

Your government would like to hear your thoughts

Canberra observed
After 18 months of monologue, Abbott and Hockey want to talk to voters, but have they learnt enough to listen to what voters have to say?



Laura Tingle

Just in case you missed it, Joe Hockey and Tony Abbott want to have a chat with you.

"We need to individually own our destiny and this is a conversation that we know the nation wants to have so we are going to work with the Australian people to develop the policies ahead that are going to make a difference to their quality of life," Hockey said when launching the latest intergenerational report on Thursday.

Hockey had warned the Australian people beforehand they would fall off their chairs (possibly at the barbecue) when they saw the report. Perhaps having had the crisis, debt and deficits thing rammed down our throats for decades now, it didn't really have that effect.

But no one is going to say no to having a conversation with the government, including its own backbench, after almost 18 months that has seemed a monologue.

In the wake of a prime ministerial near-death experience, the government has not just discovered conversation, but the value of bipartisanship this week.

Perhaps, still not sure if bipartisanship was a manly virtue, Abbott told the House of Representatives on Thursday that "there might be a temptation [by Labor] to scour this document [the report] trying to score political points but, Madam Speaker, I think we've seen the better angels of the Leader of the Opposition on a lot of subjects lately".

"We can make serious efforts to address our nation's problems and, Madam Speaker, we will address them better if we can do it in a bipartisan spirit."

So much love and affection. Sunlit uplands as far as the eye can see. The Prime Minister was even having a conversation with the Australian Medical Association on Thursday in which he did a mea culpa on the political debacle of the Medicare co-payment and the government's failure to talk about it with doctors.

One measure of the changing nature of the conversation the government wants to have with the Australian people is in the subject matter of Dorothy Dixer 'questions without notice' in the House of Representatives. (Every second question, with allowances for the occasional question from the Independents, is what is known as a Dorothy Dixer. That is, a planted question to the government frontbench asked by a backbencher which allows some free advertising on the subject of the day.)



Tony Abbott and Joe Hockey: full of friendly confidence this week. PHOTO: ALEX ELLINGHAUSEN

On Monday of last week, the Dorothy Dixers went like this: national security, national security, law enforcement, economy, budget, education, child care, green army, industry, work for the dole.

On Tuesday, amid a barrage of Labor questions about whether the government had sought the resignation of Australian Human Rights Commission president Gillian Triggs, and offered her an inducement to resign, the Dorothy Dixers were on: national security, national security, Iraq and Syria, national security, asylum seekers, defence, economy, small business and tax avoidance.

By Wednesday, the subject matter was all foreign investment (we like it as long as it is not from foreigners) and by Thursday, a switch had started to a predominance of economic questions. It's stayed that way this week, despite the government announcing the commitment of 300 troops to Iraq, and a spectacular backflip on a Defence Force pay offer. The shift represents a lot more than a change of conversation.

Last week, the Prime Minister was in all sorts of trouble with his colleagues. His frontbench was leaking. The majority of the party room clearly did not want to move against him so quickly after last month's spill motion, but they were in open despair

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about his conduct and his political touch.

Abbott retreated to the national security space and locked himself in, dragging with him his most solid base in conservative politics. The party room saw a parliamentary debacle. Voters heard about baddies and berries.

The tactics worked. Parliament House this week was like a parallel universe where all the angst of the past few weeks might have never happened. It was apparently gone almost as quickly as it had erupted.

Abbott and Hockey recovered confidence. All the forces at work over the past few weeks have not all gone away of course. The questions remain within the Coalition party room about whether Abbott can really change his form, whether his office can

change its operational style and whether his government can overcome its dysfunction.

One source observed this week that there was a considerable irony in the fact that, when cornered, Abbott had gone to exactly the sorts of areas that were his greatest weaknesses – his aggression in the way he dealt with the Triggs affair – and to the one-trick-pony issue of national security. And so much of it relied on his own call on issues.

This is why the switch to economic issues is so crucial. The budget and the economy are Abbott's weak spots. Also, his Treasurer has to recover credibility with business just as Abbott has to recover it with voters.

Despite attempts by some in the party room to bring on a spill this week, the cracks in the front bench which have to occur if any change is to follow did not spread.

But what is becoming apparent is this as much a product of ministers positioning themselves for future battle as much as it is a vote of support for the Prime Minister.

We came in to the last fortnight with the leadership competition a two-horse race with Malcolm Turnbull. We leave it with Julie Bishop having signalled she plans to be a candidate in her own right who may be more acceptable to the party's right. And, of course, there are others who fancy their chances: Scott Morrison and Andrew Robb.

The circling will go on, even if in a more subterranean way, unless Abbott's stocks keep improving. It could be even messier.

Meantime, the one thing we don't seem to be having a conversation about is the wisdom of committing troops, for training or anything else, to Iraq. This is despite analysis both here and abroad that it is a very, very bad idea.

A lengthy article in *The Atlantic Monthly* says our failure to appreciate the essential difference between Islamic State and al-Qaeda has led to dangerous decisions.

Tom Switzer, former Australian editor of *The Spectator* and research associate at the United States Studies Centre at the University of Sydney, wrote this week: "It pains me to say it, but Abbott has learned nothing about Iraq. He's taken the Islamic State's bait." And the deployment is likely to make a bad situation worse, Switzer says.

But Labor doesn't seem to keen on this conversation either.

Laura Tingle is The Australian Financial Review's political editor.

Report a wake-up call to squeeze policy just a little harder

Demographics
The looming crunch of an ageing population means that the federal government needs to take four big reform steps before the worst happens.



Stephen Anthony

The 2015 intergenerational report is the fourth official wake-up call to Australians that an ageing population, coupled with the rising cost of healthcare without fundamental policy reform, will result in lower living standards and unsustainable public indebtedness in the decades ahead.

Current legislated policy settings imply ongoing underlying cash deficits reaching almost 6 per cent of gross domestic product by 2054-55. Net debt is projected to reach almost 60 per cent of GDP by the end of the projection. Combined with the indebtedness of state governments and private households, which is significant in 2015, this is a problem for all Australians.

We need to fix our economy and social support system before the demographic crunch. And the good news is it is not all austerity and tight belts – the future promises innovation and growth with a balanced approach and policies.

Problem. The electorate isn't much interested in the message of sacrifice now for future gain. Indeed, lately it seems to be in a mood to punish responsible governments. There is a need for politicians of all stripes to focus on substantive and community engagement to sell the case for *precaution with no regrets*, just like Bert Kelly or Paul Keating did.

The report's challenge for Australia for 2015 and beyond is to squeeze the policy lemon a little harder.

The good news is it is not all austerity and tight belts.

First, we need a just budget compromise that passes the *spirit* of key structural reforms in the first Hockey budget, but jettisons the unsupported small beer cuts. Then add a key fairness initiative, such as eliminating high-end tax concessions for superannuation contributions and/or capital gains. The result – a fair budget and passage through the Senate. That alone would deal with most of the long-term report fiscal gap.

Second, the federal government should pursue a ruthless *no-regrets* strategy targeting waste reduction and productivity in government and the broader economy. Ensure government departments and businesses are well managed, with benchmarks to best-practice agencies.

Ensure that program spending outcomes are reported against policy targets. Use grant funding mechanisms to provide incentive to the state governments to get their fiscal house in order, while eliminating duplication with Commonwealth initiatives.

The Treasurer should establish a bidding

system with the states via Infrastructure Australia to identify and fund high-quality state infrastructure projects. He must also ensure that federal infrastructure spending is subject to external cost-benefit assessments.

In terms of private sector productivity, a national supply chain review of each big Australian export commodity would help to identify infrastructure bottlenecks, which are reportedly costing the nation billions in lost export earnings.

Third, we must encourage innovation and entrepreneurship in private enterprise and especially among the young and new arrivals. A nation of knockers needs to learn to applaud those who have the wit and courage to dream, research, create and especially employ.

Perhaps the Prime Minister could give this a nudge by establishing a national coding competition for school students. For older workers, needing to re-skill at various times in their (long) working lives, we need to rethink the concept of skill acquisition and imagine a TAFE system that resembles more the responsive community colleges of the United States. Another key role for policy here is to identify the impediments to value adding in the Australian economy. Why does the most livable country in the world, with obvious comparative advantages in agriculture, mining and related industries, not have a better record

in downstream processing?

Why can only the Italians process our superfine wool and durum wheat? How do we attract the world's leading processors to do their thing here, to exploit the world's cleanest and greenest fresh produce, rather than just flogging these off to the highest overseas bidder?

Fourth, we should promote key public institutions and processes that help to educate and sell the reform message to the public. We need road maps that identify the biggest bang for the policy buck. For example, by expanding the role of the Productivity Commission to report league tables of the top 10 welfare-enhancing microeconomic reforms, infrastructure projects, regulatory reductions, fiscal and social policy changes.

Transparent reporting of good policy options can help to create a groundswell for reform, as it did from the early 1980s, when organisations such as the Business Council of Australia and the Industries Assistance Commission identified shortcomings and provided reform game plans.

These actions would help to us to get back to a dynamic, high-growth footing, where the budgetary impacts of population ageing and health technology will just wash out of the system.

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