will take place outside of the present income tax system, and be regulated and supervised by the government.

The arrangement outlined above for the support of older Australians can not be instituted until the public service in Australia is reorganised and expanded. The above change to the current law by which most Australians are taxed to support their parents indirectly (pay the Age pension) is required to restructure the Australian economy into a more energy efficient operating mode that is environmentally sustainable indefinitely.

11.5 The abolition of all remaining property taxes i.e. local government property taxes

The author, like many other locals, is subject to increasing local government rates that have no bearing to the purchase price of the property (after taking into account recent increases in the CPI) or the natural income of the property. Other Australians, who have high incomes or are cashed up, are bidding up the price of land around me and forcing up my council rates.

It is proposed that the overheads of local government throughout Australia be built into Federal government excise, Etax, Itax, Mtax and GST, which taxes are paid as an individual earns and expends income. Local government can charge fees for any services it provides. However, use of these services must be voluntary and must not become a backdoor form of taxation.
Conclusion

Private research by the author clearly indicates that Australia, situated as it is between the tropics and the poles and the Indian and Pacific Oceans, is going to experience the full scope of fluid-dynamic extremes due to continuing greenhouse climate change. A full discussion of these changes are beyond the scope of this paper.

The full extent of detrimental impacts of past greenhouse climate change in other parts of the world are not known to the author. However, anecdotal information suggests some OPEC nations, and especially some very poor Muslim Arab nations, will be further damaged agriculturally by future greenhouse climate change. Such nations could pursue international treaties that force global cuts in the production of both oil and coal.

If OPEC were to cut oil production and achieve a real cut in the global oil production rate, the global economy could easily be pushed further into recession. Consequently, the AUD/USD exchange rate could fall below its current value of about 51/52¢ US.

If the Federal government continues with the current level of immigration and the global recession deepens, welfare dependency will increase, and the likely outcome is a Federal government deficit due to increased welfare payments. Income tax bracket creep over the next term of government is unlikely to be sufficient to pay for the indicated real and projected increase in unavoidable welfare payments. Consequently, the rate of excise on petrol and diesel can not be reduced or rationalised unless the government introduces the new consumption taxes proposed in §11, or increases the rate of the GST. So the sale of Telstra could be forced on the government as an alternative to increasing existing taxes, including the rate of the GST or to introducing new taxes, as proposed in §11.

A substantial reduction of net immigration, coupled with further cuts in official cash rates is required to stabilise the number of welfare recipients, resulting in an increased number of Australians in the work force, at least on a part-time basis. This will become the norm when the Australian economy is reorganised into a stable mode of operation.

The Australian economy has the energy and material resources to sustain a significant rate of expansion. However, the global economy is now in very treacherous waters. The cost of money is now very low in the US and OPEC have planned another cut in oil production. Inflation due to higher oil prices could easily breakout in the US and this would immediately flow into the Australian economy (a repeat of the history of the seventies) This inflation could result in negative real interest rates in Australia which individuals, companies and the banks will exploit to the maximum by sustained credit creation. The danger is that inflation will breakout in Australia and the AUD/USD exchange rate will drop to levels that will magnify the inflation rate. The ‘collapse’ of the AUD due to high inflation and negative real interest rates is a possibility that the government must guard against.

The consumption tax reform outlined in §11 is designed to abolish the tax deductibility of interest by companies by abolishing company tax. The imposition of Etax, Itax and Mtax on companies will effectively tax the expansion of debt i.e. companies will pay consumption tax on their cost of borrowing (interest payments will be taxed). Consequently, the tax reform proposed in §11 will foster lower levels of debt to equity by companies in the pursuit of producing the maximum profit for shareholders. In the process, the accounting systems for companies can be simplified and fully computerised.

Finally, further consumption tax reform is required to enable the government to simply and equitably foster some important fossil energy conservation measures, including the development of the technologies outlined in §6-10 inclusive.

Close
Please contact me if the Fuel Taxation Enquiry would like further discussion on any of the matters raised in this submission. This submission may be published.

Yours sincerely

Peter A Jarrad

Attached:
Attachment 1  On future potential greenhouse climate change
Attachment 2  The $2 billion ‘black hole’ in the Federal government budget over the next three years
Attachment 3  PAJ Domestic Power Plant System Diagram dated 3 December 2001

References:
3. Research FaCS Sheet, 1999, Number 2, Department of Family and Community Services.

Fuel Tax Enquiry submission - 12 December 2001
ATTACHMENT 1

ON FUTURE POTENTIAL GREENHOUSE CLIMATE CHANGE

The author is not a meteorologist but a professional mechanical engineer and primary producer with significant experience in the area of fluid-dynamics.

For the last 100 years the meteorological profession has developed on an erroneous conclusion that one can understand and analyse the behaviour of the atmosphere (and hence climate change) on the basis that the effect of fluid friction is small and can be neglected i.e. atmospheric boundary layer effects are of minor significance. This conclusion could not be further from the truth.

The variable of fluid friction (viscosity) is incorporated in the non-dimensional fluid-dynamic parameter, the Reynolds number. The meteorological profession, according to my reading, has never been able to figure out the significance or meaning of the Reynolds number to the behaviour of the atmosphere. This is what I have been researching over the last six years.

Changes in the viscosity of the atmosphere due to an extremely small increase in the temperature of the earth can have a disproportionate effect on the frequency (a variable that has the units of cycles per second) of oscillations in the atmosphere. Changes in frequency in the behaviour of the atmosphere (especially the atmosphere’s boundary layer) over the last 140 years can be identified and measured in climate data measured on a daily basis. Changes in the behaviour of the atmosphere measured over the past 140 years can be projected into the future on a scientific empirical basis.

On the basis of my research, the meteorological profession will have to revise its thinking. The consequence will be the reliable prediction of the ‘character’ of the seasons years in advance. This is the proof of the pudding. The author is not responsible for the failure of the meteorological profession to study and correlate the relationships between the two most important variables (fluid friction and frequency) governing the behaviour of the atmosphere and hence climate.

From my research into the behaviour of the atmosphere, long-term greenhouse climate change has the potential to devastate hundreds of millions around the world. This conclusion would prove true if the global population continues to increase along with greenhouse gas emissions at about the current rates.

Some regions would face the worst ever sequence of drought (for rational fluid-dynamic reasons) and other regions would face the worst ever damage by wind, rain and flooding (for rational fluid-dynamic reasons).

If greenhouse gas emissions are cut significantly, and the global population is stabilised at the lowest possible number, there exist prospects of stabilising the current rate of greenhouse climate change. Consequently, the trend towards more extreme fluid-dynamic events (with horrendous humanitarian consequences) could be stabilised.

The Federal government does not yet appreciate it is going to be forced by international treaties to manage the Australian economy to cut per capita fossil energy consumption. This change involves stabilising the Australian population at the lowest possible number and the evolution of a stable operating mode for the Australian economy. These changes demand rational changes to the present tax system as outlined in §11 of this submission.
Attachment 2

The $2 billion ‘black hole’ in the Federal government budget over the next three years

<table>
<thead>
<tr>
<th>Federal Government Expenses</th>
<th>1995/96 (billion)</th>
<th>2000/01 (billion)</th>
<th>Difference between June 96 and June 01 (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence</td>
<td>10.0</td>
<td>11.4</td>
<td>-</td>
</tr>
<tr>
<td>Education</td>
<td>10.6</td>
<td>11.0</td>
<td>-</td>
</tr>
<tr>
<td>Health</td>
<td>18.6</td>
<td>25.2</td>
<td>-</td>
</tr>
<tr>
<td>Social security and welfare</td>
<td>46.7</td>
<td>66.9</td>
<td>20.2</td>
</tr>
<tr>
<td>Housing and community</td>
<td>1.2</td>
<td>1.8</td>
<td>-</td>
</tr>
<tr>
<td>Recreation and culture</td>
<td>1.4</td>
<td>2.0</td>
<td>-</td>
</tr>
<tr>
<td>Economic services</td>
<td>8.6</td>
<td>9.9</td>
<td>-</td>
</tr>
<tr>
<td>General public services</td>
<td>n.a.</td>
<td>11.9</td>
<td>-</td>
</tr>
<tr>
<td>Public debt interest</td>
<td>9.1</td>
<td>5.8</td>
<td>-3.3</td>
</tr>
<tr>
<td>Other</td>
<td>n.a.</td>
<td>10.8</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>126.7</td>
<td>156.8</td>
<td>30.1</td>
</tr>
</tbody>
</table>

References: RBA Bulletins, October 2001 and December 1997

Discussion

1. The above increase in the cost of social security and welfare (about 20 billion AUD since 1996) is due to an increase in welfare recipients and devaluation of the AUD. The reduction in public debt interest payments has been swallowed up by increased welfare payments, mostly due to the increased numbers on welfare.

Senator Amanda Vanstone has now had about 10 months since I first wrote to her on 30 January 2001 to supply me with the current and latest number of social security beneficiaries in all the categories of benefit i.e. the increase in welfare recipients since 1996.

This data will show that over 400,000 additional persons in Australia became legally dependant on social security since Prime Minister Howard came to office in late 1996. I believe Senator Vanstone has deliberately refused to release these figures to me because they are very embarrassing to the government.

It is suggested that these figures will show that something like 6,700 additional Australians per month every month for the last five years have become legally dependant on welfare. This is due to the combined effect of sustained immigration and the economic rationalist policies (so-called) pursued by the Howard government. Restructuring the economy, combined with net immigration is simply increasing the numbers on welfare.

These 400,000+ extra welfare recipients (both adults and children) have permanently added something like an additional $3 billion AUD per annum to the social security budget, escalating with inflation.

2. The Federal government has been admitting some 85,000 net immigrants per year into Australia since it came to power about 5 years ago. This net immigration has increased the permanent Australian population by over 400,000 above that by natural increase (which amounts to some 500,000 additional Australians). The latest, up-to-date figures are not available to me at present.

3. The above budget figures show that the Howard government has introduced the GST in such a way as to require about 75% of the GST to pay increased social security payments that can not be legally avoided by the government. Most of this increase is directly due to the increase in the number of beneficiaries who can not support themselves without recourse to welfare (essentially destitute without welfare).

The projected increase in the number of legally dependant welfare recipients over the next 3 years will require an increase in tax revenue equivalent to an increase in the GST rate of about 1% per annum i.e. about a 3% increase in the rate of GST over the next three years.
4. On the basis of correspondence with Immigration Minister Ruddock and his former Parliamentary Secretary, Senator Kay Patterson, I have been able to satisfy myself that the Federal government has allowed hundreds of thousands of wealthy (cashed-up) and experienced immigrants (and their dependants) into Australia. These immigrants are successfully displacing less financial, less qualified and less experienced Australians from a work position created by an existing business or creating their own business using borrowed money at an affordable interest rate (close to zero, like in Japan).

5. The present control of credit creation in Australia by the RBA prevents the expansion of the Australian economy at a rate that would stabilise the current increasing number of social security beneficiaries, let alone reduce welfare dependency.

*The only way to stabilise the increasing number of dependants on welfare is to cut immigration to a minimum and simultaneously lower official cash rates. This will allow expansion of the money supply at a lower cost to all Australians, especially existing businesses. It is mostly existing businesses that must expand and absorb more unemployed (on a part-time basis).*

6. The flagged future sale of Telstra by the Howard government is required/appears inevitable to fund additional welfare benefits that will become legally unavoidable over the course of the next government (due to some additional 250,000 welfare recipients). This is especially likely if OPEC cuts oil production to push the price of oil price back to around 28 USD per barrel. The alternatives to the sale of Telstra are to increase the rate of GST to at least 12.5% over the next three years or introduce the new taxes outlined in §11 of this submission.

**Conclusion**

If immigration continues at about the current rate of some 85,000 net immigrants per year, the budget ‘black hole’ over the course of the next three years is some additional 2 billion dollars (and escalating with inflation).
ATTACHMENT 3

PAJ Domestic Power Plant System Diagram

Fuels
- Domestic waste
- Wood
- Grain stubble pellets
- Natural gas
- LPG
- Coal

Overall efficiency of generating electricity and hot water is over 93% (Design target > 95%)

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