

FLAT WHITE

Is Peter Dutton listening to Trump?

Government efficiency is an election-winning issue for those with courage

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President Trump is creating the Department of Government Efficiency (DOGE) to eliminate harmful and useless layers of bureaucracy. This may be an even more radical assault on costly government impositions than that of Argentinian President Milei, who in his first year of office consolidated 18 government ministries into nine and fired [50,000 government workers](#). Inflation is close to being tamed and a strong economic recovery is underway.

Australia has a dismal record in such measures. Who can forget how Kevin Rudd said he would take a 'meat-axe' to the bloated public service, and that the reckless spending would stop?

But the present government is not even pretending to adopt Rudd's fantasy policies and is, indeed, moving in the opposite direction. This was evidenced in the Sustainability Reporting Standard (AASB S2), which came into effect on January 1 and will progressively bring within its ambit all firms with over 100 employees.

The Act provides considerable detail on how each firm must:

- assess, act upon and assign responsibilities for climate-related risks and opportunities
- take into account climate-related risks and opportunities when overseeing its strategy, decisions on major transactions, and its risk management processes

Firms must disclose information about the processes and related policies they use to identify, assess, prioritise, and monitor climate-related risks, with very detailed requirements on:

- the inputs and parameters used (including information about data sources and the scope of operations covered in the processes)
- whether and how climate-related scenario analysis is used to inform the identification of climate-related risks
- how the nature, likelihood and magnitude of the effects of those risks is assessed
- whether and how climate-related risks are prioritised relative to other types of risk
- how climate-related risks are monitored

Detailed reporting is required on greenhouse gas emissions within the firm (called Scope 1) and those of the products and services that it contracts (called Scope 2). In addition, firms must report on the emissions (Scope 3) that might be expected from

customers' use of its products – thus a tractor seller must report on the lifetime emissions from the product's use.

All this is not something that firms can simply comply with by ignoring or offering perfunctory responses. They are required to use all information that is reasonably available to them. And penalties for failing to do so include:

- fines ranging up to \$751,200
- jail for failure to keep and retain sustainability records and make the Sustainability Report publicly available
- directors' personal liability for misleading statements in Sustainability Reports

Many people would be unsurprised that the bureaucracy and Parliamentary representatives have legislated these monstrous requirements. A great many within the political class despise private enterprise, some considering it to be downright harmful to the interests they cherish most dearly. Few would have any inclination of the costs their impositions will bring about and fewer still would recognise that such costs will be passed on to the consumer.

One attraction to the new regulation's supporters is that it provides an open wound through which additional resources can flow from the private sector into the bureaucratic swamp in order to monitor and administer the complex regulations. Unsurprisingly, business representatives, which are nowadays dominated by major legal and accounting firms, see this aspect as a welcome addition to the laws from which they feed. Business service [firms](#) lost no time in selling their services to help productive businesses navigate the new requirements.

The new standard is introduced on the 'boiling frog' philosophy whereby it simply builds upon an edifice, the foundations of which were laid several years ago. Many of its supporters argue that the new regulatory structure is just there to help shareholders select the best opportunities. An Australian Financial Review [editorial](#) proclaimed, 'Mandatory climate rules will stop investors groping in the dark.'

Such a notion that rests on the febrile assumption that politicians and officials, the least commercially savvy class within the nation, are well-placed to assist shareholders' decision-making. In fact, if that were a true rationale, the government actions would be to provide guidelines which firms could adopt, reject, or disregard. Many shareholders would find firms who chose to dismiss or disregard the information required as attractive investment targets, since those firms would be more focused on their markets and reducing costs rather than on placating government and interest groups.

But an optional reporting requirement runs up against the key reason for the regulation, which is to place even greater pressures on businesses to abandon low-cost fossil fuels and switch to the high-cost wind and solar supplies that are crippling the economy's efficiency.

The Shadow Treasurer, Angus Taylor, has committed the Coalition to repealing these laws. One problem with this is that it would likely need support of the minor parties in the Senate. Moreover, once in place legislation generates a self-interested lobby of people in the private and public sectors that will resist its repeal.

This is part of a wider problem and former Prime Minister [Tony Abbott](#) has offered advice to the Canadian Conservatives to 'avoid the traps my government fell into', which he doubtless was targeting at the Liberal/Nationals. He noted, 'Recent conservative governments have tended to be in office but not really in power ... because they were thwarted by a leftist establishment.' He went on to say that Opposition frontbenchers should provide a detailed blueprint of what needed to change in order to make a difference in their portfolio area, and explain how their proposed changes reflected our 'smaller government, bigger citizen' political instincts.

Is Peter Dutton listening?