

Tony Abbott Address to CEDA 2012

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STATE OF THE NATION CONFERENCE CANBERRA

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Well thanks very much Ian. Thanks very much ladies and gentlemen. It's terrific to be here. It's always good to be at a CEDA conference because CEDA is one of those bodies which does take a deep interest in Australian public policy and the quality of our Government, the quality of our public conservation is immensely enhanced by organisations such as the Committee for the Economic Development of Australia.

These are interesting times. I suppose there is never a dull moment in politics and there is rarely an uninteresting time when it comes to the future of the Australian economy. We are making do as best we can in the Parliament without the Prime Minister this week. I think the G20 have obviously been benefiting from her wisdom over the last 24 hours or so. Let me just make a couple of observations. A government that has delivered the four biggest deficits in Australian history hardly has the credentials to lecture the G20 and a Prime Minister would be better advised to actually deliver a surplus as opposed merely to forecast one before she starts giving lectures to other countries on economic and fiscal rectitude.

Now ladies and gentlemen, the Australian economy is, as we all know, comparatively strong. But it's comparatively strong compared to other countries in rather weak circumstances and I think all of you who have been studying Australia's economic development over the last couple of decades would know that today's comparative strength owes far more to the reforms of previous governments than it does to the spending spree of the current one. And yes, if China continues to grow very strongly, if the United States gets its fiscal house in order, if the Europeans can avoid a deep recession, if all of these things come to pass, well the Australian economy should continue to be reasonably strong. But if they don't come to pass, our position could deteriorate very much quite quickly and that's why it is more important than ever that we should be doing everything we can here in this country to put our economy in the strongest possible condition.

A sensitivity analysis in this year's budget indicates that a 10 per cent deterioration in our terms of trade could reduce our GDP by 2.5 per cent in nominal terms. All other things being equal, that would produce a \$17 billion a year deterioration in our budget position. So the Government can't assume that everything is going well. It shouldn't assume that the \$1.5 billion surplus is in the bag because essentially everything has to go right, even for the wafer-thin \$1.5 billion surplus that they have forecast to be delivered and it is, ladies and gentlemen, a cook the books budget that we've seen. It is based on fiddles, such as the energy security fund which is spending \$1 billion this year, \$1 billion the year after next, but just \$1 million next year - the surplus year. It's based on bring forwards such as \$1.1 billion of local Government funding for next

year that's being paid this year and it's based on moving large amounts of spending off budget that should be on budget, such as the \$5.8 billion, mostly in infrastructure spending, that the National Broadband Network will be spending in the next financial year.

Then, of course, there are the so-called saves in this year's budget. One of them is \$4.5 billion for not proceeding with company tax cuts that never actually happened. This is typical of the saves that the Government has booked in this year's budget. Most of them are not proceeding with programmes which the Government has previously announced but never actually delivered. If you actually go through what this Government has done, the bring forwards, the fiddles, and the moves of things off budget and you treated all of them in the way that an honest and straight Government ought to treat them, you wouldn't have a \$1.5 billion surplus in this year's budget, you would have something like a \$12 billion deficit in this year's budget and even the \$1.5 billion surplus based on cooking the books still depends on growth of revenue of 10 per cent this year and 10 per cent next year. Now it may be achieved but if it is achieved, it will be the fastest real revenue growth at least since the 1980s and they are expecting to achieve that in quite difficult international economic circumstances. So this is a surplus that will only be achieved if everything goes right. And as we know from this Government, which has the Midas touch in reverse, most things don't go right for this Government.

So ladies and gentlemen, the challenge is to give Australia the better Government that we need in these difficult times and the Coalition has, as we have been saying, time and time again in recent months, a four-point plan to improve our economy. As you know, as students of public policy, the things that Government has to do are quite straightforward. They are not easy, but they are quite straightforward. And the first thing we need to do is to get Government spending down. At the last election, we announced \$50 billion worth of savings. Now it will be tougher to get savings this time than last time because the stimulus programmes that we were able to cut last time largely won't be available to us to cut this time. But as you know from your experience in business, a business which can't save 5 per cent from its expenditure is a business which is not seriously trying to economise.

There are 20,000 more public servants on the Commonwealth payroll now than there were at the end of 2007 and I don't think anyone would say that the quality of Commonwealth Government has improved that much over the last five years. If you go through some of the expenditure items, there are enormous Government programmes that make very little difference to the way people actually live. Just in the last fortnight, we have been told by the Australian National Audit Office that more than \$300 million has been spent by the Commonwealth with the states to improve literacy and numeracy rates without making any appreciable difference. We have been told by the COAG reform group that some \$600 million has been spent by the Commonwealth with the states to reduce hospital elective surgery waiting times and these have actually got longer, not shorter, despite the spending of \$600 million. We are going through the budget line by line, programme by programme to identify aspects of Commonwealth spending which we do not believe are making an appreciable difference to the lives of the Australian people because economies can and must be made. Government has to live within its means as families and

businesses do, and we are determined that under the next Coalition government that is exactly what the Australian government will do.

We must get taxes down. The mining tax has to go because it is a tax on success. It is a tax on Australia's most successful sector. The carbon tax will go. It will be the first order of business for an incoming Coalition government to get rid of this bad tax based on a lie. Now the government is desperately putting it about that the carbon tax is here to stay, because no incoming government will be able to get rid of it. Let me remind everyone – there is a simple constitutional principle that no Parliament can bind its successor. What has been done by legislation can and will be undone by legislation and I see Minister Combet saying that regardless of the verdict of the people at the next election, the Labor Party will continue to support a carbon tax. Well, I think it's highly unlikely that a Labor Party which loses an election which is a referendum on the carbon tax would persist in supporting this policy. Rational politicians do not commit suicide twice, but let me assure you that should the democratic mandate of an incoming Coalition government be thwarted in the Senate, we won't hesitate to use the constitutional provisions available to us and go to a double dissolution. This is a toxic tax. It is going to hurt the standards of living of every Australian family. It is going to make almost every job in our country less secure and it is not going to achieve its whole objective of reducing emissions. If you look at the government's own modelling released on carbon Sunday, notwithstanding a carbon tax at \$37 a tonne by 2020, Australia's domestic emissions are not going down, they are actually going up under the carbon tax from 578 million tonnes a year now to 621 million tonnes there.

So, we'll get spending down, we'll get taxes down and we'll get productivity up. Again, not easy but doable. We have promised to reduce the red tape costs of business by at least \$1 billion a year and we intend to replicate at the Commonwealth level a programme which organisations such as the Business Council of Australia say has been working well in Victoria over the last few years where every government agency and instrumentality is required to quantify the costs of its compliance and regulatory requirements to business and every agency and instrumentality is given a target for reducing those costs and every head of every agency is required to meet that target in order to receive the sorts of bonuses which senior public servants typically enjoy. So we can and we will do it and in this particular area, I think we can and will do a better job than the Howard government was able to do between 1996 and 2007.

We won't make vast infrastructure spending commitments such as the NBN without published cost-benefit analyses. Government, like business, should not make major spending commitments without the best possible analysis first. None of the current Government's major infrastructure spending commitments from the NBN down have been preceded by published cost-benefit analyses and we won't spend more than \$100 million without such an analysis because we need to make our decisions on the most rational possible basis.

And ladies and gentlemen, there will be workplace relations improvements under the next Coalition government. They'll be careful, they'll be cautious, they'll be responsible. They'll be based on an analysis of problems, not on ideology, but nevertheless, they will be real and the first thing that we'll do in the workplace relations area is fully restore the Australian Building and Construction Commission. I

felt very proud of the Australian Building and Construction Commission because as Workplace Relations Minister, I established the Cole Royal Commission that was the forerunner to the ABCC, but the ABCC improved productivity in the commercial construction industry, in the order of \$5 billion every single year and we need restored and renewed the Australian Building and Construction Commission if the rule of law is to apply in this vital sector.

And finally ladies and gentlemen, there will be closer engagement with Asia. We won't close down the live cattle industry. We won't fail to sell uranium to India. We won't drop the ball when it comes to the study of Asian languages. As all of you who are in contact with the resources sector would know, there is a very substantial pipeline of investment, but as the BCA pointed out at just a week or so ago, we need to be careful lest the pipeline become a pipedream and so many of these investment proposals are now highly marginal. Resource company CEO after resource company CEO has been telling the Coalition in recent months that at current values of the Australian Dollar, at current commodity prices and at current cost structures here in Australia, committed investment will go ahead, but uncommitted investment will not. We have a window of opportunity and we must be careful lest it closes prematurely, because we have failed to do what we need to do here in this country to make the most of the future that should be ours. There should be an Australian moment as part of the Asian century, but we must seize it before it's gone and that's my fear with the sorts of policies which the current Government has put in place.

Finally let me say to you ladies and gentlemen that in the marrow of our bones, members of the Coalition understand that you cannot have a strong society, you cannot have healthy communities without a strong economy to sustain them and a strong economy absolutely depends upon profitable private businesses. Governments don't create wealth. Governments can hinder wealth creation, they can't create it themselves. Only profitable private businesses in the long run can create the wealth that is needed to sustain a cohesive and strong society such as ours.

So you'll never find from a Coalition government the sorts of attacks on leading business figures that we've seen routinely from this government in recent months. You will never find a Coalition government trying to create a kind of phoney class war in a society such as ours. As Bob Menzies said all those years ago, in this country the class war will always be a false war and in this respect I and my colleagues, we are absolutely the inheritors and the descendants of Bob Menzies and we share his wisdom.

Ladies and gentlemen, this is a great country. I am convinced that our best years are ahead of us. I think that Australia can be a dynamic part of the Asian century but we have got to make the most of our opportunities and I fear that that's actually the last thing we are doing right now.

As all of you know I think that an election can't come soon enough for our country. I don't know when it will be but the sooner it comes the better because the longer the current government does, the more damage it's doing.