



Ten Big Ideas

Ten Big Ideas to Make Queensland a Champion

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1. New baseload power station
2. Rebate total Queensland GST to Queensland and abolish CGC
3. Defang “lawfare” in mining industry
4. Asset recycling program to rejuvenate constipated transport infrastructure
5. Give employees their choice of workplace representative
6. Fund students, not schools
7. Guarantee maximum wait times in public hospitals
8. Benchmark senior public service pay to Prime Minister’s
9. Institute Citizen Initiated Referenda
10. Stocktake of areas lost to commercial fishing



Queensland has always punched above her weight, but complacency, plus new national and international challenges, mean she is in danger of being knocked out of the ring, losing the services and benefits her residents take for granted. But there are plenty of things she can do to get back into shape, almost too many. Our 10 point plan slims the recovery plan down to a small number of points that will make a large difference.

2017 is probably an election year. This is the time to put pressure on our politicians to adopt and advocate policies that will put Queensland back on top.

► Challenges

DOMESTIC

Unemployment is stubbornly high; government finances are a mess with increasing debt and brittle revenue; productivity growth is stagnant (even negative in the public service); sovereign risk has increased; electricity has become some of the most expensive and least reliable in the world; students are less prepared than ever for the world and work; and health is a challenge with an aging population.

INTERNATIONAL

The world has not been sitting still. The markets for what we produce are good, but we are at risk of becoming a second-best destination for investment. Supply chains are more global, which coupled with the Internet, means that countries, businesses and citizens need to be even sharper to earn above average wages.

Added to that the election of Donald Trump appears likely to set off a tax war; Australia is not a leading provider of intellectual capital; and it has a tax structure that is no longer fit for purpose.

► Time to get the state fighting fit

It's not possible to tackle everything at once. We've distilled a list of over 70 great policy ideas down into 10 big ones which we think could be implemented immediately.

These are 10 ideas that will make Queensland fiscally stronger, more attractive to business and residents, educating its residents and maintaining their welfare, and becoming globally more competitive. They are a mix of ideas that look after the whole of the body politic, not just the economy, because outstanding performance comes from a combination of effort, thought and culture, and there is no point having a wealthy society if it is not happy and healthy.

Big Idea #1

► A new baseload power generator

This is an idea whose time appears to have come. Queensland has a once in a lifetime opportunity to reinvigorate its industrial base and exploit its abundance of cheap energy. South Australia is in the process of decimating its industrial base because it has preferred expensive forms of unreliable energy, so-called “renewables”, over reliable baseload power from gas, coal or nuclear. Victoria is following suit. As summer’s load shedding in New South Wales demonstrates, that state also lacks a buffer against extreme demand.

The Australian Energy Market Operator’s (AEMO) demand projections clearly show very large shortfalls in SA and Victoria in the summers (November to March) of 2017-18 and 2018-19. These shortfalls could be of the order of 2000MW and will occur at a time when NSW demand will be close to capacity – see AEMO graphs at <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Data-dashboard#medium-term-outlook>.

The table below sets out projected supply, demand and surplus/shortfall by State in summer months.

Queensland’s new generator could act to supply power internally, particularly as industrial development scales up closer to the generator, as well as contributing to the ability of Queensland to export power to southern states as required and to attract southern state energy intensive industries who want cheap reliable power.

More generation capacity is required to drive power costs down. The USA is a similar country to Australia in terms of the components of power generation. Yet the price of power in the USA is around half that in Australia.

Development of a baseload generator could also be coupled with development of a new port and industrial area in North Queensland at either Bowen or Townsville.

While these projects should be driven by private enterprise there is a role for government in ensuring that access to water, infrastructure and fuel is as readily available as possible.

	Supply MW	Demand MW	Surplus/(Shortfall)
NSW	14000 to 14500	12000 to 14500	Nil to 2500
Victoria*	8500	10000	(1500)
Queensland	11000	8500 to 10500	500 to 2500
South Australia	2200	2800	(600)
Tasmania	2200	1600 to 1800	400 to 600

*The Victorian supply estimate assumes closure of the Hazelwood generator in early 2017.

Big Idea #2

► Rebate total Queensland GST to Queensland and abolish the Commonwealth Grants Commission

This idea is about more than revenue. The way the GST and the Commonwealth Grants Commission interact effectively denies Australia, and Queensland, one of the main benefits of federation.

Federation is designed to work like a sporting league. Australia produces world class sporting teams because club competition hones the skills of players by pitting them against each other in competitions, giving coaches and managers the tools and incentives to innovate and develop the very best players and teams.

Likewise competition between the states should build better habits of governance; stronger economies; and better health and education systems.

But the CGC hobbles all of this, and handicaps the states so that no matter how well they perform, they don't get rewarded for it.

The CGC takes money from states with above average performance and gives it to states, like South Australia and Tasmania, who are deliberately mismanaging themselves.

Distribute the GST per capita and the commission can be removed, and the states who perform will be automatically rewarded and those that don't will tend to change their governments for ones that can manage well.

There would be a pay-off for Queensland, which has tended to over-perform. Over the 5 years to 2014-15 the state would have received \$2.75 billion more if it had received an amount of GST in proportion to its population.

It would also mean we could cut taxes to attract business, and if the business we attract is mining, we won't be further penalised because we get to charge mineral royalties.

Big Idea #3

► Defang “lawfare” in the mining industry

Queensland has some of the best developable mineral assets in the world. The value of mineral reserves depends on a variety of factors, of which price is only one. Access to markets, capital and running costs, and time delays in development are just as important as amount and grade of ore. But more important yet is a stable legal system which provides certainty to explorers and mine owners in developing what can be very long term projects (Mt Isa, was established in 1924, and is still producing).

Changes have been made to Queensland law, specifically the Environmental Protection (Chain of Responsibility) Amendment Act 2016 (Qld), the Mineral Resources Act 1989 and the Environmental Protection Act 1994 which have significantly, and unreasonably, increased sovereign and business risk for miners.

The two latter acts were modified by the Newman government to make it more difficult for environmental activists, or others unconnected to a mining lease application, to object to the application. The objection right has been abused by various environmental groups and others, in Australia and overseas. They engaged in protracted legal actions which had no realistic prospect of success, but which slowed up project approvals. Time is money, and timing can also be everything. The ability of activists to delay can potentially threaten significant mining projects, to the cost of the entire community.

The current state government has reversed these changes. A future government cannot allow this to stand. While it is important there be proper appeal rights against decisions, these have to be limited to people directly affected by the decisions. How would landowners in a city feel if any town planning application they made could be contested by anyone in the state, not just their neighbours?

The “Chain of Responsibility” legislation strips directors, financiers, and others involved in mining of normal corporate protections against personal financial liability. The joint stock company is one of the great innovations of capitalism because it allows people to pool their resources to invest without each taking personal liability. It also allows directors to choose what level of liability they are prepared to accept.

Not only is there no reason to treat mining companies differently from other companies, but the change to the risk profile for people involved in these industries will make it harder to recruit good staff, or to finance projects. The risks that are being protected against are covered by bonds, insurance and other forms of security. It is wrong to make financiers and office-bearers personally liable.



Big Idea #4

► Recycle assets to rejuvenate constipated transport infrastructure

South East Queensland is in desperate need of new road infrastructure. While the state government fixates on building a cross river tunnel, the M1 to the Gold Coast will be at capacity just about in time for the Commonwealth Games. The Bruce Highway to the Sunshine Coast is also close to capacity. Both roads will be tested further by new residential developments occurring, planned, or mooted.

And then there is the regional road network, particularly in north Queensland.

The government currently owns assets that could be recycled into these roadworks. While neither side of politics might be interested in selling the electricity network assets, Townsville and Gladstone Ports would be worth somewhere around a combined \$7Billion dollars, if sold on a 50 year lease, as the Labor government has done in Victoria with the Port of Melbourne.

The government also owns approximately \$20 Billion worth of social housing. A proportion of this is proposed to be sold to tenants. We would propose accelerating this program, and offering strong discounts to long term tenants and their families. The balance we would propose putting into real estate trusts, to be bought, managed and financed by social housing companies, or professional investors.



Big Idea #5

► Give employees their choice of workplace representative

The percentage of Australians belonging to trade unions has been in steep decline with a drop from 40 per cent to about 15 per cent of the workforce in a little over two decades. Some of this is due to a change in the composition of employment, but most of it is due to the regulation that creates the statutory monopolies that deny workers choice of who will represent them at work.

This means that these union monopolies are able to charge at least twice as much as is needed to provide the service to members. Evidence uncovered through the Trade Union Royal Commission, findings of the Fair Work Commission in the Coles case, and the 7/11 scandal prove collusion between trade unions and employers, with unions not only failing to do their job to ensure that companies adhere to industrial relations law but actively conspired with them to breach these laws.

So employees have been underpaid with the connivance of their monopoly unions in return for the employers enriching these unions by making union membership compulsory in their firms.

Employees ought to be able to appoint anyone, or any organisation, to represent them in negotiations with their employers. The state government should remove all regulation which grants exclusive or monopoly rights to any employee representation body and reclaim its industrial relations powers from the Commonwealth to allow these freedoms to be extended to the private sector as well. It should also enact legislation to mirror the ABCC at a state level, and ensure that only those construction firms which are compliant with the laws and building code of the government, may tender for government work.



Big Idea #6

► Fund students, not schools

Australian educational achievement has been falling since the 1970s. In the latest Trends in International Maths and Science study (TIMSS) Australia has fallen from 18th to 28th out of 49 countries in year 4 maths, putting us behind countries like Kazakhstan. The answer to the problem is multi-factorial, encompassing culture as well as curriculum, teaching style, and teacher quality.

One quick way of getting a large improvement would be to empower parents and give them a wider set of choices for where they send their children, while empowering principals to make changes at their schools to attract parents.

Funding schools on a per student basis (with a loading for those students with special needs) would align the interests of students and schools. It would also encourage efficiencies in schools. If they ran at a surplus they would be able to invest in programs that made them even more attractive to students.

This would involve expansion of the previous government's Independent Public Schools initiative, and removing the union veto over it. It could also lead eventually to privately run state schools.

Big Idea #7

► Guarantee maximum wait times in public hospitals

This was an initiative of the Newman Government, and guaranteed patients a minimum standard of service. Promising that if patients can't be treated in public hospitals within the recommended wait time they will be treated in a private hospital puts pressure on public hospitals to perform, as the fee comes out of their budget but opens the provision of health services to the private sector competition that will improve service delivery.

Queensland's major public hospitals are less efficient than their peer group, according to the MyHospitals website. Victoria has the most efficient hospitals, with New South Wales in between. Queensland spends \$15.3 Billion on health out of a total budget of \$49.8 Billion (31 per cent of the total). Making hospitals more efficient can either free up money to be spent elsewhere, or used to improve the range and quality of health services offered by the state.



Big Idea #8

► Benchmark senior public service pay to the Prime Minister's

Band 1 public servants in Queensland earn a total maximum remuneration package of \$695,216. The Prime Minister of Australia earns \$522,000. Executive pay has outpaced community expectations of what is reasonable, and public service pay, including that of statutory authorities like universities, is also in that position.

While it is difficult, and some would argue unnecessary, for governments to do anything about what private companies are prepared to pay their executives, they can control what their own bureaucrats are paid.

Not only does this help to redirect money to where it is needed more, it sends a signal to the community as a whole.

Growth in public service salaries has outpaced growth in private sector salaries, and it is not obvious why this should be so. According to the ABS wages growth was 1.9 per cent in 2016. Contrast that to growth in Queensland public service salaries which the government is endeavouring to keep to 2.5 per cent.

This measure would do a lot to restore public faith in government.

Big Idea #9

► Citizen Initiated Referenda

Recently the plebiscite has had a resurgence to deal with ideas that are difficult to resolve by traditional political means. Queensland had a plebiscite on four year terms of parliament, and the federal government has proposed a plebiscite to deal with the issue of same sex marriage. In South Australia the government has also proposed a plebiscite on whether that state should have a nuclear storage facility.

Back in the 1970s, Proposition 13, a proposal to limit the growth in property taxes that was put on the Californian ballot paper, kicked-off the “tax

revolt” that resulted in a more efficient government sector across much of the developed world. Switzerland has had referenda enshrined in its federal constitution since 1890.

We know that one of the issues Australian citizens have with government is that they lack control over their representatives, apart from an election once every three or four years. A system where citizens can initiate referenda, provided they can muster a threshold level of support, has the opportunity to revitalise and re-engage the community in democratic decision-making.

Big Idea #10

► Complete stocktake of areas lost to commercial fishing

Seafood is recognised as an important healthy protein source, and critical to meet the nutritional needs of an aging population in particular. Last year Australia exported less fish than it imported, indicating that we are not producing enough to feed ourselves. This hasn't always been the case with export production regularly exceeding imports until 2006-07. Despite having a significant coastline, Australia is relying on exploiting the fishing stocks and aquaculture production of other nations, often developing nations with limited effective management regimes.

With sensible management, this unused local resource is a renewable one with sensible management. This situation is unsustainable in a world with global population heading towards 9 billion people.

It would appear that too much of our fish stock has been locked-up, with absolutely no advantage to us but to the detriment of the environment in other regions of the world. Yet we have no clear idea what areas have been locked-up, and how much additional production would be possible and what additional wealth would be available to us if we utilized the resource.

FIGURE 1 Real value of Australian seafood imports and exports, 2000-01 to 2012-13



Source: ABARES



The Australian Institute for Progress exists to advance the discussion, development and implementation of public policy for Australia's future, from its base in Queensland.

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The future does not look after itself.