

The Australian Taxpayers' Alliance

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Proposals for a better Australia

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By The Australian Taxpayers' Alliance

Introduction

Australia has a remarkable history of successful economic and political reform. From the early 1980s to the mid-2000s, governments from both sides of politics enacted fundamental, visionary reforms that have led to an unprecedented period of economic growth and prosperity. As a result, Australia entered the 2008 global financial crisis with a strong and vibrant economy, and zero net government debt.

Unfortunately, this period of reform has come to an end. Both the Rudd/Gillard Labor government, and the Abbott/Turnbull Coalition government have failed to make the case for their key policy agendas.

In order to revitalize the spirit of reform, the Australian Taxpayers' Alliance is proposing 10 realistic and achievable reforms that will make Australia a freer and more prosperous country for generations to come. Each proposed reform, if implemented, will improve the lives of millions of people in Australia.

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1. Create a Transparency Expenditure Portal (TEP)

Recommendation

Create a Transparency Expenditure Portal (TEP), covering local, state, and federal government bodies, to disclose all financial expenditure over \$25,000 to the public.

Summary

Implementing a TEP is one of the most important and necessary reforms for Australia.

With federal expenditure now at unprecedented levels, policy makers must ensure all government expenses create value for taxpayers.¹

Creating a Transparency Expenditure Portal (TEP) will help achieve this by increasing transparency and guaranteeing accountability on matters of government spending.

Already instituted in the United States, Britain, and Europe, the TEP has proven itself as a cost effective, high impact measure that revolutionizes public access to government spending. By generating unprecedented savings for policy makers, exposing the misuse of public funds, and creating true accessibility for the public, the TEP is in practice what the Freedom of Information Act is in theory.

The benefits of a TEP

As one of the first advocates for a TEP in Australia, the Australian Taxpayers' Alliance has been producing reports showcasing the benefits of a TEP since 2012.² The following policy proposal will detail the three key arguments in favour of implementing an Australian TEP:

i. Huge budgetary savings

As international evidence shows, implementing a TEP across local, state, and federal branches of government will highlight an unprecedented number of areas, programs and costs that could be saved.

In 2012, the Texas state government implemented a TEP and found more than \$8.7 million in savings in less than in one year.³ Policy makers in the U.S. states of Colorado, Virginia, and Oregon have implemented similar transparency programs with the same positive results.⁴ In South Dakota, a reporter was able to use transparency website information to uncover \$19 million in redundancies,⁵ while in

1 'Australian Government Debt to GDP Ratio', Trading Economics, Website.

<<http://www.tradingeconomics.com/australia/government-debt-to-gdp>>

2 Tim Andrews. *Fiscal Transparency for Australian Governments in the 21st Century*. The Australian Taxpayers' Alliance, 2012.

3 Tracy Loew. 'States put spending online.' *USA Today*. 23rd Feb. 2009.

<http://usatoday30.usatoday.com/tech/news/techpolicy/2009-02-22-onlinegovspend_N.htm>

4 Ibid.

5 Bernie Hunhoff. 'Pierre Report: Open Government Saves \$10 Million.' *Yankton Daily Press & Dakotan*. 17 March 2010. <<http://www.yankton.net/articles/2010/03/17/opinion/editorials/doc4ba03aa56b624757496885.txt>>

Utah, the state government's \$294,000 spent on bottled water was reduced to \$85,000 after it was exposed through the TEP.⁶

Australian policy makers seeking to balance the budget on a federal, state, or local level should consider the vast fiscal savings and reduction in administration costs that a TEP could generate.

The U.S. state of Massachusetts, for example, has saved \$3 million by eliminating costs associated with FOI requests, such as postage, paper, and printing costs.⁷ Utah has counted savings of \$15,000 a year from reduced FOI requests in just *two* of its 300 agencies surveyed.⁸ Similarly, South Carolina witnessed a sharp drop in information requests, down to a third of what they were pre-portal, and Mississippi estimated that every information request resolved by the website saved \$750 in staff time. The state of Kentucky estimates that the portal has eliminated 40 percent of the administration costs of procurement assistance requests, and could reduce the cost of FOI's by 10 percent.⁹

Reducing generational debt is one the highest priorities for Australian policy makers. Any and all measures to achieve this must be taken into consideration. As an evidence-based and internationally proven method of delivering savings, a TEP is of critical benefit to policy makers.

ii. [Reduced incentives for political corruption.](#)

By allowing citizens to 'audit' the government's books, significant waste can be uncovered and incentives for political corruption can be reduced. Revealing all public expenditure payments over \$25,000 will allow the public to know how the majority of their money is being spent.¹⁰

The government shall no longer be able to hide waste from the public eye and will be forced to become accountable. Inefficient projects that deliver no substantive benefits to the majority of Australians will be under unprecedented scrutiny. Likewise, efforts to embezzle public funds will no longer be an option, with publicly available records of all expenditures from the time of payment.

By disclosing funding and expenditure to the public, major corruption scandals can be avoided, along with the lengthy investigations and expensive trials they produce. Between 2007 and 2014, senior officials in the Victorian Department of Education embezzled more than \$5 million in state funding.¹¹ An investigation into the allocations took three years to uncover the extent of public funds stolen. The investigation noted "a general failure of procurement controls... a widespread lack of accountability ... and a failure of auditing to detect the misuse of school funds."¹² The investigation further recommended that the Department of Education be "required to report on a range of reforms and improvements

⁶ Davis, B., Baxandall, P., and Pierannunzi, R. *Following The Money: How the 50 States Rate in Providing Access to Government Spending Data*. US PIRG Education Fund. 2012 p.13

⁷ Tim Andrews. *Fiscal Transparency for Australian Governments in the 21st Century*. The Australian Taxpayers' Alliance, 2012. p.15

⁸ Davis, et. al. *Following The Money*. p.15

⁹ Ibid.

¹⁰ 30 state governments in the United States publish expenditure above \$25,000 USD. The ATA proposes a similar minimum disclosure rate for Australian state and territory governments.

¹¹ Independent Broad-Based Anti-Corruption Commission Victoria (IBAC). *Operation Ord. An Investigation into the conduct of officers of the Department of Education and Training, in connection with the use of 'banker schools' and related activities*. Melbourne: 2016. P.8

¹² Ibid, p.13

aimed at preventing corruption.” A TEP would have uncovered unsolicited procurement from as early as 2007, compared to the current arrangement in which it has taken almost 10 years to uncover this same misuse of funds.

Public disclosure of government expenditure is critical to reducing waste and uncovering corruption. Its simplicity and efficiency will allow for true freedom of information that can improve governance on a local, state and federal level. Implementing a TEP should be a bipartisan issue that will advantage all political parties. The only opponents of greater transparency in government spending are those with something to hide.

iii. Real public access to public funding

Presently, there are only a limited number of opportunities for Australians to learn how their taxes are being spent. Despite its initial promise, the Government 2.0 Taskforce did not address this issue, and for the most part, taxpayers remain in the dark.¹³ While budget papers provide a limited overview of broad categories of spending, these documents run to hundreds of pages, and provide only a broad overview of spending by subject areas. Some departments list some spending on their websites, however these are disparate, difficult to locate, and impossible to aggregate.

The only other way to obtain information on expenditure is through submitting expensive and inefficient Freedom of Information (FOI) requests at a federal level, and Government Information Public Access (GIPA) requests at a state and local level. Although guaranteed under the Freedom of Information Act, the current process of obtaining information regarding public expenditure is inefficient, expensive and largely removed from every day Australians. A TEP will be a far more cost effective and accessible way to achieve the goals of the Freedom of Information Act.

A TEP is one of the most important and necessary mechanisms to ensure government transparency. Generating unprecedented savings for policy makers, exposing the misuse of public funds and creating true accessibility for the public, a TEP lays down in practice what the Freedom of Information Act offers in theory.

¹³ Tim Andrews. *Fiscal Transparency for Australian Governments in the 21st Century*. p 9

2. Legalize the use of nicotine in e-cigarettes

Recommendation

Remove nicotine-loaded e-liquids from Schedule 7 of the Australian Poisons Standard in order to legalize their commercial trade and sale.

Summary

Australian smoking rates remain unacceptably high, despite widespread awareness of the negative health consequences incurred by smoking, the implementation of plain packaging, and increasingly high tobacco taxes.¹⁴ In order to continue to put downward pressure on smoking, it is essential that practical harm reduction strategies continue to be implemented.

Encouraging smokers of combustible tobacco to switch to nicotine-bearing e-cigarettes is one of the most effective ways to reduce smoking rates. Already available in the USA, U.K., continental Europe, and elsewhere, nicotine-bearing e-cigarettes have been widely recognized by independent and government health authorities as a viable harm reduction tool — estimated to be 95 percent less harmful than cigarettes — and an effective smoking cessation aid.¹⁵ Legalization has not been associated with an increased uptake amongst previous non-smokers.¹⁶

Legal status

Under Australia's current regulations, the legal sale of the nicotine e-liquids used in vaping is limited to 'therapeutic purposes,' under Schedule 4 of the Australian Poisons Standard despite its non-pharmaceutical status. Dilute nicotine solutions are also listed in Schedule 7, which bans their sale in all states and territories, treating these solutions in the same manner as currently illicit drugs such as marijuana, cocaine, and heroin. These classifications have persisted despite the sale of traditional smoking tobacco and cigarettes remaining legal in all Australian jurisdictions, even though they are far more dangerous and harmful nicotine products.

Rescheduling is important in order to allow convenient access to nicotine-based e-liquids for current smokers. The most successful strategy will make the liquids available in the same stores as combustible tobacco and cigarettes. Without a change, e-cigarettes are unlikely to make a series dent in Australian smoking rates, as even those holding prescriptions for 'therapeutic' nicotine are less likely to renew their prescriptions due to inconvenience, under the current classification.

The benefits of rescheduling e-cigarettes

As a long term advocate against ineffective, coercive public regulation models, the Australian Taxpayers' Alliance is publishing its own report showcasing the benefits this reform has had in countries outside

14 Akosile, W. 'Tobacco plain packaging and smoking rates in Australia.' *Australasian Psychiatry*, vol. 23, no. 1, 2015. pp.84-85.

15 P. Hajek, and H. McRobbie. 'E-cigarettes: an evidence update.' Public Health England. Chapter 9

16 Public Health England. *E-cigarettes: a developing public health consensus*. July 2016.

<https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/534708/E-cigarettes_joint_consensus_statement_2016.pdf >

Australia, and why Australia must catch up with mainstream consensus amongst public health authorities worldwide.¹⁷

Below are two key arguments in favour of legalizing nicotine-bearing e-liquids in Australia.

i. The Harm Reduction Case

Experts have recognised the value of e-cigarettes as a harm reduction tool, and a smoking cessation device that provides a path away from harmful tobacco smoking. Although e-cigarettes can be used without nicotine, their value as a smoking cessation tool is greatly enhanced when the e-liquid contains nicotine.

Nicotine is the main addictive component in tobacco, but nicotine itself is non-carcinogenic, and not a major cause of smoking related harms.¹⁸ It poses no significant long-term health risks when used in concentrations appropriate or commonly favoured by vapers, and there are no reports of significant health risks from use of nicotine as a smoking cessation tool in the form of patches, gums or other currently legal means. According to the U.K.'s Royal society for Public Health, nicotine is "no more harmful to health than caffeine."¹⁹

Because the use of e-cigarettes (colloquially known as 'vaping') does not involve the inhalation of smoke, it is a far safer alternative to traditional smoking. As a 2015 Public Health England report found, e-cigarettes are 95 percent safer for both active and passive smokers than cigarette smoke from tobacco combustion.²⁰ E-cigarettes are also a proven smoking cessation device, with over 6 million adults in the European Union already having successfully quit smoking through the use of nicotine-loaded e-cigarettes.²¹

For these reasons, a coalition of 13 independent peak advisory bodies in the U.K. has recommended that cigarette smokers be encouraged to switch to vaping as a means of quitting smoking.²² Unfortunately, their Australian counterparts continue to maintain an anti-vaping stance.

Concerns have been raised that e-cigarettes could act as a gateway to smoking, but this concern is countered by available evidence from countries where e-cigarettes are legal, which indicates that most 'vapers' are not previous non-smokers. A 2014 US study from the American Journal of Preventative Medicine found that despite the prevalence of e-cigarettes in that country, it was highly unlikely that anyone who was a non-smoker of regular cigarettes had taken up e-cigarettes. It also found that of the small number who had smoked only e-cigarettes, the frequency of use was 1-2 days a week on average.²³

¹⁷ Australian Taxpayers' Alliance. *E-cigarettes: Reducing the Harm of Smoking*, Sydney (Forthcoming)

¹⁸ Royal College of Physicians. *Nicotine without smoke: tobacco harm reduction*. London. 2016

¹⁹ Royal Society for Public Health, *Nicotine "no more harmful to health than caffeine"*. 13 Aug. 2015. <<https://www.rsph.org.uk/about-us/news/nicotine--no-more-harmful-to-health-than-caffeine-.html>>

²⁰ P. Hajek, and H. McRobbie. 'E-cigarettes: an evidence update.' Public Health England. Chapter 9

²¹ Vardavas, Constantine I., Filippou T. Filippidis, and Israel T. Agaku. 'Determinants and Prevalence of E-cigarette Use throughout the European Union: A Secondary Analysis of 26,566 Youth and Adults from 27 Countries.' *Tobacco Control*. Vol. 24, no. 5. 2014: pp. 442-48.

²² Public Health England. *E-cigarettes: a developing public health consensus*.

²³ Kenneth .E. Warner, 'Frequency of E-Cigarette Use and Cigarette Smoking by American Students in 2014'. *American journal of preventive medicine*. Vol. 51, no. 2. 2016. pp.179-84

No studies on the long-term health impacts of nicotine vaping exist. However, given the significant and well documented harm caused by traditional smoking, and the effectiveness of e-cigarettes as a harm reduction and smoking cessation tool, it is clear that the sale of safe quantities of nicotine-loaded e-liquids should be legalized in Australia.

ii. [Negating the black market](#)

In 2015, 30% of current Australian smokers frequently or occasionally used e-cigarettes, but evidence suggests this number would be significantly higher if not for current legal restrictions on the sale of nicotine-laden e-liquids.²⁴

The same survey found that, of the Australian smokers surveyed:

- 75% agreed that e-cigarettes were a ‘positive alternative’ to tobacco smoking.
- 65% affirmed that they would consider switching to vaping if e-liquids were legal, met quality/safety standards and were conveniently available.
- 82% agreed that “It would be wrong for the government to prevent or delay the introduction of less harmful alternatives to regular cigarettes for adult smokers.”

Clearly there is a high level of support for legalizing e-cigarettes among the group most likely to use them. This adds to their harm reduction potential, but it also hints at the dangers of retaining the current legal regime.

It is also likely that the possible legalization of nicotine-laden e-liquids in New Zealand could result in the widespread illicit import of these liquids into Australia should regulations remain unchanged.²⁵

There is already a thriving black and grey market for e-liquids and e-cigarettes that contain nicotine. Purchases can be made from many high quality web sites, with prices in multiple currencies, secure payments systems, reputable couriers and paperwork and certification. Yet quality, ingredients and safety is often uncertain.

This creates unnecessary risks for people using e-cigarettes. It makes it impossible for governments and health authorities to effectively regulate the products, deprives governments of potential tax revenue, and provides increased opportunities for criminal entities willing to float the law. These problems will only increase if New Zealand moves ahead with plans to legalize e-cigarettes.

It would be far better to reschedule nicotine-laden e-liquids and legalize the sale of these products under a well-designed regulatory system that minimizes negative impacts and externalities.

It is a preferable alternative to keeping them illegal for both moral and pragmatic reasons.

²⁴ Factasia. *Australia Adult Smoker Survey*. 2015. <<http://factasia.org/surveys-data/factasia-2015-asian-nations-adult-smoker-survey-australia/>>

²⁵ Dunlop, S., Lyons, C., Dessaix, A., & Currow, D. ‘How are tobacco smokers using e-cigarettes? Patterns of use, reasons for use and places of purchase.’ *The Medical Journal of Australia*. 2016. Vol. 204, no. 9. pp. 355.

3. Implement a Commonwealth (CANZUK) Free Trade Agreement

Recommendation

The Australian government should negotiate a free trade agreement between Canada, Australia, New Zealand, and the United Kingdom (CANZUK), using the existing Australia - New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) as a blueprint.

This CANZUK agreement should allow for unfettered free trade in goods and services, and the free movement of people across these core commonwealth countries.

Background and historical ties

The commonwealth countries that make up CANZUK already share extraordinarily close ties, based on a shared language, culture, and set of political institutions.

The CANZUK countries are all majority English speaking nations. All share a common heritage that can be traced back beyond Magna Carta, and as a result, all have near identical sets of political institutions — Westminster-based parliaments with the same head of state and common law legal systems. This shared heritage has led to remarkably similar societies, based on a respect for individual freedom, the rule of law, and freedom of contract.

CANZUK countries already share close foreign policy ties, and an unparalleled intelligence sharing relationship as four of the so-called “five eyes” nations (the fifth being the United States).

Despite these close cultural and political ties, there is no free trade agreement that encompasses all four states. This is largely due to the U.K.’s decision, in 1973, to join the predecessor to the European Union — a decision that brought the U.K. inside the E.U. customs union, with a drastic effect on trade between the Commonwealth.

However, the U.K.’s decision to support Brexit has opened up the opportunity to strengthen ties between CANZUK with the creation of a free trade agreement.

A CANZUK Agreement

i. Increased trade and influence

The CANZUK countries rank as four of the top 10 most economically free economies.²⁶ They have a combined GDP of US\$6.5 trillion, they are collectively the fourth largest group in the world, with global trade of US\$3.5 trillion.²⁷ Removing tariff barriers could substantially increase trade between these countries, particularly between Australia and the U.K. (currently our 7th largest trading partner, despite

²⁶ Heritage Foundation. *2016 Index of Economic Freedom: Country Rankings*. <<http://www.heritage.org/index/ranking>>

²⁷ Andrew Lilico. ‘From BREXIT to CANZUK: A call from Britain to team up with Canada, Australia, and New Zealand.’ *Financial Post*. 2016. <<http://business.financialpost.com/fp-comment/from-brexit-to-canzuk-a-call-from-britain-to-team-up-with-canada-australia-and-new-zealand>>.

the E.U. customs union).²⁸ This will benefit Australians by providing increased consumer choice and profits from exporting.

Covering a surface area of 18 million square kilometers, CANZUK could open up opportunities for development in unpopulated or regional areas, especially for Canada and Australia.²⁹ It would be abundant in mineral resources, established in political landscape and secure in property rights. And its combined military spending amounts to around US\$110 billion, being the world's 3rd largest.³⁰

With these factors, CANZUK could also act as an influential global voice for the pro-trade, liberal democratic values our societies are founded on. Making the member countries major global players.

ii. CANZUK free trade as an extension of ANZCERTA

Australia's free-trade agreement with New Zealand (ANZCERTA) is the perfect blueprint for a CANZUK agreement.

Comprising two of the four CANZUK countries, ANZCERTA already prohibits all tariffs and trade restrictions on goods originating in the free trade area. It contains measures to minimize market distortions, such as export subsidies. It provides for the harmonization of food standards, and for mutual recognition of goods and occupations, enabling skilled personnel to move between jurisdictions. And it contains a protocol to reduce barriers to investment, such as higher screening thresholds.³¹

This is a comprehensive, popular, and successful trade agreement that would make the perfect blueprint for CANZUK. And with both Australian Prime Minister Malcolm Turnbull, and New Zealand Prime Minister John Key, pledging to present a united front in any post-Brexit trade talks, using ANZCERTA as a blueprint also makes tactical sense.³²

iii. Increased freedom of movement between CANZUK countries

In order for CANZUK to reproduce the full benefits of ANZCERTA, there must be a provision enabling the citizens of members states to freely work and live in each other's' countries. This can be done by the creation of a 'free-mobility labour zone' between the CANZUK countries.

This would establish the automatic right to move between the CANZUK countries for work or travel purposes. Like ANZCERTA, it would also include provisions for the mutual recognition of occupational standards and professional qualifications. However, reasonable restraints should exist for those with criminal records who pose a risk to society. Likewise, there could be reasonable restrictions on things like voting rights, and the ability of immigrants to access welfare benefits in their host country.

²⁸ Department of Foreign Affairs and Trade, *Australia's Trade at a Glance*. 2015. Website.<<http://dfat.gov.au/trade/resources/trade-at-a-glance/Pages/default.aspx>>

²⁹ Andrew Lilico. 'From BREXIT to CANZUK.'" *Financial Post*.

³⁰ Ibid.

³¹ Department of Foreign Affairs and Trade. 'Australia-Zealand Closer Economic Relations Trade Agreement.' Australia. <<http://dfat.gov.au/trade/agreements/anzcerta/pages/australia-new-zealand-closer-economic-relations-trade-agreement.aspx>>.

³² Francis Keany, 'Brexit: Australia to team with NZ to negotiate new trade, immigration deals, Malcolm Turnbull says,' *ABC News*, 27 June 2016. <<http://www.abc.net.au/news/2016-06-27/turnbull-orders-orders-urgent-review-of-brexit-implications/7546890>>

In addition to increasing the opportunities for CANZUK citizens, this would aid the economic growth and prosperity of member countries, as human capital could go where it is most valuable.

Wasn't Brexit a repudiation of free movement?

Freedom of movement was undoubtedly a major cause of resentment towards the E.U.

Indeed, the U.K.'s inability to restrict E.U. immigration prior to Brexit led to a tightening of visa regulations for non E.U. citizens, including Australians. As a result, 40,000 non-E.U. migrants earning less than £35,000 per year are set to be deported.³³

Nevertheless, it is unlikely that a CANZUK 'free-mobility labour zone' would cause the same controversy and resentment. The shared language and culture between the people of the CANZUK countries will minimize social disruption, as immigrants will seamlessly integrate into their host countries.

This is why there is significant popular support for a free movement among CANZUK countries. In a poll conducted by the Royal Commonwealth Society earlier this year, majorities in all four CANZUK countries supporting the right to live and work freely in each other's countries. This included 70 percent in of those polled in Australia, 75 percent in Canada, 82 percent in New Zealand, and even 58 percent in the U.K.

Regardless of their attitudes towards the E.U., freedom of movement among culturally and linguistically similar CANZUK countries clearly has support in the U.K.

The next best thing

Short of full free movement, a CANZUK agreement must at least reduce the immigration barriers that currently exist. This could take a similar form to the E3 visa for Australian professionals working in the United States, which exists as part of the Australia's free trade agreement with the United States.³⁴

At minimum it should include increasing the number of visas issued to CANZUK citizens by the U.K.'s Home Office (and equivalent bodies in each country), and lifting of migration caps.

This approach already has support in both Australia and the U.K., with Australia Foreign Minister, Julie Bishop, and U.K. Foreign Secretary, Boris Johnson, both speaking favourably about the potential for a post-Brexit immigration deal. Boris Johnson was particularly outspoken about his country's crackdown on Australian migrants, saying, "It just seems so peculiar to me. We fought together in two world wars. There's huge cultural affinities, ties of blood relations, God knows what. I just think it's bizarre. It has not been a great policy, in my view."³⁵

³³ 'Australians 'Caught Up' in UK Visa Changes.' *Sky News*. Australia. 20 May 2016.

<<http://www.skynews.com.au/news/top-stories/2016/05/20/australians--caught-up--in-uk-visa-changes.html>>

³⁴ U.S. Citizenship and Immigration Services. 'E-3 Certain Specialty Occupation Professionals from Australia.'

<<https://www.uscis.gov/working-united-states/temporary-workers/e-3-certain-specialty-occupation-professionals-australia>>

³⁵ Nick Miller, 'Julie Bishop Says Australia to push for more UK visas as part of Brexit deal', *The Sydney Morning Herald*, 10 Oct. 2016. <<http://www.smh.com.au/federal-politics/political-news/julie-bishop-says-australia-to-push-for-more-uk-visas-as-part-of-brexit-deal-20160909-grd9sk.html>>

4. Allow the states to control a portion of the federal income tax

Recommendation:

The Australian government should give states control of a portion of the federal income tax and allow them to adjust the rate according to their needs.

Australia's broken federation:

At the time of federation, in 1901, Australia's state governments collected 87 percent of all government revenue.³⁶ This allowed the states to have significant autonomy over their own affairs and promoted a healthy level of competition, with the federal government only taking responsibility for a few specific areas. Over the last 100 years, the federal government has gradually taken control of state responsibilities — a process that was accelerated when the federal government took control of income tax powers during WWII (While it is technically possible for states to introduce their own income taxes, they cannot do this without significantly disadvantaging themselves).³⁷

Today, the federal government collects around 81 percent of all tax revenue in Australia, and the states are largely dependent on the federal government for revenue, which provides them with 45 percent of their income.³⁸ This problem is known as vertical fiscal imbalance.

Vertical fiscal imbalance has significantly reduced states autonomy and their ability to innovate and compete with each other, making them less efficient. Having one level of government responsible for service delivery and a different level of government responsible for collecting the revenue required, has made both levels of government less accountable to voters. The states are incentivized to make spending promises without having to collect the revenue to pay for them, and the federal government is incentivized to take-over state responsibilities. This is the cause of the so-called "blame game," where each level of government blames the other for problems that occur.

Allowing states to control a portion of federal income tax would go a long way to increasing fiscal autonomy, and reducing the level of vertical fiscal imbalance. It would increase accountability for state governments. It would unleash competition, by allowing states to vary the rate of their income tax to best suit their needs. And it would encourage policy innovation, with states acting as laboratories of democracy — ultimately producing better outcomes for the Australian public.

How a new state income tax would work

In order to return a portion of income tax to state control, the federal government would need to withdraw from a certain amount of income tax, so it could be taken over by the states. In one option proposed by the National Commission of Audit in 2014, the federal government would lower the current personal income tax rate by 10 percentage points on incomes from \$37,000 to \$80,000 — changing the

³⁶ Peter Robinson, Tess Farrelly, 'The Evolution of Australia's Intergovernmental Financial Relations Framework,' *Australian Journal of Public Administration*, Vol. 72, no. 3. 2013.

<<http://onlinelibrary.wiley.com/doi/10.1111/1467-8500.12030/full>>

³⁷ National Commission of Audit. 'Addressing vertical fiscal imbalance.' 2014.

<<http://www.ncoa.gov.au/report/appendix-vol-1/8-3-addressing-vertical-fiscal-imbalance.html>>

³⁸ Department of the Treasury. *Re: think - tax discussion paper*. Canberra. 2015. Chapter 2.

<http://bettertax.gov.au/files/2015/03/02_Australias-tax-system.pdf>

rate from 32.5 percent to 22.5 percent. A ‘state income tax surcharge’ would then be introduced, starting at a rate of 10 percent with the option for states to vary it in the future. This would grant the states control over a significant revenue source — estimated at about 25 billion per year — which they could use to further their policy priorities.³⁹

The state income tax surcharge could be collected in the same way as the rest of the federal income tax, avoiding administrative complications.

The benefits of state control over a portion of income tax

i. Accountability and efficiency

Allowing the states to control a portion of income tax would help to restore fiscal equivalence — the principle that each level of government should be responsible for raising the revenue that it spends.

This is essential to restoring accountability and ending the federal-state “blame game”. Politicians at the state level will no longer be able to blame their policy failures on a lack of federal funding. If they propose new spending initiatives, they will have to either raise the extra revenue directly — with all the potential electoral consequences — or find savings elsewhere in their budget. This is a far more transparent system than currently exists, making it easier for the public to hold their politicians to account.

This increased accountability will lead to greater efficiency at the state government level, as governments will be incentivized to use their resources in the best way possible. This is the direct opposite of the current system, which incentivizes state politicians to over promise and then complain to the federal government about their lack of funds.

ii. Increased competition

State control of a portion of income tax would unleash competition between the states.

With the ability to alter their rate of income tax — one of the most transparent taxes — states could compete with each other over the best mix of taxes and services. Some states may choose to reduce taxes and offer fewer services, while other may increase their share of income tax in order to provide a wider variety of services. Individuals and businesses would then be able to vote with their feet by moving to the jurisdiction that best suits their needs.

iii. Laboratories of democracy

The increased accountability and pressure from competition will encourage states to test and implement innovative policy solutions. Policies that prove to be a success can then be copied by other jurisdictions, while policy failures will be confined to individual states until they are repealed. This will lead to gradual improvement in government services, tax rates, regulations (and other areas) for all Australians.

³⁹ Ibid.

5. Include family homes in the old age pension test

Recommendation

The government should include the full value of family homes in the age pension assets test.

Summary

The age pension provides income support, and access to a range of concessions, to older Australians.⁴⁰ Unlike social security in the United States, the Australian age pension is not an entitlement, but a means of support for those who are unable to provide for their own retirement. Because of this, it is only available to Australian residents aged 65 and over, who pass an income and assets test.

However, the current assets test largely excludes family homes. This has a distortionary effect on the Australian housing market, but more importantly, it is simply unsustainable. The age pension is already Australia's largest welfare payment, totaling an estimated \$44 billion in 2015-16, and this is expected to increase as the population ages.⁴¹ In order to preserve Australia's generous welfare system for future generations, we must have means tests which accurately target support to those who need it most. For the age pension, this means including the family home.

The current system is unsustainable

The age pension's income test considers the income an applicant earns from any assets they own, as well as any income earned from a job, and the income of their partner, if applicable.⁴² The assets test assesses the collective value of any assets an applicant owns, above a prescribed 'assets test free area'. The assets test free area ranges from \$250,000 to \$575,000, depending on marital status and homeownership. After the applicable limit is exceeded, applicants' pensions are reduced by \$1.50 per fortnight for every additional \$1,000 worth of assets.⁴³

Home ownership is taken into account, to a limited degree, in the assessing the appropriate rate the assets test should start to apply (the assets test free area). For example, the assets test free area is \$450,000 for a single non-homeowner, but only \$250,000 for a single homeowner.⁴⁴ Therefore, a single homeowner has an assets test free area that is \$200,000 lower than a single non-homeowner. But this is well below the market prices for real estate in most major Australian cities. Family homes are therefore largely except from the age pension assets test.

This is possibly because of the strong emotional attachment Australians have to home ownership. It may also be because family homes are often mortgaged – making them a financial liability and not, in fact, an

⁴⁰ Department of Human Services, 'Age Pension'. Australia.

<<https://www.humanservices.gov.au/customer/services/centrelink/age-pension>>

⁴¹ Commonwealth of Australia. *2015-16 Budget Overview – A fairer pension system*. Canberra. 2015.

<<http://www.budget.gov.au/2015-16/content/overview/html/overview-26.htm>>

⁴² Department of Human Services, 'How the Income Test Works'. Australia

<<https://www.humanservices.gov.au/customer/enablers/income-test-pensions>>

⁴³ Department of Human Services. 'How Assets Over the Limit Will Affect Your Payment'. Australia.

<<https://www.humanservices.gov.au/customer/enablers/changes-pension-assets-test>>

⁴⁴ Ibid.

asset — but this can easily be taken into account. And in many cases, pensioners own their homes outright.

Excluding the family home from the age pension assets test has a significant impact on the federal budget, and the housing market.

The housing market is effected because Australian taxpayers are effectively subsidizing pensioners to remain in family homes that often exceed their needs. This increases real estate prices and pushes young families into small apartments, or away from urban centers.

Australian pensioners should be free to remain in their family home. But this decision should not come at the cost of the Australian taxpayer.

The age pension is already Australia's largest welfare payment, totaling an estimated \$44 billion in 2015-16.⁴⁵ By 2018-19, this will be \$50 billion, or about 10 percent of the total federal budget.⁴⁶ If Australia wants to maintain a generous welfare system, then we must target support to those who need it most. Pensioners who live in multi-million dollar family homes are far more able to cover the cost of their own retirement than those without such a large asset. Including the family home in the assets test will enable the government to better identify those in need, and target support accordingly

What including the family home would mean for pensioners

Retirees with a family home that does not lead them to exceed the assets test for the aged pension will see no change.

Retirees who exceed the assets test and are disqualified from receiving the age pension because they own a family home of substantial value will be faced with a choice.

If they are able to support their own retirement while continuing to live in their family home, then they will simply miss out on the age pension. If they rely on the age pension to support their retirement, then they can sell their family home and move to more modest accommodations. Or alternatively, they can access the equity in their home by taking out a reverse-mortgage, which can be designed as an income stream similar to a pension.

This will lead to fall in the price of larger family homes, as the supply on the market increases. These newly affordable homes will be available to young people who may otherwise be unable or unwilling to start families of their own — thereby improving Australia birth rate over the long term.

Including the family home in the age pension assets test will free up larger homes for young families, reduce the financial strain on the taxpayer, and make the age pension more sustainable so that those who are truly struggling can continue receive the help they need. The age pension is too important a safety net to be allowed to fall into extinction due to unsustainable policies made to cater to unrealistic expectations.

⁴⁵ Commonwealth of Australia. *2015-16 Budget Overview – A fairer pension system*.

⁴⁶ Peter Gahan, 'The \$100 billion question: can Australia afford our retirement bill as the 'grey vote' booms?'. *The Conversation*, 18 May 2015. <<https://theconversation.com/the-100-billion-question-can-australia-afford-our-retirement-bill-as-the-grey-vote-booms-41492>>

6. Abolish the alcopops tax

Recommendation

Repeal the alcopops tax introduced in 2008/09 by the Rudd government.

Background

In April 2008, the newly elected Rudd government introduced legislation to increase the tax on so-called 'alcopops' beverages by 70 percent.⁴⁷ Alcopops are alcoholic beverages manufactured to combine soft drink or fruit juice with a high strength alcohol, such as spirits or wine. Public health campaigners have long argued that alcopops encourage and facilitate drinking amongst teenagers, so the government saw this as an opportunity to combat underage drinking. The government claimed that by increasing the cost of alcopops, teenagers would find them less affordable, and therefore cut down their consumption of alcohol. However, this knee-jerk policy proposal has failed in its stated goal, with evidence showing it has instead encouraged drinkers to switch to other, sometimes less safe alternatives.

Why it must be repealed

The Australian Taxpayers' Alliance has been heavily involved in advocating for the repeal of the alcopops tax, with education campaigns designed to increase knowledge of the consequences of unnecessary taxes such as these.

As the evidence shows, the alcopops tax has not only failed to achieve any public health benefits, it has worsened the problem it attempted to fix. Excessive alcohol taxes have led young people to engage in risky drinking behaviour. Illicit drugs have become a common replacement for expensive alcohol. And there have been no reductions in the consequences associated with alcohol, such as hospital admission rates and injuries.

A policy that was supposed to resolve a problem has failed, and should be repealed before the situation worsens.

i. The law has failed

In a study for the Medical Journal of Australia, Professor Kisely and his research team at the University of Queensland delved into the effects of the alcopops tax, examining hospital records spanning two years prior, and one year after the introduction of the tax. By examining data from emergency departments and the Queensland Trauma Register, the team attempts to see if the increase in tax on alcopops had any effect on the number of 15-29 year olds treated for incidents of alcohol-related harm — such as alcohol poisoning, alcohol-related injuries, fights, and traffic accidents. After analysing 87,665 alcohol-related visits to hospital emergency departments over three years, the team concluded that the tax had

⁴⁷ Natasha Bitá. 'Alcopop' tax fails to deter teen binge drinking, raises \$4.5 billion in revenue. *News.com.au*. 27 May 2013. <<http://www.news.com.au/lifestyle/food/alcopop-tax-fails-to-deter-teen-binge-drinking-raises-45-billion-in-revenue/story-fneuz92c-1226650824648>>

made no difference to these incidents. The proportion of alcohol-related presentations had not significantly fallen after the introduction of the alcopops legislation.⁴⁸

ii. The substitution effect

According to the Australian Bureau of Statistics, the consumption of pre-mixed drinks fell 31 percent between 2008 and 2011 (after the tax was introduced). However, there was a 20 percent increase in the consumption of pure spirits over the same period.⁴⁹

As critics of the tax predicted, the increased price of alcopops has only forced consumers to substitute alcopops with other drinks that are cheaper, such as cask wine and spirits. Young people have substituted pre-mixed, low alcohol content alcopops, with privately mixed spirits that can vary widely in strength, thereby increasing the risks of unsafe drinking.

With price being such an important factor, research from Victoria has revealed three-quarters of Victorian young people load up on alcohol before going for a night out at a venue where alcohol is served.⁵⁰ Participants of the study explained that they pre-drink because it's cheaper than buying alcohol they enjoy whilst out, such as alcoholic-energy drinks, wine, and alcopops.

Not only are consumers substituting alcopops with stronger alcoholic drinks, they are also moving to drugs like ecstasy — as seen in one study conducted by the University of Queensland's Alcohol and Drug Research and Education Centre. The study found that a lot of young people are making the choice to switch between alcohol and ecstasy as a direct response to the high tax rate on alcohol. A student from the study, aged 22, said pills were affordable and pre-mixed drinks at music festivals were "sugary" and very expensive.⁵¹ A subsequent study from Deakin University also concluded that, "should taxes increase sufficiently on alcoholic products, consumers will substitute for ecstasy or marijuana".⁵²

⁴⁸ Kisely, S., Pais, J., White, A., Connor, J., Quek, L., Crilly, J. and Lawrence, D. 'Effect of the increase in "alcopops" tax on alcohol-related harms in young people: a controlled interrupted time series.' *The Medical Journal of Australia*, vol. 195 no. 11, 2011. pp. 690-693.

⁴⁹ Ibid.

⁵⁰ VicHealth. 'Experts warn against 'preloading' on alcohol ahead of Schoolies.' 2016. <<https://www.vichealth.vic.gov.au/media-and-resources/media-releases/experts-warn-against-preloading-on-alcohol-ahead-of-schoolies-week>>

⁵¹ Chris Johnston, Ashley Argon. 'Alcohol price spike fuels switch to ecstasy.' *The Age*. 23 Oct. 2010 <<http://www.theage.com.au/national/alcohol-price-spike-fuels-switch-to-ecstasy-20101022-16xvj.html#ixzz2lowwwr2h>>

⁵² Nicolas Droste, P. 'Alcohol Price Considerations on Alcohol and Illicit Drug Use in University Students,' *Journal of Alcohol Drug Dependence*, vol. 1, no. 2, 2013. pp.1-4

7. Eliminate bracket creep by indexing tax rates to earnings

Recommendation

Australia should eliminate the problem of bracket creep by indexing marginal tax rates to average earnings.

The problem of bracket creep

Bracket creep is the fact that individuals will gradually face higher income tax over time, despite no increase in real income. It is caused by the combination of a progressive income tax and rising inflation, which slowly pushes individuals into higher tax brackets.⁵³

This significantly reduces the disposable income of Australian households. As the Centre for Independent Studies has shown, without legislative action, bracket creep would force 4.3 million taxpayers into higher marginal tax brackets over six years alone (beginning in 2012-13). This means that taxpayers will be paying \$16.7 billion in additional taxes in 2018-19 than they paid in 2012-13, with a cumulative cost of \$50.9 billion.⁵⁴

The government has recognized this problem, with the Turnbull government increasing the upper limit of the middle-income tax bracket from \$80,000 to \$87,000, from July this year.⁵⁵ This means taxpayers will only have to pay 32.5 cents for every dollar earned between \$37,001 and \$87,000.⁵⁶

This is a positive decision, but it fails to address the underlying problem of bracket creep. It particularly fails to help the people bracket creep hurts the most — low income workers and those transitioning off welfare. The combined effect of marginal tax rates and welfare withdrawal generates Effective Marginal Tax Rates (EMTRs), where every dollar earned above a certain level can result in the loss of 21 to 34.5 cents per dollar to income tax, and 50 cents in every dollar of their welfare payments.⁵⁷ This is clearly an incentive to reduce workforce participation.

This problem of bracket creep is expected to worsen in subsequent years. For these reasons, the Australian Taxpayers' alliance proposes that personal income tax rates be indexed to average earnings.

Indexing marginal tax rates to average earnings

The best solution to the problem of bracket creep is to index the marginal tax rates to average earnings. Indexing marginal tax rates to average earnings would enable marginal tax rates to increase at the pace of inflation. It would increase workforce participation incentives and correct for the overall economic

⁵³ Department of the Treasury. *Re: think - tax discussion paper*. p.22.

⁵⁴ Robert Carling, Michael Potter. *Exposing the Stealth Tax: The Bracket Creep Rip-Off*. Centre for Independent Studies. Sydney. 2015. <<https://www.cis.org.au/app/uploads/2015/12/rr8.pdf>>.

⁵⁵ Mark Kenny. 'Federal Budget 2016: Coalition Shifts on Income Tax to Tackle Bracket Creep.' *The Sydney Morning Herald*. 26 April 2016. <<http://www.smh.com.au/business/federal-budget/federal-budget-2016-coalition-shifts-on-income-tax-to-tackle-bracket-creep-20160426-gofg4e.html>>.

⁵⁶ Australian Taxation Office. 'Targeted Personal Income Tax Relief.' <<https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-individuals/Targeted-personal-income-tax-cut/>>.

⁵⁷ Robert Carling, Michael Potter. *Exposing the Stealth Tax: The Bracket Creep Rip-Off*.

and social costs caused by bracket creep. It would also make Australia more competitive on an international scale.

Marginal tax rates can be indexed to things other than average earnings. But whatever the chosen index, it must not be subject at whim to adjustment or discretion, and must be published by an independent authority such as the Australian Bureau of Statistics.⁵⁸

Requires spending restraint

Resolving the problem of bracket creep will require the Australian government to restrain government spending. Currently, the Australian government's underlying cash deficit is \$37.1 billion.⁵⁹ This is unsustainable.

The government is currently relying on the hidden tax increases of bracket creep to reduce this deficit. This is the wrong approach. As a Treasury ministerial brief has illustrated, reducing the budget deficit using bracket creep, rather than spending cuts, will cut gross domestic product (GDP) by 0.35 percent over the long term (despite an anticipated increase in Government spending of 0.2 percent of GDP).⁶⁰ The reliance on bracket creep also reduces public accountability, by creating unrealistic expectations and obscuring the connection between tax and spending.

Solving the problem of bracket creep is necessary, but it will require the commonwealth government to rein in spending to more historically acceptable levels. The alternative is to increase other taxes, such as the GST. But this would result in increased prices, and unacceptable harm to low income workers.⁶¹

Evidence shows that a spending restraint alone can cause a deficit reduction without further tax increases.⁶² This is the approach the government must take.

Bracket creep is a hidden tax increase that reduces disposable income for Australian households and reduces incentives to work — harming low income workers the most. The Australian government should resolve the problem of bracket creep by indexing marginal tax rates to average earnings. In order to do this without increasing the budget deficit, the government should also implement spending restraints.

⁵⁸ Robert Carling, Michael Potter. *Exposing the Stealth Tax: The Bracket Creep Rip-Off*.

⁵⁹ The Secretary to the Treasury & the Secretary of the Department of Defence. *Pre-Election and Fiscal Outlook 2016*. Commonwealth of Australia. 2016. Canberra. <http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2016/PEFO%202016/Downloads/PDF/PEFO_2016_consolidated.ashx>.

⁶⁰ Chris Uihmann, Naomi Woodley. 'Tax Reform: Treasury Modelling Presents Taxing Dilemma for Government.' *ABC News*. 12 Feb. 2016. <<http://www.abc.net.au/news/2016-02-12/treasury-modelling-presents-taxing-dilemma-government/7161640>>.

⁶¹ Isentia. *Australian Federal Political Issues Report*. 2016. <<http://www.isentia.com/assets/blog/resized-images/issues-and-commentary/federal-index/top-federal-issues-for-30-january-5-february.pdf>>.

⁶² Michael Potter. *The Case against Tax Increase in Australia: The Growing Burden*. Centre for Independent Studies. Sydney. 2016. <<https://www.cis.org.au/app/uploads/2016/06/rr15.pdf>>.

8. Introduce income splitting into the Australian tax code

Recommendation:

The Australia government should reform the tax code to allow for a limited form of income splitting between spouses, with a maximum tax benefit of \$2,000.

Funding for this proposal can be found by abolishing the Family Tax Benefit Part B, which is far more costly and ill-targeted.

What is income splitting?

Income splitting is a tax policy that allows individuals to attribute part of their taxable income to their spouse, spreading the tax burden over two individuals in order to take advantage of lower marginal rates. It provides a real financial benefit to families — particularly families with a single income earner — through a lower tax bill.

Shared tax arrangements such as income splitting are not uncommon, with around half of all OECD countries having some form of shared tax arrangements for parents and children.⁶³

Income splitting with a \$2,000 benefit

The Australia tax code currently disadvantages single income families. This is because of the high tax-free threshold of \$18,200. Families with a single household income are required to pay tax on earnings above \$18,200, however dual income households are not required to pay tax until reaching an income above \$36,400, double of that of the single income household.⁶⁴

This reduces the disposable incomes of single income families — for both two parent and single parent households. It also pushes up the price of early childhood education, as stay at home parents are pressured to enter the workforce, despite the added cost of finding a suitable childcare centre.

To help alleviate this pressure, the Australian Taxpayers' Alliance proposes a limited system of income splitting so that families can take full advantage of two tax-free thresholds of \$18,200. A single income family will be able to transfer the full \$18,200 from the income earner to their spouse — or in the case of single parent families, to one of the children. In dual income families with one of the income earners earning less than the tax free threshold will be able to transfer the amount equal to \$18,200 minus the earnings of the secondary income earner. For example, a family with a primary earner earning \$65,000 and a secondary earner on \$15,000 could transfer \$3,200 from the primary to the secondary income earner.

⁶³ Matt Canavan. *Family Tax Talking Points*. Liberal National Party. 2016. <http://www.mattcanavan.com.au/family_tax_talking_points>

⁶⁴ Canavan, M., Williams, J., McKenzie, B., O'Sullivan, B. 'Level the Tax Field for Single Income Families.' *Australian Financial Review*. 7 April 2015. <<http://www.afr.com/opinion/level-the-tax-field-for-single-income-families-20150406-1mfcz0>>

This limited system of income splitting would provide a benefit of up to \$2,000 for Australian households. It would deliver tax relief to upwards of 800,000 families, allowing them to better choose the work-life balance that suits their family.⁶⁵

Cost of the proposal

The Parliamentary Budget Office estimates this proposal for limited income splitting would cost \$1.5 billion per year.⁶⁶ However this is far less than the \$7 billion a year we already spend on childcare facilities, services, and fee assistance rebates.⁶⁷ This is relevant because limited income splitting would reduce demand for early childhood education.

Savings from Family Tax Benefit Part B

More than enough funding to cover a limited income splitting proposal could be found by abolishing the Family Tax Benefit Part B which costs taxpayers \$4.9 billion.⁶⁸

The Family Tax Benefit Part B is a wasteful and unnecessary middle class welfare policy. It allows those earning over \$150,000 per year to receive payments of \$4,409.20.⁶⁹ To put this into perspective, the gross income of the median Australian household in 2011 was \$64,168.⁷⁰ This means Family Tax Benefit Part B Forces a proportion of low income taxpayers to fund those with above average incomes.

⁶⁵ Matt Canavan. *Balancing taxing and parenting, Submission to Re: think — Australian Government Tax Discussion paper*. Canberra. 2015 <https://cdn.tspace.gov.au/uploads/sites/52/2015/06/Canavan_Matthew.pdf>

⁶⁶ Ibid.

⁶⁷ Canavan, M., Williams, J., et al. 'Level the Tax Field for Single Income Families.' *Australian Financial Review*.

⁶⁸ Sammut, J., Buckingham, J., Carling, R., Jha, T., & Philipatos, A. *Target30: Reducing the Burden for Future Generations, Emergency Budget Repair Kit*. The Centre for Independent Studies. 2013. Cowan, Simon (ed.). Sydney <<http://www.cis.org.au/app/uploads/2015/07/t30.05.pdf>>.

⁶⁹ Department of Human Services. 'A Guide to Australian Government Payments.' Canberra. 2012. <<https://www.humanservices.gov.au/customer/enablers/payment-rates-family-tax-benefit-part-b>>.

⁷⁰ Australian Bureau of Statistics, '2011 Census Quickstats,' website. <http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/0>

9. Remove restrictions on nuclear power

Recommendation

Federal and state governments in Australia should overturn their bans on nuclear energy, allowing it to compete with new and existing fuel sources in the free market.

Why nuclear?

Nuclear power technology has improved considerably in the recent decades, and is now one of the best fuel sources for the world of tomorrow.

There are two types of nuclear energy, nuclear fusion and nuclear fission. Nuclear fusion is an exciting concept that could solve many of the world's energy needs, but the technology is not yet practicable. However, this is not the case with nuclear fission — which this proposal will focus on.

Nuclear energy has a negative stigma surrounding it, hindering the growth of nuclear power in Australia. Many people are apprehensive about adopting nuclear because of perceived safety risks. But these fears largely unsubstantiated when it comes to modern nuclear technology.⁷¹ The safety of modern nuclear reactors has improved considerably since the construction of Chernobyl, and even Fukushima — which only faced problems because of a devastating earthquake and tsunami, which the reactor was not designed to cope with. Given the geological stability of the Australian continent, this is a risk Australian reactors would not face.

Nuclear technology has significant advantages over other sources of energy — both economic and environmental — and it shouldn't be held back by unwarranted fears.

With inbuilt safety mechanisms reducing the chance of catastrophe to near zero, and the existence of large deposits of uranium, Australia is in a unique position to take advantage of this cheap, reliable, and scalable source of energy.

The benefits of nuclear

All energy sources have positive and negative characteristics — pollution, unreliability, expense, etc. But nuclear compares well to other leading sources of energy in Australia, including fossil fuel and renewables.

i. Reliability

Nuclear energy has significant economic benefits when compared to alternative energy sources. Nuclear power is efficient and is capable of producing large amounts of base load power. This means it can reliably generate electricity around the clock, in all weather conditions.⁷² This is an obvious advantage over renewable sources of energy, like wind and solar, that are only able to produce electricity when the

⁷¹ World Nuclear Association. 'Safety of nuclear power reactors'. 2016. Website. <<http://www.world-nuclear.org/information-library/safety-and-security/safety-of-plants/safety-of-nuclear-power-reactors.aspx>>

⁷² Conserve Energy Future. 'Nuclear Energy.' Website <http://www.conserve-energy-future.com/Advantages_NuclearEnergy.php>

wind is blowing and the sun is shining. This is known as the intermittency problem, and it is an extreme disadvantage for a society that needs a reliable energy source to power essential services like hospitals.

ii. Economic benefits

Nuclear power is also a cheap source of energy.⁷³ Initial set-up costs can be high, but once a nuclear power station is online running costs are low, and the initial set-up costs can be spread over a power plant's lifespan — nuclear power plants can produce energy for 50 to 70 years.⁷⁴ Uranium, the fuel for nuclear power, is also relatively cheap, and Australia has 33 percent of the world's deposits, ensuring a us a secure supply.⁷⁵

iii. Environmental benefits

Nuclear power is a clean source of energy that has the capacity to drastically reduce pollution, without the increasing costs of renewable technologies.

The production of nuclear energy does not produce carbon emissions.⁷⁶ This makes nuclear power a valuable tool for combating climate change. Large scale adoption of nuclear energy would significantly reduce Australia's carbon emissions, which contribute to climate change.

Nuclear energy also has one of the lowest ecological footprints of comparable energy sources.⁷⁷ Unlike wind and solar, minimal land is required. And unlike fossil fuels, the byproducts of nuclear energy are collected and stored in safe locations, rather than spread throughout the atmosphere.

Nuclear energy uses vastly less material than other fuel sources like coal or gas. This reduces the pollution from transportation, as much less material needs to be transported. Only 28 grams of uranium is needed to produce as much energy as 100 metric tons of coal.⁷⁸ With the energy density of a plant being ten million times the amount released burning fossil fuel atoms.

iv. Base load that can be adjusted easily

Nuclear power plants can vary the amount of base energy they produce relatively easily. This makes nuclear energy ideal for use in conjunction with renewable energy sources that suffer from intermittency problems, like solar and wind. On days of high wind or solar energy production the base load energy provided by nuclear can be reduced, and on days of low wind and solar energy production it can be increase, thereby maintaining the stability of the energy grid.⁷⁹

⁷³ World Nuclear Association. 'The economics of nuclear power.' 2016. Website <<http://www.world-nuclear.org/information-library/economic-aspects/economics-of-nuclear-power.aspx>>

⁷⁴ Paul Voosen. 'How long can a nuclear reactor last?' *Scientific American*. 20 Nov. 2009. <<https://www.scientificamerican.com/article/nuclear-power-plant-aging-reactor-replacement/>>

⁷⁵ World Nuclear Association. 'Australia's uranium.' 2016. Website. <<http://world-nuclear.org/information-library/country-profiles/countries-a-f/australia.aspx>>

⁷⁶ Nuclear Matters. *Nuclear benefits: Carbon-free electricity*. 2014. <<http://www.nuclearmatters.com/body/4-Nuclear-Matters-Carbon-Free-2.pdf>>

⁷⁷ Nuclear Energy Institute. 'Protecting the environment.' Washington. Website <<http://www.nei.org/Issues-Policy/Protecting-the-Environment>>

⁷⁸ Ibid

⁷⁹ Mathias Aare Maehlum. 'Nuclear energy pros and cons.' *Energy Informative*. 3 May 2013. <<http://energyinformative.org/nuclear-energy-pros-and-cons/>>

10. Stop taxpayer funds being used to lobby government

Recommendation

The Australian government should stop taxpayer funds being used to lobby government. This can be done by inserting a clause into all federal contracts between government agencies and state funded charities, non-government organizations (NGOs), and think tanks.

The clause would restrict the use of the government funding being provided by stating, “The following expenditure is excluded and is not eligible for the purposes of the grant: Payments that support any activity intended to influence Parliament, Government or Political Parties, or any payments attempting to influence the awarding of further grants in the future.”

A growing problem in the non-government sector and how to solve it

The non-government sector plays a vital role in Australian society by contributing to community, helping to solve societal problems, and promoting positive values. With six and a half million Australians engaging in voluntary work, Australia rightly values the transformational potential of the voluntary sector.⁸⁰

However, a new subset of non-government organizations has recently emerged. Funded by the government, these organizations continually lobby other government departments for changes in the law, or increased funding.

Federal spending is already out of control, and there is a growing discontent over the misuse of taxpayer funds. This proposal by the Australian Taxpayers’ Alliance will help to combat these problems by ensuring that taxpayer funds are used to improve people’s lives and promote social causes, rather than to lobby government for increased funding or changes in the law.⁸¹

Below are two key arguments for why a clause must be inserted into government contracts to limit how taxpayer funds can be used.

i. Taxpayer funds being used to promote ideological positions

NGOs that are primarily financed by taxpayer are colloquially known as ‘sock puppets’. This is a reference to the illusion of grassroots support that they create.

The funding of these organizations weakens the independence of the non-government sector by providing a disincentive for charities to vocalize dissenting views on government policy. But it also creates the greater problem if government funds being used to promote particular ideological causes.

Taxpayers expect that the funding provided to the non-government sector will be used to promote charitable purposes that further the greater good. They do not expect their taxes to be used to lobby for ideological causes, which they may disagree with.

⁸⁰ Tim Andrews, ‘The big government merry-go-round’, IPA Review, vol. 64, no. 4, pp. 20-24.

⁸¹ Christopher Snowdon, ‘Sock puppets: A step in the right direction’, Institute of Economic Affairs, London, <<https://iea.org.uk/blog/sock-puppets-a-step-in-the-right-direction>>

Examples of government funds being used to promote ideological agendas are widespread. In academia 'research grants' often fund academic work that supports government policies. For example, at the height of Australia's carbon tax debate, Stephen Lewandowsky received a share of grants worth a total of \$1.7 million, for his research attempting to link climate skeptics to conspiracy theorists who deny the moon landing.⁸² The very existence of the Grattan Institute is also an example of government funding being used to advocate for a certain policy perspective, as it was created with \$30 million in funding from the Brumby and Rudd governments.⁸³

This political campaigning and public policy advocacy should not be funded by the taxpayer. Government resources are limited and funding for the non-government sector should be restricted to traditional charity work that directly leads to the betterment of society. As such, taxpayer funded activism and the use of taxpayer funds for political campaigning should be banned.

This would not restrict the free speech of non-government organizations. Nor would it prevent them from promoting their ideas. It would simply stop taxpayer funds being to promote an ideological agenda. Organizations would still be free to use privately-raised funds however they wish, but taxpayer funding would be redirected to uses that directly improve peoples' lives.

ii. Taxpayer funds being used to lobby government

These taxpayer funded NGOs regularly lobby government. This regularly leads to two different but equally absurd situations: The first is when a NGO uses their taxpayer funding to lobby the government for more taxpayer funding — this is wasteful, self-serving and insulting to taxpayers. The second situation is when a NGO uses taxpayer funds to lobby the government for increased regulations or other changes in the law — often resulting in government funding being used to lobby against the government. Examples of this behavior include taxpayer-funded 'public health' organizations lobbying for nanny state restrictions on alcohol.⁸⁴

This repetitive cycle needs to be addressed. Agencies receiving funds from the government should not be able to lobby the government in the political equivalent of a perpetual motion machine.

This can be done by inserting a clause into all government contracts where a grant or funding is awarded. Such a clause, like the one recommend at the start of this proposal, would prohibit NGOs from using taxpayer funds to lobby the government, fund political advertising campaigns, or engage in any other activities designed to influence the parliament, the government, or political parties.

⁸² Joanne Nova, 'Lewandowsky gets \$1.7m of taxpayers funds to denigrate people who disagree with him', *JoNova*, 14 Sept. 2012. Perth <<http://joannenova.com.au/2012/09/lewandowsky-gets-1-7m-of-taxpayer-funds-to-demonize-people-who-disagree-with-him/>>

⁸³ Rita Panahi 'The Left hand is dipping into our pockets', *Herald Sun*, 14 Aug. 2016. Melbourne, <<http://www.heraldsun.com.au/news/opinion/rita-panahi/rita-panahi-the-left-hand-is-dipping-into-our-pockets/news-story/3a21d6dcb91e5745b389a60c3c4f04e0>>

⁸⁴ Chris Berg. 'Alcohol and the nanny state inquiry: This isn't just about money', *ABC News*, 13 Oct. 2015. Sydney. <<http://www.abc.net.au/news/2015-10-13/berg-alcohol-and-the-nanny-state-inquiry/6848818>>