

## **ALGA National General Assembly**

**Speech by the Leader of The Nationals and Shadow Minister for  
Local Government, Warren Truss**

**National Convention Centre, Canberra**

**24 June 2099**

### **CHECK AGAINST DELIVERY**

It is a pleasure to be back at the National Assembly of ALGA following your convention on constitutional recognition for local government in Melbourne late last year. May I compliment you on the outcomes of that meeting. What is necessary now is to draft a suitable question and win sufficient public support to warrant the issue being placed before the people in a referendum.

May I also thank you for the work you undertake as local government leaders. Local government is being asked to undertake an increasing load in the delivery of services and facilities in communities across the nation and your role has become more difficult and demanding.

In a week where politics has been the big subject on everyone's lips, I congratulate the Australian Local Government Association for choosing three of the biggest political subjects of the year for discussion at your National General Assembly – financing, infrastructure and climate change.

Malcolm Turnbull spoke to you yesterday in a very comprehensive manner about public financing, and in particular our concerns about the debt load that the Australian public must now carry.

Local government has been included in the Government's infrastructure spending programs, boosting your cash flow and enabling councils to undertake some welcome community projects. But this is one-off funding financed by debt – all of which will have to be repaid by future governments. And \$315 billion is no small amount of money. If we were able to repay this amount at the rate of \$1 a second, it will 10,000 years to extinguish the debt. Put simply, future federal governments (of whatever political persuasion) will have less money to spend on roads, hospitals, schools and local government, and taxes will be higher than they otherwise would be because future generations will be repaying interest and redemption on debt being created today.

Your first quarter personal income tax share payment for 2009-10 is being brought forward to this financial year to make the Federal Government's \$58 billion Budget deficit look better. But it will not be paid again next year – so make good use of it!

When it comes to the Federal Government's own infrastructure program, the reality is that spin is triumphing over substance.

For a start, Labor is still proposing to spend less on road and rail over the next six years than the Coalition had committed to spend before the last election. In addition, some of the spending on new projects is simply cost shifting from the states to the Federal Government.

The Rudd Government has also dramatically changed some road funding programs in ways that will affect all local governments.

The Government has renamed the Regional Strategic Roads Program (which funded so many worthwhile projects in regional Australia) as the Nation Building Program Off-Network Projects. The money can now be spent in the cities and all of the available funds are being used to fund Labor's election promises. No-one else can even apply.

It shovels 82 percent of funds into Labor seats and the rest into electorates Labor hoped to win.

The Government has also changed the very worthy Black Spots program away from fixing road black spots on regional and suburban roads and streets so now it can be spent on the national highway. Hundreds of local projects will not now be funded as much of the money has been directed to large projects on the national network.

As I have spoken often at previous assemblies about infrastructure and funding, I'd like to talk today about climate change, the third item in your theme.

Firstly, I would like to say that this is not a zero sum game. The Prime Minister, for example, asserts that there is his way, and if you don't agree with that then you stand for nothing, you are a sceptic and will do nothing.

Nothing, in this instance, could be further from the truth. The Coalition in government put in place a number of concrete and practical measures, and we were then (and remain now) committed to a comprehensive response to climate change issues in partnership with the world's major emitters.

In July 2007, the former Coalition government outlined a major agenda to address climate change. We were prepared to provide leadership and to do our part, but we were also determined to ensure that we did not prejudice the competitiveness of Australia's trade-exposed emissions-intensive industries.

An emissions trading scheme, even if applied globally, is not a total or adequate response to climate change. Our plan was more comprehensive.

In government we invested \$3.5 billion in actions to address climate change. In 1998 we became the first country in the world to establish a separate climate change agency, the Australian Greenhouse Office. We were on track to meet existing Kyoto emissions reduction targets. We funded projects from the \$500 million Low Emissions Technology Demonstration Fund and put another \$500 million towards technology to support the management of emissions from coal. We provided \$1 billion to support renewable energy projects

and established the world's first mandatory renewable energy target, which generated \$3.5 billion in renewable energy investments. We committed to funding a national research institute for geothermal energy, the CETO wave energy project and the phase-out of incandescent light globes, and we developed the National Framework for Energy Efficiency, the hot rocks geothermal demonstration commercialisation project and the Moomba Carbon Storage project.

Hardly nothing, as our critics would claim. Yet because we question the relevance of passing legislation now that will soon be completely out of step with the rest of the world and would destroy many of Australia's most competitive industries at a cost of hundreds of thousands of jobs, we are painted as environmental vandals.

The reality is the Rudd Government's proposed emissions trading scheme is the most radical economic change in memory. It is like no other in the world and its impact on industry in Australia will be dramatic but its benefit to the global environment will be negligible - probably negative. It has been rightly criticised by industry for destroying their viability and international competitiveness and by environmental groups for not delivering real climate benefits.

Australia produces just 1.4 per cent of the world's CO<sub>2</sub> emissions, and that share is going down. We cannot repair the world's climate by ourselves. Spin implying that the Government's ETS will save the Barrier Reef, flood the Murray and stop bushfires is simply dishonest.

Climate change issues are global issues and require a global response. Our efforts, no matter how painful and devastating to Australian industry, will be puny if they are not part of a genuine

global action—from not just the developed countries but also the developing countries.

No-one has ever explained to me how a 100 million tonne decrease in Australia's CO2 emissions will counter a 10 billion tonne increase in China's CO2 emissions.

Let us assume that some of our factories will close under this scenario, because of the increased costs domestically. Demand will continue to be roughly similar. Therefore, we will have to import them from countries that do not have the extra cost of an ETS and where environmental and emissions standards are less demanding. This is an absolute lose-lose scenario.

For example, aluminium smelted in China will emit 60 per cent more greenhouse gas than aluminium smelted in Australia. Food production in Australia will emit less CO2 than food from Asia. Making cars in Australia will do less damage to the environment than making cars almost everywhere else.

For example, Australia produces 10 million tonnes of cement each year. Each tonne emits 0.8 tonnes of greenhouse gases. If Mr Rudd's ETS taxes carbon at \$30 per tonne, it will cost the Australian cement industry \$240 million a year. This will put it out of business. Our 15 plants will close, with the loss of 1,870 jobs in regional Australia. We will then have to import all of our cement from China, which produces one billion tonnes of cement annually, each tonne emitting 1.1 tonnes of greenhouse gases. The result will be a net increase in global emissions of three million tonnes every year.

As this switch from local to overseas emissions continues, the job losses will cascade and the trade balance will obviously deteriorate. The coal industry has estimated that 66,480 jobs will go in their industry by 2030. Some argue that they need an ETS to give them certainty so industry can plan ahead. But when you hear multi-nationals demanding certainty it is so they can make an early decision to move offshore.

Surveys show that the majority of Australians believe our country should have an ETS - even though less than 20 per cent of them say they know what an emissions trading scheme is or will do. Put simply, an emissions trading scheme is designed to change consumer behaviour by increasing the cost of goods and services that are considered to be damaging to the climate. Such schemes therefore increase the cost of electricity, transport fuel, mining, waste disposal and industrial processes so that we will use them less. Therefore, an ETS cannot be painless and still work. Indeed it has to be very painful if it is going to change behaviour. For instance, I am not convinced that Australians will turn off their air conditioning on a sweltering day even if it costs twice as much to run. People may well go without other things, like entertainment or even food, but they will want to stay comfortable for the day. People do not stop driving their cars when the price of petrol goes up. So people should not think that the ETS only hurts others—big business, miners or workers in other towns. It will hurt everyone.

To win public support, the Government has offered some compensation to the poor and the disadvantaged within the community and to some industries that are particularly adversely affected.

The ETS also includes exemptions—free permits or concessional arrangements. In reality, of course, no-one is truly exempt, as we will all have costs passed on to us. But each of these concessions creates anomalies. The more sectors that are exempt, the heavier the burden that must be borne by others. Perhaps most serious of all is that, if Australia has a harsh ETS and other countries do not, investment activity and industries will migrate with their jobs to non-participating nations. Other countries know that. Canada and New Zealand have delayed their schemes and the USA is proposing an ETS which is tied to mesh with global progress on climate change. We should do the same.

Labor's ETS will in fact affect some of the most efficient of the nation's transport sectors. I will use a couple of examples from the transport industry because it is my portfolio area. Rail, coastal shipping and aviation will face much higher carbon taxes, while less greenhouse-friendly transport measures will be tax free. Electric passenger rail services will be slugged with new taxes on the electricity they use, but those who drive their own car to work will not. Those who fly to North Queensland for their holiday will pay the emissions tax, but if you go to Vanuatu, Fiji or the United States you will not. Many councils who rely on tourism will have serious concerns about this.

This looks to me more like a giant revenue raiser than an efficient way of reducing greenhouse gas emissions. In year two, it will raise \$13 billion, rising to \$20 billion by 2020.

I know there are many people, particularly in regional areas, who ask why we are bothering with an emissions trading scheme at all. Many even question whether global warming is real. I note that even the government now tends to use the words 'climate change' rather

than 'global warming'. The Garnaut report acknowledges, right at the beginning, that there are reputable scientists who question the majority view that climate change is real and that the consequences are serious. I receive documents from qualified people almost every day arguing that their fellow scientists have got it wrong, that the planet is actually cooling, that CO2 emissions are good for us or that climate change is just a normal part of the weather cycle.

While I know there are doubters, it is beyond dispute that the majority of scientists believe the world is warming and that the potential implications are significant. We all take out insurance policies, even though we hope we will never need them. In the words of Rupert Murdoch, 'the planet deserves the benefit of the doubt'.

We believe that Australia must play its part in addressing climate change issues, but an emissions trading scheme is not an end in itself and can only ever be a part of a comprehensive response. We believe there are practical measures that should be taken now.

Australia should continue to act to implement practical CO2 emissions reduction measures such as soil carbon sequestration, revegetation of marginal land, biochar, clean coal technology, carbon capture, a voluntary carbon market to encourage the immediate recognition and involvement of individuals and communities, agriculture and business in sequestration, with bankable offsets; support energy savings initiatives in households, industry and transport to reduce emissions; support more energy-efficient vehicles and more widespread use of alternative fuels; and engage the commercial building sector in improving the energy efficiency of city buildings and residential housing. Many local councils are

working where they can to achieve some of these aims, and I applaud them for their work.

The nations of the world are committed to meet in Copenhagen later this year to develop an appropriate global response to climate change. They deserve to be given a chance. The coalition has offered the government bipartisan support for an unconditional reduction of five per cent in emissions from 2000 levels by 2020 and a reduction of up to 25 per cent if there is a comprehensive global agreement.

I know this is a very topical and controversial issue, and I would be happy to take your questions on this subject, or on infrastructure and other matters that are relevant to local government.