



# **LEADER OF THE OPPOSITION**

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**SPEECH BY THE LEADER OF THE OPPOSITION  
THE HON SIMON CREAN  
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The theme of this conference is Opportunity and Prosperity.

We need to go further and make it explicit that we mean opportunity and prosperity for all.

Australia needs a strong economy and a just society if we're to be all that we can be.

In fact, we can't be a strong economy unless we are a just society.

Today I want to explain how the reviews of Labor's policies and structures will help us create a strong economy and a just society. How we will modernize Australia to move to the next step-up in productivity and become a nation of high-income growth.

This modernization must work its way right through our society.

It has to start at the top with our political institutions, extend to our economic, taxation and social policy and include our key infrastructure.

## **A constructive partnership to build the nation**

Modernization of the kind our nation needs will never be easy.

Australia needs leadership that is prepared to build support for reform that is in the national interest.

Take population policy as an example. I spoke of this more fully back in February.

Australia needs to be open to people with talent and skills to help boost our productivity, ensure economic growth and create more jobs. And we need more people in states like Tasmania and South Australia where population levels are stagnating.

Scapegoating migrants and refugees makes it difficult, quite apart from the damage it's done to our international standing.

But with leadership and a comprehensive population policy we can convince people who feel threatened that they won't be left behind.

On this issue, as in others, we need to get federal, state and local governments working together with the whole community in a constructive partnership to modernize the nation. A Whole of Governments approach through a Heads of Government commitment, with local government also having a seat at the table.

People are sick of Governments passing the buck.

COAG has been in existence for ten years and has ossified. It needs new vitality.

Where Howard sees COAG as a threat, I see it as an opportunity.

I have already commenced building a partnership with the state premiers to lay the foundations of a new federalism. Population policy must be on the agenda as must also be land clearing, climate change and ratification of the Kyoto Protocol.

This approach is also the only way to deal with the overlapping state and federal responsibilities in health and education. These issues may seem intractable, but they can be addressed through a constructive partnership.

It's worth noting that John Howard wrote to Premiers yesterday stating that education, health and aged care are not important enough at the moment to be dealt with by the nation's leaders. I have a different view.

### **A partnership with unions and business**

I have always adopted the concept of a partnership in my relations with the union movement and business.

Labor can and will work with unions, big business, small business and the self-employed to create wealth and jobs and to share the benefits around.

We must build the partnerships for modernization that no political wedge can destroy.

A partnership for the future.

Only Labor believes in this. Only Labor can deliver it.

Australia also needs to build partnerships on the international stage.

We have to better engage with Asia and work more effectively within international frameworks for trade, security and humanitarian advances.

This Government has done nothing over the last six years on the international scale except downgrade Australia's international reputation. A reputation that took years to build up.

The challenge for Australia is to recapture the active leadership position we held in the region under previous Labor governments.

Rather than see international fora as critics we must understand that Australia's fundamental national interests lie in the development and promotion of strong international institutions.

Australia built a reputation in the past for leadership through, for instance, constructing APEC. The Howard Government has dropped the ball. We need to pick it up again.

Australia can either remain isolated and irrelevant in its own region, or it can choose to be engaged; choose to show leadership.

I will say more about this in the coming weeks.

### **Modernizing our political institutions**

I began the parliamentary year by proposing measures to modernize our parliament and executive government in order to rebuild trust in our nation's political institutions.

Among other measures I proposed the creation of a truly independent Speaker, the reform of Question Time and a cooling-off period during which Ministers cannot accept employment relating to their previous responsibilities as ministers.

We need to take reform of our political institutions even further. Four-year terms for our national parliament, for example.

To succeed, measures such as these require bipartisan support. I will continue to take the lead on these issues.

I am disappointed that the Howard Government so far hasn't got on board.

I have no doubt our opponents see an advantage for themselves in opposing political reform.

As a recent book by two young political scientists – David Burchell and Andrew Leigh – points out, it suits conservatives if the voters say "well, they're all the same, you can't trust any of them".

The more voters distrust politicians, the less likely they are to support parties that actually want to use government to make significant changes – like build a knowledge economy and make life easier for families.

We must rebuild that trust if we are to modernize the nation. It starts with cleaning up and modernizing the parliament, and that's what my proposals are all about.

### **Modernizing Labor**

To modernize Australia, Labor must modernize itself.

I have commissioned the Hawke-Wran review to ensure that change will be thorough and substantial.

It will be about creating a modern, more inclusive, more democratic and more successful Labor Party.

A party that doesn't reward branch stackers but does reward quality candidates. I want us to be judged by the quality of the candidates we put forward.

And it will be about new policies for the future.

If it is to lead change, Labor must be more in touch with the changes occurring in our society.

I can't imagine a Labor Party without a strong relationship with the trade union movement. We both represent working people and their families. But we have to acknowledge that the workforce has changed and that as a result, we must change too!

Here's the extent of change:

- In 1995 almost 40 percent of the Australian workforce were employed in the predominantly blue-collar and highly unionized industries of agriculture, forestry, fishing, mining, manufacturing, power, construction, wholesale trade and transport. Last year that figure fell to 35 percent.
- In 1995 there were 1.65 million casual employees in the workforce. Today the figure is more than 2.1 million. We know that casual workers are far less likely to be unionized than permanent ones.
- Since 1995 the number of self-employed people in the usually heavily unionized construction industry has increased by 26 percent.
- And in 1995 35 percent of the workforce were members of trade unions. Today that figure stands at 24.5.

That's all happened in just 6 years!

Clearly, modernization is needed if the Labor Party is going to continue to represent a broad cross section of society.

Links with the union movement will remain strong, but we must complement them with greater connections to and better relations with small businesspeople, the self-employed and young people.

This modernization has already begun with the announcement of my front bench.

Don't just look at the new faces in the shadow ministry, look at the structure.

I haven't just copied John Howard's ministerial structure and given people a tagging role.

I've thought seriously how we create portfolios that combine the objectives of creating a strong economy and a just society.

There are new cabinet-level portfolios, like Small Business, Family and Community Services, Regional and Urban Development, Population, Reconciliation, and the Environment; forward-thinking responsibilities such as Economic Ownership; and new combinations of portfolios like Employment, Education, Training and Science, and Innovation, Industry and Trade.

Those portfolios and others tell a story about what we want to do: build the nation sustainably, create opportunities for more people, make life easier for families, tackle poverty and injustice, modernize the economy and with it our society.

### **Modernizing our economy**

The key to creating a better future for all Australians is improving our productivity growth.

We won't succeed unless we continue to modernize the economy. That doesn't mean ignoring existing industries and chasing new ones.

We have to better engage the new and emerging growth sectors and we have to make old industries new again.

The Howard Government's vision is a low-wage, low-skill economy. Ours is a high-skill knowledge economy, but one that also has wage justice for the low skilled.

Australia made great gains in the 1980s and 1990s because of the protection-reducing, competition-enhancing reforms of the Hawke and Keating Governments.

Since then we've performed well by quickly and effectively absorbing enabling technologies developed overseas.

But we can't make this the entire basis of our future economic strategy.

We now have to position Australia closer to world's knowledge frontiers.

Just as our standard of living threatened to decline when the rest of the world decided it no longer needed so much of our primary produce in the 1980s, our standard of living will decline if our rate of absorption of innovation slows.

What a tragedy it would be if five years from now our national leaders had to declare once again that that the nation was in deep trouble because governments failed to invest enough in innovation and education.

No more speeches about becoming a banana republic!

Australians must control their own destiny.

It's not enough to be competitive, we must also become more productive.

We must invest in the drivers of employment and productivity growth.

Jenny Macklin has addressed these issues in her speech to this conference. I want to reinforce her message and emphasize the point that skills are the key to improving an individuals' employability. Economic growth is in itself not enough. True labour market flexibility today lies in the skills agenda – better matching the supply of labour with demand.

Australia must step up to the next level of productivity growth by becoming fast innovators, not just fast followers and adapters.

There are three sources of productivity growth: investment in physical capital, human capital and innovation. How have we performed?

- In recent years investment in capital has been disappointing with an average annual growth rate of just 2.2 percent in private new capital expenditure since 1996. This compares with an average annual rate of 14.7 percent in the three years to 1996 and 4.5 percent in the period 1987 to 1996.
- Real business R&D expenditure has fallen every year of the Howard Government after rising significantly under the previous Labor Government.
- And the Howard Government has cut \$3 billion out of higher education spending. No wonder Rupert Murdoch has said that our universities are in crisis.

It is well acknowledged that the step up in productivity in the 1990s was off the back of the economic reforms of the Hawke and Keating Governments in the 1980s and 1990s.

Unlike the United States, Australia is yet to reap the productivity benefits of the revolutionary technological changes in the information and communications sector that spectacularly boosted growth in the U.S. in the 1990s. We need to make this next step in again structurally lifting our productivity.

Governments must assist both the production and diffusion of technological change through the economy. Greater effort is needed to boost R&D, skill formation, capital expenditure and broadband connectivity.

### **Connecting Australia**

Connecting the nation is fundamental to future productivity increases.

More affordable access to the latest telecommunications services continues to be a major challenge for the Australian economy.

Telecommunications is a major embedded cost for businesses today. Small business has identified the cost of telecommunications as their third highest concern – well ahead of the Government's obsession – unfair dismissals.

More affordable access is a precondition for the emergence of vital new industries – largely content driven – but it also generates significant savings and efficiencies for existing businesses.

More affordable access can also enable our families to access the latest in education, health, government and commercial services, no matter where they live. It can help put services back, where they have been taken away.

More affordable access improves both efficiency and equity. It is essential to our opportunity and prosperity.

Telecommunications is now about more than the standard telephone connection. It's about getting the nation connected to the information economy.

Unfortunately, the policy debate in Australia has become excessively narrow, focussing on Telstra and its ownership.

This has come at the expense of the more important issues of service, competition and access.

Unfortunately, all Australians are paying the price.

Telstra has been allowed to milk its monopoly position at the expense of families and businesses. For example:

- Mobile phone calls, text messages and Internet fees have all gone up.
- Some schools face Internet charge increases of up to 1000 per cent.
- The poor service problems in regional and rural Australia persist.
- We are 16<sup>th</sup> in the world in terms of broadband use. We need to be a leader.

Inadequate competition, not majority public ownership, is causing these problems.

Telstra still occupies 75 percent of the telecommunications market and earns over 90 percent of the profits.

The regulatory regime is simply not working. Privatizing more of Telstra won't solve it. I defy proponents of full privatisation to prove otherwise.

That's because releasing the 800-pound gorilla from its cage will not end this monopoly. It will only make it worse.

Our position on the further sale of Telstra has not changed. Labor will retain majority public ownership of Telstra.



The fixation of some commentators and the Government with privatisation is actually clouding and avoiding the essential next wave of reform that our telecommunications sector needs.

Just as Labor is reviewing its policy approach, I urge those who think full privatization solves the problem to also review their position in this context.

Inadequate competition is bad for consumers, bad for the nation and in the long-run bad for Telstra and its two million mum and dad shareholders.

Labor's policy review will explore the best means to make Australia's telecommunications market deliver better outcomes for families, schools, businesses and the nation.

Labor will place Australian consumers at the centre of our policy – and ask: how can we ensure better service, cheaper calls and broadband Internet access that is the envy of the rest of the world?

My Communications spokesperson Lindsay Tanner will explore further changes to the competition regime and how we can create truly open networks, with easier access for competitors and more transparent pricing.

A more efficient, competitive and innovative telecommunications sector will unleash significant cost reductions and productivity gains throughout the economy, spark innovation and deliver new services to everyone.

These are the real priorities for Australian telecommunications policy.

### **Modernizing social policy**

Modernizing economic policy is inseparable from modernizing social policy.

Last weekend the news pages of *The Australian* carried a story that challenges us all to rethink our approach to these areas.

It contained the findings of a paper prepared by the London School of Economics that measured the social mobility of people in Britain over the last five decades.

It demonstrated that the Thatcherite small-government-at-all-costs agenda of the 1980s and 1990s has resulted in a decline of social mobility in the United Kingdom.

Its warning was that if we prevent high-ability children from low income families from achieving better education outcomes inequality will increase and national productivity will decline.

The findings of this paper have obvious relevance to Australian social policy.

Research from many quarters is showing that three quarters of a million Australian children are being brought up in poverty – up by 116,000 under John Howard.

University of Melbourne researcher Richard Teese has warned us that the gap in educational attainment between affluent and poor suburbs is widening and that there is a significant correlation between suburbs of early school leaving, child poverty and high unemployment.

We are in danger of raising the next generation in poverty and cutting our potential productivity and wealth.

### **Tax Reform**

One of the most crucial policy instruments in advancing a strong economy and a just society is tax policy.

After all, this government is the highest taxing government in history.

Labor wants to ease the burden on Australian families living under financial pressure.

Participants in this conference would be well aware of Labor's long-standing and consistent support for tax credits.

I couldn't tell you the Howard government's position on tax credits without first checking the alignment of the planets: John Howard hates them, Peter Costello doesn't know, and Tony Abbott supports them on Mondays, but not on Tuesdays. His last intervention into Peter Costello's portfolio to advocate tax credits got front-page coverage – again – but again was repudiated by a spokesperson exactly a day later.

Tax credits are, in effect, a negative income tax. What they do is give you something back from the tax you pay as a way of the Government helping you with the costs of living and raising a family. The best models take into account your income, the number of people in your family and the interaction of the tax and social security systems.

This makes tax credits a good way of targeting relief to those who need it most, and an excellent way of addressing the crucial issue of the living wage.

As we sit here today, too many working Australians are poor. It is a new phenomenon and it is about time we addressed it.

Why is the living wage important?

It is important because economic growth isn't producing prosperity the way it used to. For a start, it's producing fewer jobs:

- Average annual employment growth under the six years of the Howard Government has been 1.8% -- lower than the average under 13 years of Labor Government -- even including a global recession -- of 2.2%.

And it's producing lower-paid jobs:

- Recent ABS statistics reveal the astonishing information that the Howard Government has created just 600 new middle-income jobs over the last 3 years. Every other new job it has created has been a low-pay job.

It used to be that your job was your ticket to the Australian dream: a house, a car, a decent education for your kids. You need to be walking around with your eyes shut today not to see that for too many working Australians the dream is over.

The recent living wage case has made us all aware again how working Australians struggle to put food on the table and struggle even to qualify for a mortgage and that first step on the ladder to home ownership.

If people agree that growing prosperity means that people should not be left behind then we have to ensure that we create decent minimum wages. My view is that this can't be achieved by lifting the minimum wage alone.

We are about to have another federal budget. Budgets are about choices.

If we achieve government in 2004 we could be looking on a conservative estimate at around 6 billion dollars accruing every year in bracket creep between now and the end of the first term of a Labor Government. That opens up a lot of choice. We should start thinking now about those choices for handing back that bracket creep.

Tied to delivering a living wage in conjunction with pay rises, tax credits would be a smart tax cut, not a lazy one. They narrow the gap between rich and poor, involve a lower cost to the employer, boost employment and boost incentive.

They can also help with horizontal equity. By this I mean they recognize the higher costs families face in raising children, in particular the rising costs of educating their kids. Tax credits could be used constructively in this regard too.

If tax credit payments were made at the beginning of the school year they can make it easier for families to meet educational expenses such as books, clothes and excursions, whether children are enrolled in government or non-government schools. So tax credits can be good knowledge economy policies also.

In Labor's last period in office, the Accord represented sound incomes policy. But our approach to this needs modernization. Tax credits can lift the living wage without all of the bill going to business. They help those in work while generating economic incentives for the unemployed.

My message today is that tax credits will be part of Labor's policy review. Labor will continue to develop our consistent support for tax credits as a means of advancing Australia as a strong economy and a just society.

### **Conclusion**

If I can sum up my message today in a single line is that I believe in tackling inequality by modernizing the economy. In creating a strong economy and a just society.

It's a Labor way, but a modern Labor way.

Modern Labor means a modern Australia.

Ends.