



FOR MEDIA

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I wish to pay my respects to the traditional owners of the land on which we meet today.

And I want to acknowledge just some of the distinguished guests: my mentor Bob Hawke and Blanche D'Alpuget; our Party President Warren Mundine; my friend of old, John Singleton; my parliamentary colleagues John Murphy who I call Dunedoo (since I come from Baradine and he comes from Dunedoo) and Mrs Dunedoo; Chris Hayes, the very effective Member for Werriwa who won a big vote at his first election and who is well plugged into the thinking of people in his electorate; David Cox; John Elliott, the head of University of New South Wales Press – thank you for your confidence in me when you saw a rough draft and said you'd go with it; Francis Sullivan; union colleagues Tony Woolgar and Barry Tubner and all good friends.

Since 2002, I have been worrying about productivity growth. People ask me, why Craig? Haven't you got better things to do? I have, but I do worry about it – because today's productivity growth is tomorrow's prosperity. In a modern economy, we get productivity growth not by working ever harder, but by working smarter.

As pre-eminent American economist Paul Krugman said: "Productivity growth isn't everything, but in the long run it's almost everything".

Productivity growth isn't just about the mighty dollar. It gives us the prosperity that allows us to provide opportunity for all, remedy social disadvantage and exclusion, and repair our fragile environment.

Australia has enjoyed a record-breaking decade of productivity growth, built on the reform program of Bob Hawke here with us today and of Paul Keating. That productivity growth has given Australia its most sustained period of prosperity ever.

But in 2002 the Treasury produced its *Intergenerational Report*, which assumes annual productivity growth will slip back from more than 2 per cent during that

record-breaking decade to around 1¾ per cent. If that happened, then from the decade beginning in 2010 Australia would record its slowest rate of income growth per person since the decade of the Great Depression!

But in 2004, productivity growth didn't just slip back to 1¾ per cent; it slipped into negative gear and has been stuck there ever since.

The reason is that the Howard government has failed to embark upon a new reform program. Instead, it is pursuing a single-item agenda of virtually complete labour market deregulation. And labour market deregulation will not lift productivity growth - a point that was confirmed by the Governor of the Reserve Bank when I questioned him a few weeks ago.

The Howard government has been squandering the proceeds of growth, failing to invest in the future. On top of the proceeds from the Labor reform program, Australia has been getting a \$46 billion annual gift from the rest of the world from high commodity prices associated with the phenomenal expansion of China and also India. But the government has been squandering that gift too.

Australia desperately needs a new reform program.

And we have a new challenge – the ageing of the population. By around 2040, Australia will have an additional 4.3 million people over the age of 65 but only 0.5 million extra children. By then, only a little more than two working-age Australians will be earning the incomes and paying the taxes to look after each Australian who has retired, compared with more than four working-age people today.

So, having considered all these challenges facing Australia, I decided to join the book club!

The book sets out a nation-building plan that harnesses market forces for the public good. It is a reform program that builds on the open, competitive economy created by the Hawke and Keating governments.

It is a reform program that confirms that Margaret Thatcher and John Howard are wrong – there *is* such a thing as society. It is a reform program that helps build a prosperous, fair, tolerant and compassionate society. That helps lift the human spirit – after ten long years of crushing it with fear of each other and fear of foreigners.

It is a reform program that nurtures the talents of *all* children. That gives *every* child a flying start in life. That liberates the disadvantaged from despair. That raises their horizons.

It is a reform program that affirms that *all* children – not just children of the privileged few – are capable of wonderful achievements.

It is a reform program that tells all children that we want their talents to develop and flourish in a creative Australia.

I wrote this book out of a conviction that there are always new ways of looking at old problems. Not the first way, not the second way, not the third way, but a new way – a lesson I learned from Bob Hawke, who taught me that Labor’s philosophy, values and goals are immutable, but we should always be thinking of new ways of achieving them.

This new way rises above the stifling public-versus-private debate and harnesses public and private resources for the public good.

The centrepiece of the book is education.

Education brightens Labor’s light on the hill.

Education is the key that opens two doors – one leading to prosperity and the other leading to a fair society.

In a damning indictment of Australia’s education system, one in five adult Australians are functionally illiterate and there has been no overall improvement in literacy among young people in the last quarter of a century.

Deutsche Bank has done an important study. It forecasts that in terms of percentage improvements in years of education, by 2020 Australia will rank last among the 33 countries examined.

We need a new funding model that abandons funding distinctions between government and private schools. Surely it is the needs of the child that are important, not whether the child goes to a public or a private school. A needs-based funding system would give extra funding to those schools with more needy children.

The book argues for a national preschool system for all four-year-olds. If you’ve seen the front page of *The Australian* today, you’d have seen that Education Minister Julie Bishop has picked up this proposal. It’ll be interesting to see whether Peter Costello picks up my tax reform proposals.

The book then moves onto university education and makes new funding proposals. Australia is the fifth most expensive place to study. All the countries that rank above Australia in terms of affordability of a university education also rank above us on the productivity table.

Then the book deals with innovation. I firmly believe in a strong, growing Australian manufacturing sector. We can’t and shouldn’t compete with China on the basis of wage costs. That’s John Howard’s race to the bottom to low skills and low wages. Instead, we must take the high road to high skills and high wages – embodying large doses of skills and innovation in higher-value manufactured products.

And then there is the next I – initiative. We need to reform the welfare and tax systems. I propose a universal family payment for all mothers with children under the age of three. This would remove a big hurdle for mothers wanting to return to work, giving them an extra 20 cents of extra dollars earned. That’s equivalent to a 20 per cent tax cut.

And in reforming the tax system we should look at wiping out the 42 cent rate that is already be faced by one million taxpayers, with another 400,000 set to join them over the next three years.

The book is a plan for a big country with a population of 30 million by 2050. But that extra population would not be crammed into the Sydney basin. It would be dispersed into our dynamic regions – into a band of gold of extending from Cairns in the north down the Great Dividing Range to the cool climes of Warrnambool in western Victoria.

And speaking of Warrnambool, here I would like to pay tribute to John Singleton. John has been financially supporting the resettlement of refugees from the Sudan in Warrnambool. When city people say country people won't welcome migrants, don't believe them. The people of Warrnambool and many other regional centres are welcoming refugees to their towns and cities. It's only a matter of time before a 200 centimetre ruckman from the Sudan is playing in the AFL.

Our dynamic regional centres – that band of gold - can be a new engine of Australian economic growth. But they need excellent broadband rollout, excellent transport systems. I am a supporter of the inland rail proposal and the PNG gas pipeline. And they need top-class schools, university campuses and health facilities to attract management and creative people from the cities and from overseas.

We need a national infrastructure plan to supply this infrastructure.

So my book argues for investment in the five Is – intellect, ideas, initiative, infrastructure and immigration. The book thinks big for a bigger, better country.

And this takes me to Kim Beazley. Kim is a big man with a big heart, with big ideas for a big country. He has encouraged me and my colleagues to develop fresh ideas and I thank him for it.

We are engaged in the contest of ideas. When the people go to a polling booth they make their decision on which party they think is best equipped to run the country and make their lives a bit better.

Kim, I don't expect you to embrace every idea in this book. I'd be astonished if you do.

But Labor is at its best when it is debating ideas.

We *are* the party of reform. The Australian people expect it of us.

I hope, in my own way, that I have been able to contribute to the noble task of reform – for a better country, for a fairer country, for an equal opportunity in life for all Australians.

So Kim, I invite you to come forward and launch the book.

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