# Policy suggestions for Prime Minister Morrison

The Australian Institute for Progress is an Australian centre-right think tank based in Brisbane. We welcome the opportunity that a new prime minister gives to reset the government’s agenda in a way that can avoid the current deadlock in parliament.

This is a list of innovative policy recommendations which avoid the current deadlocks, which represent good policy, and which should be acceptable to a broad range of parliamentarians.

The list is not exhaustive, and seeks to deal with those issues that are likely to be most immediate for the new administration and that are most important for the country.

## Electricity

There is a direct relationship between cheap electricity and a high standard of living. In particular, access to some of the cheapest electricity in the world has underwritten high wages in Australia. This area has become mired in arguments over global warming and its causes, where the population is more or less split down the middle. At the same time state and federal governments have been implementing policies that have encouraged intermittent renewables, but at the cost of higher electricity prices.

The government needs to level with the public and admit that more intermittent power will mean higher prices, but that higher prices will not mean lower global emissions. It needs to move the debate from mitigation to adaptation.

To start this process it should:

1. Undertake a review of the Paris Accord, its effect on world temperature, and the performance of companies that are signatories to it.
2. Do a proper analysis of the emissions intensity of the Australian economy which identifies the amount of CO2 used to produce goods and services domestically and for export, and nets exports out against imports.
3. Commission proper economic analysis to determine the likely cost to the Australian economy of different measures.
4. Identify like-minded countries that it can work with to develop a practical agreement on emissions which will actually be implemented

To lower prices immediately it should:

1. Bring forward the cancellation of Large Scale Renewable Energy Certificates.
2. Terminate schemes providing capital grants and other subsidies to intermittent renewable energy generators, particularly as the proponents of those schemes say they provide the cheapest form of power.
3. Adopt the ACCC recommendation to underwrite new commercial baseload electricity generation.
4. Introduce measures to lessen market power of large electricity generators and retailers by limiting the market share that single companies can have.

## Immigration

Work we have done shows that there is no correlation between the size of a country and its wealth, so there could be a lower ceiling on our immigration without harming our prospects. Other research we have done shows that people in regional Australia would love more neighbours, while people in the city (ironically more the inner than middle to outer) would like a limit to the number. A scheme which directed immigrants to regional areas, twinned with a stringent set of criteria to ensure that we only get the best migrants from around the world, would do a lot to reduce concern.

It is important that Australians in general accept the percentage of immigrants coming into the country, otherwise the immigration program becomes socially divisive.

We recommend:

1. The number of immigrants being accepted into Australia be restricted for as long as it takes the government to assess public acceptance of various types of migration programs, as well as the ability of local, state and federal government to meet the financing task.
2. Preference should be given to immigrants prepared to live in regional communities, in addition to having skills or capital that the country needs.

## Budget

Economic reform is frustrated in the senate because the ALP plus the Greens and a few independents can exercise a veto. There is no recognition that allowing good policy through will be beneficial for the next government, no matter which side it comes from. This process is facilitated by there being no agreement on key issues, such as the percentage of GDP that should be paid in tax, or the level of debt. Consequentially policies can be cherry-picked to be opposed.

We recommend the government:

1. Convene a tax summit based on the premise that commonwealth taxation should be no more than 23.9% of GDP, that government debt must be repaid over a set period of time, that the economy needs to be comparable to international best practice, and that as debt is repaid government as a percentage of the economy should shrink. It should include representatives of business (including small business and professionals) and labour, and model the results of different policy mixes.

## Home affordability

Home affordability is an issue, particularly with younger Australians, for practical reasons, but it ought to be an issue for all of us, because home ownership gives the owner a bigger stake in the country, and therefore a bigger stake in good government.

House prices are likely to fall in the near term because of a *de facto* credit squeeze, combined with an anticipated tightening in interest rates. Nevertheless, over the long term home ownership provides Australians with security, and is cheaper than renting.

Labor policy is a tax grab disguised as a housing affordability strategy, which will give Australia the second highest capital gains tax in the world, and perversely increase house prices by causing a housing shortage. The government’s answer is the concessionally-taxed First Home Super Saver Scheme.

Our research shows that the deposit gap is the problem, not housing repayments. We recommend the government:

1. Supplement the First Home Super Saver Scheme by allowing first home buyers to top up their deposit with a loan from their superfund, recognising that home ownership is a fundamental part of any retirement plan.

## Freedom of speech

The government has to deal with the report of the Ruddock Inquiry into Religious Freedom. This gives it an opportunity to demonstrate its commitment to free speech, in two ways. Current laws actually contain provisions against blasphemy, under one guise or another. This is wrong, and should be reversed. No religion should be immune from criticism, even aggressive criticism. At the same time people who adhere to a religion should be able to express views in line with their faith, and practice freedom of association in religious activities. Our right to free speech actually grew out of our freedom of religion, and it is particularly important that this freedom be retained.

We therefore recommend the government:

1. Consult with the states to remove all blasphemy laws from state statutes, and simultaneously introduces legislation to guarantee freedom of religious expression.

## Education P-12

Education standards are falling in Australia, despite world-record expenditure. The government needs to change direction in education debate from resources to outcomes. That means looking at what is taught and how it is taught, and devolving more responsibility back to the states, using a consciously federalist model where different states try different approaches, and there is rigorous measurement of outcomes so that an array of natural experiments will produce better national outcomes.

We recommend that the government:

1. Use the NAPLAN results to identify the pedagogical areas most in need of improvement, and negotiate with the states to fund living experiments by implementing strategies to fix these areas through pilot projects in the states that are willing to undertake them.
2. Funding for state education should be partially tied to implementing programs which prove to be effective.
3. The national curriculum should be revised and pared back to focus on learning and acquisition of skills only.

## Tertiary education

Higher education is training too many students, at too great a cost, for jobs that don’t exist in sufficient numbers for them, misallocating national human resources. At the same time government has a contingent liability of billions of dollars of HECS and HELP debt that will never be repaid, and which will ultimately have to be brought onto the government’s balance sheet. There is a mismatch between the tertiary institute, the organisation that determines whether a student loan will be available, and the government, the organisation that bears the loss. There needs to be an alignment and we therefore recommend:

1. The tertiary institute that provided the educational service should be liable for any uncollectible student debt. This would remove the temptation to train students for work when there is no expectation that there actually will be work for them.

## Health

The senate has set a challenge for the government with a select committee into the “obesity epidemic” which will almost certainly recommend a sugar tax. This will be useless as statistics show that while sugar consumption has been falling by more than a sugar tax would reduce it, obesity has been rising.

Obesity is our most conspicuous public policy failure, and tobacco smoking our most conspicuous success. But it’s not the taxes that work with smoking, it’s the social pressures. There is plenty of evidence that obesity is a social disease too.

We recommend:

1. The government establishes a series of national pilot projects which treat obesity as a social disease and look at ways of solving it using social pressure. The successful experiments could be selected after a national competition. Commercialisation funding could also be made available to the successful projects, if they have commercial potential.

## Infrastructure

Infrastructure is a significant cost. Some of this could be ameliorated by a decentralised immigration policy (see above), but in terms of transport, Australia dramatically underutilises the sea. There are some proposals around to boost coastal shipping, and we are told that the CFMMEU (Maritime Division presumably) might be in a frame of mind to facilitate rather than frustrate.

Sea transport is cheap, and has less fatalities than road transport, and it doesn’t require roads, apart from at the wharves. It is also low on CO2 emissions.

We therefore recommend:

1. The government establish an inquiry to determine the best way of re-establishing a coastal shipping service

## Indigenous rights

Current debate centres on whether indigenous Australians should be specially mentioned in the Australian Constitution, and whether they should have special representation in the Australian democratic process. We regard these as secondary issues to the question of indigenous welfare.

Over a number of decades, while the Australian government has spent billions on indigenous welfare it has not improved for those who live in remote Australia. The John Howard initiated intervention in the Northern Territory was a new approach, but appears to have had limited success.

There are models overseas of indigenous populations who have successfully transitioned to the modern world, and there are lessons here for us. For example, the country of Botswana has transformed itself from one of the poorest countries in the world in the 1960s to a middle economy now. Like much of Australia it is arid, and its dominant industries are mining and cattle. It would be a good place to start. We recommend the government:

1. Identify the best performing indigenous societies internationally and fund research projects to investigate their success.