



# 20 Policy Suggestions to Break the Senate Deadlock

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## Introduction

The Australian Institute for Progress is an Australian centre-right public policy 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 the senate.

This list of innovative policy recommendations is designed to avoid the current deadlocks, represent good policy, and in our view would 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.

## 20 Policies

### 1. Electricity prices

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 contributed to high wages in Australia. The energy debate has become mired in arguments over global warming and its causes, where the population is more or less split down the middle. In our view, regardless of your view on global warming, the best public policy responses relate to adaptation rather than mitigation. At the same time state and federal governments have been implementing policies that have encouraged intermittent renewables, which has undermined the reliability of the National Electricity Market (NEM) and led to 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 potential impact on global temperature, and the performance of countries that are signatories to it.
2. Do a proper analysis of the emissions intensity of the Australian economy which identifies the amount of CO<sub>2</sub> used to produce goods and services domestically and for export, and nets exports out against imports. In other words, in our view the measurement of country emissions should be based on consumption rather than production.
3. Commission a proper economic analysis to determine the likely cost to the Australian economy of different climate change measures.
4. Identify like-minded countries that we can work with to develop a practical agreement on emissions which will actually be implemented.

To lower electricity prices immediately it should:

5. Bring forward the cancellation of Large Scale Renewable Energy Certificates.
6. 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.
7. Adopt the ACCC recommendation to underwrite new commercial baseload electricity generation.

8. Introduce measures to lessen market power of large electricity generators and retailers by limiting the market share that single companies can have.

## 2. 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 suburbs than the middle to outer ones) 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:

9. 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.
10. Preference should be given to immigrants prepared to live in regional communities, in addition to having skills or capital that the country needs.

## 3. Budget

Economic reform is frustrated in the senate because the ALP plus the Greens and a few independents can exercise a veto over budget reform. 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:

11. State a set of 5 principles which should govern economic management and invite the opposition to accept them so that as much as possible debate on policies is about priorities, not underlying fundamentals, and where fundamentals are being challenged, the disagreement is plain. These principles would be:
  - a. that commonwealth taxation should be no more than 23.9% of GDP;
  - b. that excess government debt must be repaid over an agreed period of time;
  - c. that borrowing should only be for productive infrastructure, not recurring expenditure;
  - d. that the economy be benchmarked against international best practice; and
  - e. that, as debt is repaid, government as a percentage of the economy should be shrunk.

## 4. 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 over the long term, especially given the preferential tax treatment of owner-occupied housing.

Labor policy, which is to confine negative gearing to new properties, and to increase the rate of capital gains tax by 50%, is a tax grab disguised as a housing affordability strategy, which will 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:

12. 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.

## 5. 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:

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

## 6. 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 can 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:

14. 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.
15. Funding for state education should be partially tied to implementing programs which prove to be effective.
16. The national curriculum should be revised and pared back to focus on learning and acquisition of skills only.

## 7. 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, and creating false hope

amongst a generation of young Australians. 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:

17. 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 they actually will be work for them.

## 8. 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, with little correlation between smoking rates and cost of tobacco, it's the social pressures. There is plenty of evidence that obesity is a social disease too.

We recommend:

18. The government establishes a prize competition to find ways of decreasing obesity using social solutions, rather than a price mechanism. A short list of entries could share the first round prize money, with each successful project being funded to conduct a pilot project. These projects could be then compared to judge the ultimate winner. Commercialisation funding could also be made available to the successful projects, if they have commercial potential. While some government money would be used in this, the amounts would be small compared to education programs like the famous Life. Be In It. campaign, which judged on the basis of a significant increase in obesity, must be one of our biggest public health failures.

## 9. 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.

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:

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

## 10. 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 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:

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