



# Australian Industry Group National Forum: Tony Abbott Speech

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## TRANSCRIPT OF THE HON. TONY ABBOTT MHRADDRESS TO THE AUSTRALIAN INDUSTRY GROUP NATIONAL FORUM,

### PARLIAMENT HOUSE, CANBERRA

E&OE.....

Well, thanks very much Kerry. That was an intriguing introduction and what do you know about what is likely to happen in the caucus today that suggests there could be a change of speaker this evening? Ladies and gentlemen, I want to thank you for the opportunity to address this pre-eminent conference of manufacturing in particular in our country because the Australian Industry Group is the pre-eminent representative of manufacturing industry in Australia. I want to say at the outset that I am fundamentally optimistic about our country. I say that because the two most successful countries on earth have been Britain and America and we're better than both of them. We have a greater sense of social solidarity than the Americans and we have a far greater spirit of individual creativity than the British.

But I do believe that we have let ourselves down badly over the last four years because we have a government which has fundamentally failed to live up to the high standards that its predecessors set over the previous quarter century. Lest any of you think that I am an incorrigible partisan, let me say to you that I think that the Hawke-Keating Government was on balance a very good government. If you look at the record of the Hawke-Keating Government: it deregulated financial markets, it dramatically reduced tariff protection, it began the task of privatisation and in 1993 it also began the task of workplace relations reform.

I think that the reforms of the Hawke-Keating Government were built on and consolidated and extended by the Howard-Costello Government. The Howard-Costello Government got our fiscal position under control. We were able to survive the global financial crisis mark one because of the fundamentally strong fiscal position that the Howard-Costello Government put us in. But it didn't just repair the governmental balance sheet, the Howard-Costello Government further improved our financial regulation by establishing the independence of the Reserve Bank. It dramatically extended privatisation, including the privatisation of Telstra. It began the important work in progress that is welfare reform and while it went a little too far with workplace relations reform certainly, its workplace relations reforms helped to ensure the great prosperity of the period between 1996 and 2007 which amongst other things saw real wages increase by more than 20 per cent, it saw real wealth per head more than double and it saw two million more jobs. Surely an excellent record by any standards. Surely something that the workers of Australia could be grateful for by any standards.

Unfortunately what we have had since then is a government which has not only failed the reform test but it has failed the do no harm test. In the end the first duty of government is to do no harm and this Government has done considerable harm. The so-called reforms of this Government are not reforms at all. The National Broadband Network is a great leap backwards to the 1960s; a government controlled telecommunications infrastructure monopoly putting all our technological eggs into the one basket.

But it is the carbon tax which to me most illustrates the wrong-headedness of this Government. The carbon tax fundamentally fails the common sense test. There is an academic argument for putting a price on carbon but there is no credible argument for putting a price on carbon in this country when the rest of the world has no such intention. There is no way that America is going to put a price on carbon anytime soon. There is no way that the Chinese and the Indians are going to put a price on carbon until their peoples have a comparable standard of living to those of the advanced Western world. It is impossible to raise the standard of living of your people without raising the energy consumption of your people and in the absence of a near-universal conversion to high cost nuclear power the only way to generate baseload power sustainably is through coal, through gas and through oil, all of which are highly emissions intensive.

So the carbon tax, the one-sided carbon tax, puts our country at a fundamental economic disadvantage. It is all economic pain for no environmental gain. I want to dwell for a moment on the fact that it is no environmental gain. I would invite everyone who is a keen follower of the whole climate change debate to look at the Government's own Carbon Sunday documentation. In particular, to page 18 of the modelling document because there they will see that under the carbon tax Australia's emissions do not decrease by five per cent, in fact they increase by about 10 per cent from 578 million tonnes now to 628 million tonnes in 2020; and far from reducing by 80 per cent by 2050 in fact they reduce by just three per cent. Go please and look at the Government's own documents if you doubt me because there you will see in black and white on page 18 of the document the statement that our domestic carbon emissions in 2050 will be 545 million tonnes, down about three per cent on the current figure of 578 million tonnes.

The only way we can achieve the five per cent cut by 2020 and the 80 per cent cut by 2050 is through a massive transfer of wealth from the consumers of this country to the carbon traders overseas. Some 100 million tonnes of carbon credits need to be purchased by 2020 at a cost of \$3.5 billion in that year and well over 400 million tonnes of carbon credits will need to be purchased by 2050 at a cost in today's dollars of \$57 billion. This is a transfer of 1.5 per cent of GDP from Australia to overseas carbon traders in 2050 to bring about the carbon dioxide emission reductions of which the Government is so proud. So it is a fundamentally flawed policy which fundamentally fails the common sense test.

I want to make the further very important point that what the carbon tax does is take away what should be for Australia our main comparative economic advantage, at least where manufacturing is concerned. We have a small domestic market. We have long distances to our overseas markets. We have, thank God, relatively high wages for our workforce. The one thing we have going for us as a manufacturing economy is access to affordable and abundant power supplies. Cheap coal, cheap gas and the first thing that the Government's carbon tax policy is designed to do is to close down the cheap generators of the Latrobe Valley on which Victoria's manufacturing industry has so long depended. It is an entirely counterproductive policy.

I want to congratulate all those voices in manufacturing industry that have been raised against it in recent times. I note and trust all of you have noted the statement of Graham Kraehe of BlueScope and the Reserve Bank to the National Press Club in March, where he said a carbon tax even with compensation, as far as the steel industry is concerned, is like putting a bandaid on a bullet wound. I note the comments from an alliance of manufacturing companies this morning that nine out of ten manufacturing workers will receive no protection whatsoever from the impact of a carbon tax.

I also want to congratulate the CEO of the Australian Industry Group, Heather Ridout, for her cautious, careful but nevertheless forthright statements about the impact of a carbon tax. This is the worst possible time, it is the worst possible time for the introduction of a carbon tax and I suggest to the members and supporters of the AIG that given that this is the worst possible time for a carbon tax, given that this is a badly designed carbon tax, given that the compensation measures are woefully inadequate the best thing that the AIG could do for public policy in this country right now is formally to call on the parliament to reject the carbon tax bills. I also want to congratulate the AIG and in particular Heather Ridout, for the careful and constructive contribution that she and you have made to debate over workplace relations. We do have a workplace relations problem in our country. The casual aside of the head of Patrick Stevedores in this morning's *Financial Review* that for all the reforms of a decade and more ago there is still a total lunchtime shutdown of Port Botany shows that there is a long, long way to go if maximum productivity is to be achieved

in our workplaces.

I am indebted to you, Heather, for the report that 74 per cent of large businesses believe that it is becoming more difficult to negotiate productivity improvements under the Fair Work Act, that 86 per cent of large businesses believe that unions have far more power in negotiations under the Fair Work Act, your plaintive observation that individual flexibility agreements have promised so much but delivered so little are important contributions to a vital national debate. The Coalition will, as I've said on numerous occasions, have a strong and effective workplace relations policy. We'll announce it in good time before the next election and it will be based on solving problems, not on ideology. So the more practical problems that people like the AIG and its constituent members can bring to public debate the better it will be for policy formation in this country.

Can I say finally that though manufacturing industry has changed a great deal over the last four or five decades, though manufacturing industry has declined from about 30 per cent of GDP and about 30 per cent of employment to about 10 per cent today, it is still at the heart of a sophisticated modern economy. We will not be a first world economy if we lose sophisticated manufacturing in this country. We can't build walls against the world, we can't go back to the old days of tariffs and subsidies but we must put in place the kind of policy parameters which allow manufacturing not just to survive but to flourish. And I say to those of you who might feel under considerable pressure that I can understand why you do. A more rigid labour market, an intrusive, highly regulatory government, a very high dollar, workforce pressures because of the continuing boom in the resources sector, all of these make your life far more difficult but still so many Australian manufacturers are managing to turn difficulties into opportunities.

I leave you with this one story. The more you learn of Australian manufacturing the more creative, the more inventive and the more surprisingly successful you discover it to be. I had never heard of Nepean Engineering until, as part of my anti-mining tax campaign last year, I visited this vast and impressive metal fabricator on the outskirts of Sydney, employing almost 1,500 people right around our country. This company has expanded on the back of the mining boom. So this is a manufacturing success story that has spun off the mining boom but it hasn't just rested on the mining boom. Most of the tractors at airports around the world, for the Airbus 380s are actually manufactured at Nepean Engineering in outer metropolitan Sydney. Who would have thought that airports around the world would boast an important item of manufacturing coming from a workshop in suburban Sydney, and yet they do because our manufacturers have not given up. They have not given up, they will not give up and as far as I am concerned the Coalition will always walk with you to try to ensure that your future is better than your past.

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