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A competitive Australia needs more than words

THE AFR VIEW

On the eve of The Australian Financial Review Business Summit two weeks ago, our editorial warned that after two decades without any serious policies to revive national productivity, Australia faces a future of mediocre national growth spelled out in the grim 2023

Intergenerational Report. The IGR forecasts that average annual GDP growth will slump to 2.2 per cent over the next 40 years against the 3.1 per cent of the past 40. Australians' children and grandchildren will still be better off, but not at the pace of rising prosperity that they and their parents experienced. It should be shocking for a nation that sets such store upon its world-envied standard of living.

To his credit, Dr Chalmers took up the challenge at the Summit. Not only was the performance forecast not good enough, he said, he unusually put a timeline on fixing it, talking of a "defining decade" to make Australia "more competitive and dynamic and productive".

Productivity has to rise first to escape from cost and price

Some of Australia's green ambitions are poorly targeted

inflation, and then to re-ignite growth in the longer term. Yet the Albanese government is now backing an almost 4 per cent rise in 2023-24 in what is already one of the world's highest minimum wages, saying workers must not go backwards. That's a rise over the past three years of almost 18 per cent, with no mention of any productivity offset except for vague future objectives, at a time when the Reserve Bank is worried about rising unit labour cost. Take that together with the re-regulation of the labour market under the Albanese government, and it's hard to square with what Business Council of Australia chief executive Bran Black says is the need to make Australia more competitive in attracting capital.

Dr Chalmers is now out spreading the defining decade message. "The common ingredient in our success ... is investment" he told a Parliament House dinner with the BCA under the Chatham House rule last week. He said, "how we attract, absorb and deploy investment will be the big question the budget will seek to answer. It is the policy area we spend most time upon". The BCA has its own ideas that it is pushing for in the budget, including incentives to the states to harmonise payroll tax, scrap stamp duty and speed up approval project times.

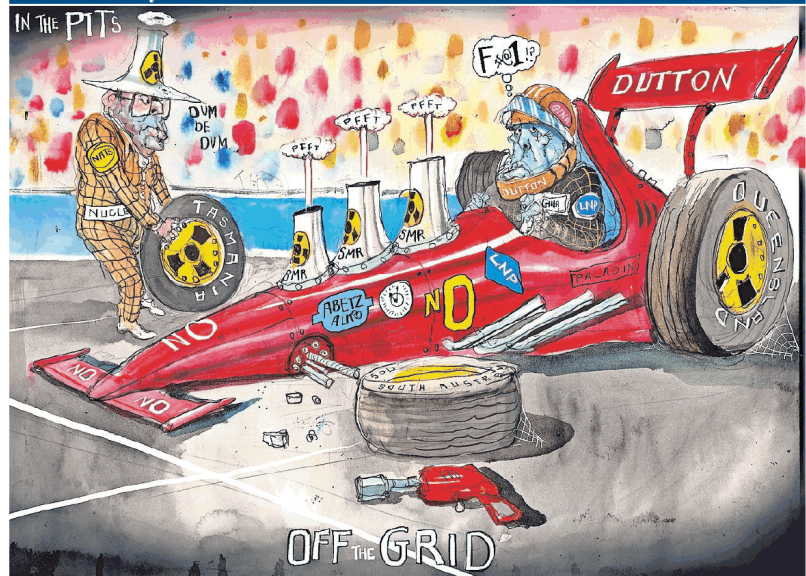
Although Dr Chalmers is asking the right questions about investment, productivity and competitiveness – and technology, skills and supply chains – they don't add up to a growth-driving agenda by themselves. There are harder things to do, such as getting a broken tax system right and reversing short-sighted changes to the industrial relations laws. That's not old-agenda stuff, as politicians of both parties have dismissed them. That's getting basic settings right without which other pro-productivity initiatives are far less effective.

The energy challenge is a particularly big investment test for Australia. The country has a natural competitive advantage in clean energy. But it also had a big natural advantage in fossil fuels too. The energy transition has to maximise those legacy fuels while we pay the huge bill for phasing them out and replacing them. But Australia is already hobbling green investment with the same investment-killing regulation and lawfare that had worked against the mining industry for some time. Some green ambitions are poorly targeted, such as wanting to build finished batteries, about which the Productivity Commission under its new leadership is still sceptical. World markets are not making things easy, such as the speculative crash in lithium and the flooding of world markets with Indonesian nickel by Chinese investors. Dr Chalmers mentions favourably the Biden administration's big subsidy-driven green industry policies. But Australia can't afford that. It just has to be more competitive.

And that's following the own goals like an absolutely retrogressive industrial relations policy and a tax system that has been allowed to become dysfunctional and ad hoc rather than fit for a 21st century world. Australia will have to reform its economy when lack of leadership is producing inconclusive election results like those in Tasmania this weekend that leave governments on fine margins. Dr Chalmers is saying the right things, but he has changes to make and mistakes to wind back if we are to avoid mediocrity.

From the Gallery

David Rowe



State polls put PM in the box seat

Towards 2025 Polling booths around the country show Labor's support base is growing enough for another narrow federal win.



John Black

The Albanese government will retain power at the next federal election, recent political and demographic signals from punters in polling booths suggest.

Since Labor's victory at the federal election on May 2022, we have seen indicative polling booth action at federal by-elections in Aston and Dunkley in Victoria and Fadden in Queensland, along with last weekend's state election in Tasmania, state by-elections in Queensland and South Australia, and the big Brisbane City Council polls.

All of them point to a status quo result for Prime Minister Anthony Albanese – a narrow win – with the Coalition trailing well behind if Labor needed to form a minority government.

The signals from the punters seem pretty clear: any state government with an out-of-touch leader – as seen with Jeremy Rockliff in Tasmania, and earlier in Queensland under Anastacia Palaszczuk and then Steven Miles – will get hammered in the polls.

Competent leaders of well-performing administrations – such as Peter Malinauskas and Labor in South Australia or the Brisbane City Council with Liberal Mayor Adrian Schirner – are holding on to their vote.

The underlying demographics tell us that Labor is gaining support from well-paid professional women and losing votes among blue-collar men.

But Labor's support base is getting bigger, while the Coalition's is getting smaller.

The Dunstan by-election in SA was caused by the retirement of former

Liberal premier Steven Marshall, who won the seat in 2022 with 50.5 per cent of the two-party-preferred (TPP) vote.

Former premier Don Dunstan had a personal vote of about 5 per cent in the same seat, and we can assume Marshall's personal vote was about the same.

On Saturday night, Labor's underlying demographic support, in a seat chock-full with inner-urban professionals, held up well and Marshall's personal vote simply returned to the ALP.

Implications for federal Labor in SA? None I can see.

In Tasmania the punters didn't want either Rockliff or state Labor leader Rebecca White, voting to deny both of them a majority government.

A loss for the Queensland government later this year is a potential bonus for the federal Labor government.

It's apparently news to Rockliff, as it was to Palaszczuk and Miles, that voters would rather governments spent the odd few billion they'd hidden down the back of the couch on housing or hospitals, rather than vanity projects such as stadiums. Who'd have thought?

The best result for federal Labor from Tasmania's hung parliament after the weekend would be for Rockliff to be left in minority government, with the task of negotiating his election policies through that snake pit of personal grievances and ineptitude, otherwise known as the Tasmanian parliament.

White's concession of defeat yesterday made Anthony Albanese favourite to hold Labor's two Tasmanian seats, plus the pro-left independent in Clark, and gives Labor a chance in the two northern seats of Braddon and Bass.

If we assume the Victorian Labor government doesn't run out of energy or cash before next year and Labor's state support holds up in Western Australia and NSW, virtually all the potential gains for federal Labor are in Queensland.

In Queensland, an ageing and unpopular state Labor government

should be in the saddlebags for a federal Labor government. Fortunately for Albanese, the reverse also applies.

A loss for the Queensland government later this year is a potential bonus for Albanese, particularly if a new Liberal National Party state government makes blunders between the October 26 state election and the next federal ballot, due in the first half of next year.

And even if they were moderately competent, an incoming state LNP government would remove the possibility of federal Coalition attacks on Miles. The Palaszczuk government acquired enemies like a stationary bull picks up barnacles. Steven Miles hasn't had much luck scraping them off.

Which makes Queensland LNP leader David Crisafulli a potential longstanding frenemy for Albanese – in the same way that Labor premier Peter Beattie and Liberal prime minister John Howard played happily together for a decade leading up to late 2007.

At the state election on February 7, 2004, Beattie won 56.4 per cent of the Queensland TPP vote and Labor won 63 out of 89 seats. On October 9, 2004, Labor's federal candidates in Queensland won 42.9 per cent of the TPP vote and six out of 28 federal seats.

That's 13.5 per cent of the TPP vote swinging between two parties in eight months and delivering an awful lot of seats to the winners: Beattie and Howard.

If Albanese started a similar symbiotic relationship with Crisafulli before mid-2025, which seats and demographics would be up for grabs?

Federal Opposition Leader Peter Dutton's outer suburban seat of Dickson tops the list, followed by Longman, Bonner, Leichhardt, Flynn, Forde, Petrie, Bowman and even Herbert.

In these seats we find the same demographics that elected Beattie and Howard. Joining this list are the three new 2022 Green seats of Griffith, Ryan and Brisbane, where we find a mix of dual-income professional families, some cranky old Baby Boomers and younger singles.

Maybe they're keen to charge their Teslas from a local nuclear reactor, but I can't see it.

John Black is a former Labor senator for Queensland. He is executive chairman of profiting company Australian Development Strategies.