

MENZIES RESEARCH CENTRE

Australia Rising to a Better Future

It's a great pleasure to be here for this Millennium Forum function, supported by the Menzies Research Centre.

The global financial volatility of recent days simply underlines why steady, reliable, safe economic management is the bedrock of good government.

It reminds us that economic management can never be put on auto-pilot. There is no room for complacency. And prosperity can never be taken for granted.

Fiscal conservatism is a long-term governing philosophy, not a label you pick off the shelf for short-term political purposes. And future-oriented government is about not just managing the good times, but also providing prudently for inevitable uncertainty and adversity.

This, Ladies and Gentlemen, goes to the heart of why the Australian people put their faith in the Coalition 11 and a half years ago.

They wanted a government prepared to take the long view; and to govern with the needs and aspirations of mainstream Australia upper most in mind. They also wanted us to bring renewed ambition to our national life.

Today we can see the fruits of a great, yet unfinished, transformation in Australia. An Australian renaissance, with a new synthesis of aspiration and fairness, has taken shape off the back of the strongest economy in our nation's history.

More people are in jobs than ever before. The number of Australians on welfare is down. Household wealth has more than doubled. Business investment is strong.

Australia is working again - moving ahead after decades of falling behind.

The contours of national debate have changed too. We've shown:

- how to slash unemployment without blowing the lid off the economy;
- how real wages can grow by more than 20 per cent without union bosses calling the shots in the workplace;
- how income taxes can be cut without sending the budget into deficit;
- how welfare reform can go hand-in-hand with a strong safety net and record support for low income families.

We've shown how to strengthen Medicare while supporting private health insurance. We've shown how to expand school choice while investing record amounts in government schools.

We've demonstrated how to protect our borders while running a large and welcoming immigration program. We've illustrated how Australia can build closer ties with Asia while also strengthening relations with traditional allies.

Australians can now see that many of the choices under the old Labor narrative are really false choices.

That's why Australia's choice at the next election is so important. It's not just about who will govern this country for the next three years. It's about how Australia chooses to define its ambitions in the next decade and beyond.

People have asked me: Why do you want to be prime minister again? Surely you've achieved all you set out to achieve.

I want to lead this country again because I believe Australia can now set its sights even higher. Because the new Australian synthesis of aspiration and fairness is everywhere in progress, but nowhere complete.

Because in the face of big challenges - like the ageing of the population, climate change, new pressures on families and communities - the task is not simply to preserve today's prosperity but to build tomorrow's.

And because a strong, resilient Australia could quickly disappear at the hands of an inexperienced Labor outfit, dominated by former union officials and handcuffed to the Labor states.

Now more than ever the economy needs strong, experienced and careful management.

And let no-one in this room be in any doubt about what is at stake on industrial relations. If the Coalition wins the next election, our reforms will never be lost. They will be so much a part of Australia's aspirational culture that no future Labor Government will be able to dismantle them.

Equally, however, if Labor wins they will throw out our laws and bring back a veritable camel train of workplace rigidities - unfair dismissal laws, union monopoly bargaining, new right of entry rules and, of course, the abolition of Australian Workplace Agreements.

And I confidently predict that no future Coalition Government will see political merit in reinstating our reforms in the years to come.

Ladies and Gentlemen, today I want to talk about my priorities for a fifth term in government. Not out of any false sense of entitlement or complacency. But because the Australian people deserve to know what will be front and centre of my mind if the Coalition is entrusted to govern again.

- to keep the nation strong, secure and united, engaged in the world and at ease with itself;
- to build a new era of growth, prosperity and opportunity here at home;
- to embrace a sense of aspirational nationalism to guide relations between different levels of government in Australia;
- to ensure a rising tide of prosperity lifts all boats, with every child getting a solid start in life; and
- to get the balance right on the big challenges around climate change, energy security and water scarcity.

I'll be talking more about these goals in coming weeks. I'll be spelling out policies to secure them. And I'll be reminding my fellow Australians that all our goals and hopes for the future - as individuals or families; as communities or as a nation - rest on keeping our economy strong and competitive.

It's no accident that today our economy is experiencing the longest economic expansion in our history. Or that unemployment has now been below 5 per cent for 17 consecutive months. Or that Australia's trillion dollar economy has clawed its way back up the international economic league ladder.

But we are entering new territory. Australia can move further forward, but it's not inevitable. The challenge is to keep the economy growing with full employment while keeping inflation and interest rates low.

Our willingness to go the extra mile on economic reform is crucial.

I take the old fashioned view that someone who wants to be Prime Minister should have worked out beforehand some core economic convictions. I defy anyone to identify Mr Rudd's. Leadership is about more than printing some t-shirts and calling yourself an economic conservative.

A strong, secure and united Australia

Nowhere is the need for strong leadership more vital than in securing and defending the nation - my first goal and the first duty of government.

My government is committed to protecting the national interest and ensuring Australia remains an anchor of peace, stability and prosperity in a turbulent world. Equally important, we must remain a cohesive and united society in an era when national security begins at home.

A strong, secure and united Australia is a nation engaged in the world and at ease with itself in the 21st Century.

In 2007, Australia confronts a mix of old and new security challenges. Globalisation means the range and number of events affecting our security and prosperity will continue to grow.

Shifting power relations will bear heavily on our security environment. Islamist terrorism will remain a threat to Australia and her interests in the next decade.

Under a future Coalition Government, Australia will stay on the front foot to ensure threats to our security are met before they reach our shores.

This year's Budget provided \$22 billion for defence. Our commitment to increase annual defence spending by 3 per cent in real terms out to 2016 will guarantee Australia's leading-edge military capability in the next decade.

A clear strategic vision for the Australian Army - lacking under Labor's old defence doctrine - has been a signature commitment of this Government. Our initial \$6 billion investment in an Enhanced Land Force means we now have a larger, better protected, more mobile and harder-hitting army. Our recent decision to acquire new amphibious ships and air warfare destroyers means the Army will be able to be deployed more readily.

In August last year, I announced an increase in the Army from six to eight battalions. Strong recruitment means that we are well advanced to forming the first of these two battalions. Today I can announce that the 'trigger' target to commence raising the eighth battalion will be met shortly.

Australia brings significant assets and an outward-looking perspective to all the great global governance challenges of our time. Very soon, I will play host to the largest gathering of international leaders ever assembled in this country at the APEC Summit in Sydney. Next week I'll be talking more about Australia's ambitions for APEC on climate change and regional integration.

Strengthening our bilateral relationships in the Asia-Pacific will remain a key focus of this Government. In a next term, I hope to accelerate work towards Free Trade Agreements with our two largest Asian trading partners, Japan and China.

Australia is a pivotal force for order, stabilisation and good governance in the Pacific. Further developing the long-term planning and operational capacity of these complex regional missions will be near the top of our national security agenda if we are re-elected.

Globalisation and the new security threats of the 21st Century have forced all liberal democracies to think more seriously about issues of national identity and citizenship.

Shortly this country will open a new chapter on our successful integration of people from around the world with the first Citizenship Tests. I want to ensure that everyone who comes to this country comes with a very clear sense not just of their rights but of their responsibilities as well.

More than ever, modern Australian citizenship rests on sentiments of nationhood and enduring attachment to what we as Australians hold in common - our common language, our distinct heritage and our shared values.

A new era of growth, prosperity and opportunity

My second goal in the next term is to lock in a new era of growth, prosperity and opportunity here in Australia.

I want to be Prime Minister again to ensure the early years of the 21st Century mark a lasting turning point in our national economic ambitions.

The decline of class-based tribalism, higher levels of education, new technology and younger generations less attracted to collectivist ideology have all helped to foster a more entrepreneurial culture in Australia.

The key to embedding this culture of aspiration and enterprise is further economic reform - both to preserve the prosperity we have and to lay the foundations for a new generation of wealth creation.

Research by the Business Council suggests that, with further reform, Australia could become the third most prosperous country in the world (in terms of GDP per capita) by 2025.

Going the extra mile on economic reform today means maintaining strong budget surpluses, keeping downward pressure on interest rates, saving for the future, investing in the nation's infrastructure, ensuring our workplaces are flexible and competitive, and keeping the tax burden as low as possible on Australian workers, savers and risk takers.

The Council of Australian Government's National Reform Agenda is critical to ensuring Australia's economic infrastructure - our roads, rail, ports and energy supply systems - is up with the best in the world.

This Government has done more than any government in our history to set Australia on a path of stable, non-inflationary growth; to get us off the boom-bust rollercoaster that plagued our economy in the past.

By eliminating all Commonwealth net debt and establishing the Future Fund to cover all Commonwealth liabilities, this Government has done more than any other in our history to save for the future and to ensure that Australia is better placed than most countries to deal with an ageing population.

We've put the principle of intergenerational equity at the heart of public policy, including through two landmark Intergenerational Reports. The idea of a fair-go now has real meaning across the generations.

Tax cuts, labour market and welfare reforms have drawn more people into the workforce and given them jobs. Tax cuts in the last two budgets alone have encouraged around 90, 000 additional workers to join the workforce. We're also delivering individualised help to Australians needing to upgrade their skills for today's competitive world.

With Australia's economy now operating closer to full capacity than at any time in three decades, we should be bold enough to declare that there's no going back. That Australia can be a full participation society.

That everyone who wants to work can work. That no-one in the workforce need ever again lose touch with the workforce. That every Australian can claim a stake in our nation's aspirational future.

Given the strength of the economy, the most responsible course of action right now is to run large budget surpluses. That is the best way of helping Australians paying off a mortgage by taking pressure off interest rates.

All but four of the 13 Hawke-Keating era budgets were deficit budgets. All but two of Peter Costello's 12 budgets have been surpluses.

In the last three years, our budget surpluses have exceeded 1 per cent of GDP. The Government has already announced how these surpluses will be invested in the Future Fund and the Higher Education Endowment Fund so that the capital is preserved for the future.

At the time of the budget, the outcome for 2006-07 was forecast to be 1.3 per cent. The Treasurer and the Finance Minister will announce the preliminary outcome of the 2006-07 Budget in the next few days and will outline further how it will be invested.

Today I commit the Government to maintaining, as appropriate, budget surpluses of at least 1 per cent of GDP in future years with the surpluses locked away in a fund so that only the earnings would be available for investment in economic and social infrastructure.

We should aim also to further lower the tax burden on Australians who work, who save and who take risks in business. Contingent on the macroeconomic outlook, further tax reform will be part of this Government's agenda for growth, prosperity and opportunity in a fifth term.

A sense of aspirational nationalism in the Federation

So much of the debate about Commonwealth-State relations concerns the respective roles of the two levels of government, as if an appropriate balance between the two were an end in itself.

To me, that misses the point. We should be neither centralists nor slavish adherents to states rights. We should be focused on outcomes, not systems.

We should be aspirational nationalists, and applying this spirit to the governance of the Federation will be my third goal of a next term.

We should want and aspire to achieve the best possible outcomes for Australians wherever they might live and by whatever method of governance will best deliver those outcomes.

Sometimes that will involve leaving things entirely to the states. Sometimes it will involve cooperative federalism. On other occasions, it will require the Commonwealth bypassing the states altogether and dealing directly with local communities.

I've often said that there are two powerful trends in Australia today: localism and nationalism. Neither are of a brash, exclusivist variety; both embody a very Australian brand of quiet, understated pride and patriotism.

Our local communities are objects of loyalty and solidarity that transcend the costs and benefits of daily transactions. Commitments to town and team, neighbourhood and network, provide much of the texture of social engagement and what we think of as our quality of life.

We in the Coalition believe in trusting people. We believe that by giving people more control over their lives at the local level, we encourage responsibility and so build a better society.

That includes looking at new ways of delivering government services and tackling problems that are more responsive to individual and community needs. The old rigid state monopoly models for health, education, employment and welfare services have become increasingly obsolete.

The partnerships this Government has built with the community sector, business and social entrepreneurs represent an under-appreciated thread of modern Australian Liberalism. Many initiatives such as the Job Network and our Family Relationship Centres are now being looked at internationally as new ways of delivering services.

Other Commonwealth programs that embody this localism based on grassroots community involvement include - Investing in Our Schools, our Chaplaincy program, Australian Technical Colleges, the National Heritage Trust and Community Water Grants. Most recently, the Commonwealth has indicated a willingness to support the Mersey hospital in Tasmania under a new model of community involvement.

The time has come to look afresh at how the Commonwealth can support social and community entrepreneurship at the local level. Further engaging the voluntary sector will be a priority.

The most recent figures on volunteering in Australia skewer the vague notion that somehow Australians have become less civic minded in recent times. On the contrary, there's a healthy story on social capital to match Australia's growing economic capital.

Volunteering rates have increased from 23.6 per cent in 1995 to 35.4 per cent in 2006. Notably, the increase in the last two surveys has been driven by

generations X and Y - those aged 18-44.

As some relatively affluent baby boomers prepare to leave the workforce in the coming decade, it's important we harness their expertise and energy in tackling local community challenges.

The nation can rightly expect those who've done well to continue doing good - for the common good of Australia.

Lifting all boats

In my first Australia Rising address in February, I spoke about the abiding national challenge of social mobility. My second speech to the Centre of Independent Studies argued why an education system geared to choice, competition, transparency and high standards is crucial to this challenge.

My fourth goal for a fifth term is to ensure a rising tide of prosperity lifts all boats, and to help every Australian child get a solid start in life.

Fittingly, this morning I launched a new DVD - Raising Children - which the Government will provide free in a New Parent Kit which every parent of a new born will receive from later this year. It provides the latest research-based information on what parents need to know about the first five years of their child's life.

Our mini-baby boom of recent years speaks to a reawakened confidence in modern Australia. The majority of these children will grow up to enjoy a virtuous circle of caring families, strong learning environments, good jobs and healthy lifestyles; all allowing them to succeed in a rapidly-changing world.

Yet this age of relative prosperity only sharpens our obligation as a society to do everything possible to improve the life chances of children in less fortunate circumstances.

We know that children in families highly reliant on income support are three times more likely than the average to become homeless, four times more likely to become teenage parents and five times more likely to become long-term unemployed.

We're making strong progress in reducing the number of dependent children in households where no parent is employed. There are now around 551,200 such children in Australia, down from 668,400 in June 1996. But we still have a way to go before we can call ourselves a full participation society.

All the evidence shows that the best path out of poverty and towards individual and family independence is a steady job.

Long-term unemployment is now at its lowest level since this series was first calculated in April 1986. Since the introduction of the latest workplace reforms in March 2006, the number of very long-term unemployed (those unemployed for two years or more) has been slashed by a third.

Allied to this, we have tilted the tax-transfer system very heavily in favour of low and middle income families. Since 1996, the Government has increased total annual assistance to families in real terms by more than \$6 billion. In 2007-08, a single income couple with two children will pay no net tax until their private

income exceeds \$50, 813.

This goes to the heart of Australia's new synthesis of aspiration and fairness: one based on a flexible labour market, strong family support and work incentives, mutual obligation and a highly progressive tax-transfer system that directs more in relative terms to the poorest 20 per cent of the population than virtually any other OECD country.

This model is a singular achievement of Australian Liberalism.

By turning back the clock on labour market reform, Labor would wreck the best model Australia has yet devised for reconciling aspiration and fairness.

To ensure all children get a solid start in life, we must also continue to fight the deeper cultural dimensions of poverty and social breakdown in Australia. The big social challenges we face now tend to be concentrated and localised and less narrowly economic.

For a small minority of people, governments need to contemplate an activist (and in some cases interventionist) approach.

With the Government's intervention in Northern Territory indigenous communities, we are determined to make a difference on behalf of the most vulnerable section of Australian society.

We are working with the community sector in disadvantaged communities around Australia to provide the sort of targeted help that can assist young children in their personal, social and cognitive development.

Our Communities for Children program focuses on 45 disadvantaged communities, linking families with young children to local support services. In Campbelltown, for example, we're funding the Benevolent Society to run Mobile Playgroups that bring together socially-isolated mothers and give their children access to toy libraries.

While our current focus is on children aged 0-5, we know from international evidence that lasting change requires continuing support into school aged years. We want to apply the lessons we've learned to the provision of longer term support in disadvantaged communities.

Climate change, energy and water

My fifth goal for a fifth term is to ensure Australia properly responds to the great interlinked challenges of climate change, energy security and water scarcity.

Guaranteeing Australia's growing prosperity in a carbon constrained future will require all the experience, know-how and ambition that our nation - and this Government - has brought to other great reform challenges.

We will set a long-term target for reducing Australia's greenhouse gas emissions next year. But, unlike Labor, we will do it the right way, only after carefully examining the impact of any target on Australia's economy and Australian families.

The emissions trading system we have committed to designing over the next three years will take full account of Australia's resource industry advantages and

be flexible enough to adapt to different technology scenarios and the extent of action taken by other countries.

This is the smart, sustainable way for a nation to combat climate change.

Let me reaffirm a goal I first talked about in July last year. It raised a few eyebrows at the time. Then, when people began to look closely at our unique assets and projected growth in global energy demand, this goal was seen as not just ambitious but also achievable.

Australia can be an energy superpower in a carbon-constrained 21st Century. But only, and this is the key, only with the right policy settings and only if we draw on the full spectrum of our national capabilities and resource advantages.

We have abundant reserves of coal, gas, and solar energy resources, enormous geothermal potential, great promise in other renewable energy sources and the world's largest low-cost reserves of uranium.

Coal, and coal-fired electricity generation, will remain the largest component of global energy production for decades to come. Australia, the world's largest coal exporter, will remain a major supplier as countries such as China and India go on burning coal and lifting millions of people out of poverty.

As well as a supplier, we can also be a world leader in developing the technologies for using coal in an environmentally responsible manner.

We will work hand-in-glove with the Australian coal industry on the future challenges around clean coal technology, including through technology funding and clean coal partnerships in the Asia-Pacific region.

Investment projects in the Northwest Shelf and elsewhere underline the future promise of natural gas as a lower emissions fossil fuel. Currently the fifth largest exporter of liquefied natural gas (LNG), Australia could become the second or third largest by 2015 according to industry estimates.

Consistent with our strengths in coal and gas, we are leading the world in developing the know-how and regulatory frameworks for safe carbon capture and storage. As just one example, Australia led efforts internationally to allow for carbon to be sequestered under the sea-bed. And we will continue to explore with industry potential sites for storing carbon on-shore in Australia.

On the renewables front, geothermal energy has potential to make a significant contribution to Australia's energy mix. Solar is showing more and more promise with technological advances in fields such as photovoltaic concentration. And new technological developments around wave energy also hold exciting possibilities.

It is both naïve and foolhardy to assume that nuclear energy should have no role in powering Australia forward in a carbon-constrained future. If we are serious about stabilising and then reducing atmospheric concentrations of CO₂, then a technology that is proven, increasingly cost competitive, safe and free of emissions must be on the table.

In the context of climate change, national water reform remains a major piece of unfinished business that Australia must return to in the next three years.

We made real progress in 2004 by securing the agreement of all jurisdictions to the National Water Initiative (NWI). This year the Commonwealth has taken the

lead to once and for all confront the great water security problems of the Murray-Darling Basin, the great food bowl of the nation.

The National Water Commission, in its first biennial report on the NWI, has again highlighted the real deficiencies that exist in urban water management and supply in Australia. I make no apologies for holding the states and territories to account when it comes to Australia's future water needs - urban and rural.

Conclusion

Eleven and a half years ago, I gave this commitment to the Australian people. I said I wanted: 'To restore to Australian families a sense of confidence and optimism about their country's future; to bring within the reach of more families the prospect of good jobs, home ownership and rising living standards; and to open up new avenues of choice for families, especially those on modest incomes.'

I am here today not to trumpet what's been achieved, but to say to the Australian people that the job is not yet done. We have transformed Australia, but the Australian renaissance is a work in progress.

The distance we have travelled is nothing compared with how far we can go. It's time to set our sights higher still, with five goals for a fifth term.

Let no-one here be in any doubt: Australia is the best country in the world.

I'm in no doubt that if we harness the best traditions of Australian Liberalism, its best years are yet to come.