



FEDERAL LABOR LEADER KEVIN RUDD MP

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FACING THE FUTURE

The core question for the upcoming election is as follows: whether Mr Howard's Government, or the alternative government which I lead, is best equipped to understand, anticipate and prepare for the challenges we face to secure this country's future.

Challenges to our national security.

Challenges to our long term economic prosperity.

The great challenge of climate change and water.

Whether the fair go has a future in Australia – and is not just a sentiment from the past.

All of these challenges impact on our nation's future.

They also impact equally on the future of working families – each and every one of them.

Our core proposition to the people is that Australia needs a change of government because Mr Howard is increasingly locked in the past at a time when the nation must face challenges that we have never faced before.

On national security, Mr Howard is locked into failed policies on Iraq, policies that have produced for Australia the single greatest failure of national security policy since Vietnam. Policies which have succeeded in making Australia a greater terrorist target than it would otherwise be.

By contrast, we offer a new approach to national security – one that focuses our efforts not only on terrorism, but also on other emerging security threats here in our own region, our own neighbourhood and our own backyard.

On the economy, Mr Howard says that *“working families have never been better off”* while offering no plan to build long-term economic prosperity for when our once in a generation mining boom fades.

By contrast, we offer an education revolution, to boost productivity growth by increasing investment and lifting standards across our schools, our TAFEs and our universities – to equip our young people with the skills necessary to compete for a job in an increasingly competitive global economy.

On industrial relations, Mr Howard has turned the clock backwards rather than forwards, has gone for the cost-gouge rather than the productivity lift, and in doing so, has thrown the fair go out the back door.

By contrast, we will create a new balance between fairness and flexibility in the workplace and in doing so, restore the rights of working families to have proper access to penalty rates, overtime and shift allowances – and also to allow them to properly plan ahead to spend time with their families on weekends.

On the great challenge of climate change and water, Mr Howard has spent the last decade with his head buried in the sand and whatever he may say in the lead up to an election, the truth is that his government is full of climate change sceptics.

By contrast, we will act on climate change with a practical plan of action on emissions trading, clean coal, energy renewables and water – and we will be acting because we believe that the science is in and because we believe that if we fail to act now, we are not only sacrificing the environment for future generations, we are also sacrificing jobs for future generations. To act today is, in fact, the balanced response to the challenge of climate change.

And on the system of government itself, Mr Howard is stuck in the old politics of the “blame game” between Canberra and the states – we will act to end the blame game and start saving some of the \$9 billion dollars the Business Council of Australia has calculated we waste every year as a country through duplication, overlap and cost-shift between the two levels of government.

These are the alternative pathways for Australia’s future.

Today I intend to talk primarily about our different approaches to building long-term economic prosperity. I want to talk about how to rebuild productivity growth by reducing the regulatory burden for business. I also want to talk about a number of core features of Labor’s alternative industrial relations system.

Economic prosperity

The core question for Australia’s long-term economic prosperity is how we re-build our flagging productivity growth.

This is the only way we can continue to improve living standards once the mining boom passes.

This is all about making our own luck – rather than just hoping that we continue to be “the lucky country” blessed with abundant mineral wealth and burgeoning global demand.

But rather than have this debate about the future, Mr Howard always prefers to debate the past – based very much on his own political rendition of this country’s recent economic history.

Mr Howard always tells us about 17 per cent interest rates under Labor. He neglects to mention that interest rates hit 22 per cent when he was Treasurer – a figure that has never been surpassed since.

Nor does Mr Howard tell us that interest payments as a percentage of household income reached a record high of 11.7 per cent in December 2006. Compared with a peak of 9.3 per cent in September 1989 under the previous government.

The same applies to mortgage interest repayments which have averaged 6.2 per cent of household income under the current government – compared with an average of 4.8 per cent under the previous government.

And all this at a time when Mr Howard assures us that “*working families in Australia have never been better off*”.

And despite Mr Howard’s promise during the last election that rates would be kept at record lows, interest rates have risen four times since then.

Because of this, Mr Howard has stopped talking about interest rates and instead started talking about employment figures – but here again the comparisons are important.

Mr Howard boasts that he has created 2 million jobs since March 1996 - an increase of 24 per cent. But he neglects to mention that not withstanding the international recession, Labor achieved a 33 percent increase in employment during its time in office, with 2 million new jobs.

Average annual employment growth under the Coalition has been 2.0 per cent. Average annual employment growth under the previous Labor Government was higher, at 2.2 per cent.

Mr Howard further argues that employment growth of 276,000 (or 2.7 per cent) over the past 12 months is proof of the positive impact of his industrial relations laws.

Mr Howard neglects to mention that employment grew by 328,000 in the year to March 1995 or 4.2 per cent – in the 12 months following the introduction of Labor’s enterprise bargaining laws.

The truth is, much of the current employment growth has been generated directly or indirectly by the mining boom.

Our message to the Australian people is that given this unique opportunity – delivered by a once in a generation commodity prices boom - we cannot afford to squander the proceeds.

That is why I believe that our economic priority must be to invest in our future productive capacity in order to maximise productivity growth.

My message is that we cannot rely on our luck lasting forever.

We need to make our own luck.

Poor productivity growth represents the greatest hole in the Howard Government's long term economic record – and one that threatens our economic future.

- Between the five years of the mid-1990s and the five years to 2003-04, Australia's annual labour productivity growth slumped from 3.2 per cent to 2.2 per cent.
- In the same period, multifactor productivity slumped from 2.1 per cent per year to just one per cent.
- Measured against US levels of productivity growth, Australia's productivity has fallen from 85 per cent in 1998 to 79 per cent in 2005 – meaning that we have almost completely lost the relative gains from the productivity boom of the 1990s.
- The Government's own recent Intergenerational Report downgraded the forecast for annual productivity growth for this decade to 1.5 per cent from its forecast of 1.7 per cent in 2002.

The question for Australia's economic future, however, is what is to be done.

Treasury Secretary Ken Henry's framework for this challenge is what he describes as the three core drivers of economic growth, or the 3P's: population, participation and productivity.

To these, I would add a fourth P – the planet itself, or how we respond also to the overarching challenge of climate change.

On population, long-term, strong migration flows to this country, combined with policies that improve Australia's birth rate are of critical importance.

On participation, child care looms large as a major constraint on the ability of women to re-engage with the workforce. It is critical that the next budget addresses the needs of Australian working families for high quality, affordable childcare. In this context, Labor has already announced policies which:

- assist in ending the double drop-off;
- increase the number of childcare workers across the country, and
- eliminate TAFE fees for those studying to obtain a one or two year childcare diploma.

These, we believe, are practical proposals which will make a difference in lifting the participation rate in anticipation of an ageing population.

Productivity Growth

The third and critical component in Ken Henry's trypic is productivity. This requires a response:

- Radically improving investment in human capital - as one of the principal drivers of long-term labour productivity;
- Investing in the new infrastructure of the 21st century to assist in what economists describe as the 'capital deepening' of the economy; and
- As I will discuss today, embracing an agenda which radically reduces the regulatory burden of Australian business that is currently stifling productivity growth.

On human capital investment, over the last several months Labor has released five chapters of our "Education Revolution" - on Early Childhood Education, on Literacy and Numeracy, on a new National Curriculum, on Science and Maths and on the relationship between government and non-government schools – all designed to lift the level of investment and the quality of education.

It should be clear from this list that much of Labor's Education Revolution so far has emphasised the importance of investing early in a child's development and in the quality of the education

they receive. A real choice for a quality education demands a high quality public school system available for all parents who want it, alongside a vibrant private system. Labor's focus on early childhood is based on the science of human development and the economics of human capital. Indeed, empirical studies establish that the rate of return on investments early in a child's development can be as high as ten to one.

A further arm of Labor's productivity-enhancing agenda is our proposal to invest, in partnership with the private sector, up to \$4.7 billion to build a National Broadband Network. This will create a high-speed, 12 megabits per second fibre-optic to the node network for 98 per cent of the country. We propose to lay this network out over a five year period.

Such infrastructure represents a platform for future growth, the diffusion of innovation, and productivity for the economy as a whole, but for small business and the regions in particular. We believe the Broadband Revolution is critical to the overall trajectory of small business formation – just as we also believe that the absence of an effective broadband network over the last decade has been one of the factors at work retarding productivity growth. Indeed, the Government's own advisers have estimated that the economic benefits from such infrastructure could be up to \$30 billion each and every year.

Business Regulation

The third arm of Labor's productivity agenda that I want to address for the first time today is how we systematically go about reducing the level of over-regulation of the Australian business community.

The truth is business regulation is now right out of control.

The quantity and complexity of business regulation today is eating away at the entrepreneurial spirit of Australian business. But while enterprise is necessary to drive long-term economic growth, too much of our business community's time, effort and attention is being consumed by glorified compliance agents on behalf of governments, both Federal and State.

This is stifling the incentive to take risks and to innovate. It throws sand in the engine of economic growth. Australian businesses know exactly what I mean.

Their world is now characterised by operations which cross jurisdictions; clients that hail from other states; and the ever increasing reach of more arms of government – not always bad, but often cumbersome and disconnected from other arms of government.

They hear the talk of cutting red tape but the regulations just keep piling up; government departments still don't talk to each other, resulting in conflicting advice and finger-pointing; the small business voice is often not heard or often heard too late; and nobody is ever held accountable to drive this reform in government.

The Productivity Commission estimates that the cost of compliance with business regulation is up to 4 per cent of GDP, or \$40 billion dollars per annum.

In fact the latest annual Productivity Commission *Report on Regulation and its Review* released last year revealed that the Commonwealth's compliance with its own regulatory impact processes is now worse than it's been at any point in this Government's lifetime.

Of the 32 pieces of primary legislation that required Regulation Impact Statements, only 28 were actually carried out, and only 19 were adequate. And for the eight regulatory proposals that had what the Commission regards as the most significant impact on businesses, *not one* of the Regulation Impact Statements was adequate. Notably, the Productivity Commission even deemed the Government's RIS for its WorkChoices laws to be inadequate. And today we see the impact of this with business having to pay for professional advice to determine what minimum wage determinations now mean for their employees.

In my view, a new sense of urgency needs to be injected into the regulatory reform task. And that requires getting the incentives for reform right.

There are too many incentives to regulate and too few to deregulate. This is where Commonwealth leadership is required.

Today I want to outline a way forward for a coordinated national strategy to radically reduce the regulatory burden on productive Australian businesses.

First, we will set a national objective in partnership with the States and Territories to harmonise key regulations imposed on businesses operating across jurisdictions within five years of coming to office. This includes occupational health and safety regulation, administration of payroll tax, building codes, and trades and professional body recognition. This does not mean, for example, taking away the rights of individual States to set payroll tax rates and thresholds. Rather, it means getting common standards into the bread and butter of regulation – harmonising definitions, procedures and reporting requirements. This is where the productivity gains can be made. Work on some of these areas is already underway, but it needs to be broadened, and driven to a clear timetable.

Second, we will achieve this harmonisation objective by making the Federal and State Governments accountable. To do this, I will be commissioning the Productivity Commission through the COAG Reform Council to be responsible under statute for estimating the costs and benefits of harmonisation in each area.

Third, recognising that there are significant national benefits from such reforms, a Federal Labor Government will provide a financial incentive to reward State and Territory governments that implement the reforms. A Federal Labor Government will reward results and not just promises, using a model similar to that which existed under the National Competition Policy reforms.

Fourth, once we've got a process to eliminate unnecessary existing regulation, we need to put in place a system that will protect businesses from new, unnecessary regulation. Where regulation has potential impacts on business, those impacts will be assessed through a rigorous Regulation Impact Statement process. In addition, I will establish a new Federal Government Small Business Advisory Council to review and comment on Regulatory Impact Statements. Those comments will be included in the RIS.

Fifth, while Mr Howard's Government continues year after year to add more regulations than it removes, Labor will bring this to a halt. We will adopt a "one in, one out" principle for new Commonwealth regulations. In other words, when new regulations are proposed, they must be accompanied by proposals to remove regulations.

Sixth, where possible we will also implement a common commencement date to new regulation, such as July 1st, to provide greater certainty for businesses.

Finally, while the measures I've outlined represent real progress in creating a better business environment, we must also address the concerns raised by studies like the recent MYOB small business survey. This shows that the number one red tape problem for small business operators is the burden of GST compliance. We will implement BAS Simplification as outlined in the Banks Report, and, in consultation with small business, develop a new policy called 'BAS Easy', which will be outlined by my Shadow Minister for Service Economy, Independent Contractors, and Small Business, Dr Craig Emerson.

This is a further step to ease the burden of GST compliance on small business. In addition, we are currently considering giving relief to independent contractors and home-based businesses by raising the threshold for mandatory completion of the BAS from \$50,000 to \$75,000.

Industrial Relations

I also said that today I wanted to outline a number of key features of Labor's alternative industrial relations system – and how we propose to balance the requirements of fairness and flexibility in the system.

Over the last few months both my Deputy, Julia Gillard, and I have done a lot of listening to the views of employers, employees, unions and industry. In fact, Julia is in Perth today doing just that.

We have heard from businesses, from unions and from working families themselves.

The Government has staked its unfair laws on the need for economic reform.

But why, if this was such an important economic reform, has the Government never asked its own key economic agency, the Australian Treasury, whether its laws were what the economy needed?

In February this year, Treasury confirmed again that the Government had not bothered to ask for an analysis of the effects of the changes since their introduction.

But they are not the only numbers being kept from the Australian public.

Last year, detailed analysis by the Office of the Employment Advocate showed every AWA lodged cut at least one protected award condition. But then, within weeks, the OEA suddenly stopped collecting that data.

Today we read reports of secret Government statistics revealing that 45 per cent of AWAs sampled take away all award conditions from workers – precisely the award conditions that the Government’s advertising campaign told us were protected by law.

And while the Minister tells us that AWAs are offering “bucketloads” of flexibility, he isn’t giving us even the smallest drip of data to back that up.

We all know if the Government’s IR laws were so good, we wouldn’t hear the end of it. Every day would bring research, statistics and analysis.

But we hear nothing.

We believe Australia can go forward without throwing the fair go out the back door.

These unfair laws have stripped away basic conditions and the take home pay of hardworking Australians.

And then they have Mr Howard telling them that they “*have never been better off*”.

A Federal Labor Government will create a new workplace relations system that is simple, fair and flexible – and we will get rid of Mr Howard’s unfair laws once and forever.

Our laws will abolish AWAs – and we will do so without apology.

Our laws will return the right to basic working conditions – like penalty rates, overtime and public holiday pay.

Our laws will ensure a minimum wage, set by the independent umpire that keeps track with living standards.

Equally, our laws will recognise the legitimate requirements for flexibility for a modern economy.

Some in the labour movement have argued for a return to predominantly State-based jurisdictions.

I reject that view because we must recognise that business, large and small, is increasingly operating across state borders.

Federal Labor’s objective therefore is to create a uniform, national industrial relations system for the private sector.

Under the Howard Government’s laws, businesses in the private sector are caught in a legal mess, uncertain which laws apply to them.

A Federal Labor Government will achieve nationally consistent laws for the private sector.

This will be achieved either by State Governments referring powers for their residual responsibilities for private sector industrial relations or through other forms of co-operation and harmonisation. This cooperative approach contrasts with other proposals recently advocated in New South Wales which would have seen that jurisdiction being surrendered blindly to Mr Howard’s unfair workplace laws.

I am greatly encouraged by the co-operative approach already taken by my State colleagues in discussions on this matter. Some States have already indicated they will be prepared to positively consider a referral under a Federal Labor Government's proposal for a fair and flexible industrial relations system.

I don't pretend that the process will be easy. It won't be.

Federal Labor intends to give sole traders, partnerships and companies a uniform industrial relations system – a uniform system for the private sector.

Under Labor, whether your employees are in Bundaberg, Bright or Bunbury the same system of laws will apply.

Current arrangements for the public sector and local government will continue with many of these workers regulated by State industrial relations jurisdictions.

But we should be under no illusions about the possibility of Mr Howard forcing teachers, nurses, and police off enterprise agreements and on to AWAs - leveraging the Commonwealth's financial payments to the States in these sectors as he has already done with universities.

Second, working families understand that quality and secure jobs rely on a prosperous economy.

They know that improved living standards come with improved productivity in the workplace.

And they also understand that this country cannot afford to see increases in industrial disputes which put at risk Australia's global reputation.

There can be no going back to the industrial culture of an earlier age.

That is why a further reform for the industrial relations system we propose will be to outlaw industrial action unless there is a secret ballot.

The only time industrial action will be legally permitted is if it is taken in pursuit of a collective enterprise agreement during a bargaining period. And even then it will only be protected from legal penalty if it is authorised by the employees who will be taking the action through a secret ballot supervised by the independent industrial umpire.

Under our laws, employees will not be able to strike during the term of a collective agreement. They will not be able to strike unless there has been genuine good faith bargaining. They will not be able to strike in support of an industry wide agreement. And they will not be able to strike unless it has been approved by a mandatory secret ballot.

Labor has never before required mandatory secret ballots to authorise the taking of industrial action.

Labor's new laws will require it.

We require these clear, tough rules to make the point that industrial disputes are serious. They hurt workers, they hurt businesses, they can hurt families and communities, and they certainly hurt the economy.

There is too much at stake. When Julia Gillard meets with representatives of the resources sector in Perth today, they will be talking about the \$80 billion of resources project planned or in progress in Western Australia. They will talk about the importance of reliability and delivering on contracts to customers around the globe.

Third, industrial action comes at a cost to the economy. It therefore should not be without cost to those engaged in it.

That's why under Labor's new laws it will also be unlawful for employers to pay strike pay.

Fourth, Labor's plan also includes new unfair dismissal laws which will allow businesses to go forward while treating workers with fairness.

Australians are hard workers. In return for a fair day's work, they are entitled to a fair day's pay. And in return for their hard work and their loyalty to their employer they are entitled to decent treatment, to a fair go.

Part of being treated decently is having the reassurance of knowing that if you work hard and do the right thing by your employer your job is secure, and you cannot be unfairly dismissed.

Under Mr Howard's laws, 3.6 million workers are employed in businesses where they can be dismissed at any time for no reason at all.

Even in bigger businesses you can be dismissed at any time for so-called 'genuine operational reasons'.

The vast majority of Australian businesses value their staff and would never unfairly dismiss them. It is also in the interests of business to treat staff fairly.

But Labor will also therefore create a balanced system where Australian employees have protection against unfair dismissal and to receive an appropriate remedy if they are unfairly dismissed.

Labor will give employers the opportunity to see how employees fit into their business, meet the requirements of the job and work with colleagues and customers.

Under Labor's system an employee can only make an unfair dismissal claim when they have worked at least one year in a business with less than 15 employees.

We believe this passes the common sense test for small business. A full year should give any small business operator the time to make an evaluation about whether new staff are going to fit into their business.

This represents a significant change to Labor's previous policy for small business.

For businesses employing more than 15 people, employees will be exempt from unfair dismissal laws for six months.

The process for dealing with *all* unfair dismissal claims will also be streamlined. Labor's new industrial umpire will have local offices in regional and suburban areas and will be able to go to the workplace or any other agreed venue to resolve the claim.

Claims will need to be filed quickly – usually within 7 days - and heard quickly. There will be no lawyers involved. Every endeavour will be made to resolve claims by discussion. If that can't be done, the umpire will make a quick decision so the parties can move on.

Labor recognises, too, that small business owners don't usually have the time or expertise to go through complex procedures of repeatedly warning an employee about unsatisfactory performance, spacing written warnings correctly apart and complying with other legalistic processes.

Labor will, in consultation with small business, develop a Fair Dismissal Code. The Code will be tailored to the needs of small business and will be reduced to a clear and concise reference to help these employers meet their obligations under Labor's simpler unfair dismissal system. Where an employer has complied with the Code, the dismissal will be considered a fair dismissal.

Labor's way forward is a better way forward for both employers and employees. It will be simpler, fairer and flexible – and will not throw a fair go at the workplace out the back door.

Beyond these four new elements of Labor's IR policy – a new national uniform system for the private economy; mandatory secret ballots; the abolition of strike pay; and new unfair dismissal laws that create flexibility for small business operators – other elements of our policy will be progressively released between now and the election.

But for the future, our system will be guided by the dual disciplines of flexibility and fairness, and we believe that we will get the balance right.

Conclusion

When Mr Howard calls the federal election in a few months time Australians will have a clear cut choice.

Mr Howard's government, which is stuck in the past and running quickly out of ideas.

Or an alternative government, which is ready to face the future.

This was no better demonstrated in recent weeks when it fell to Labor to convene a National Summit on Climate Change – to begin the task of forging a national policy consensus on how to respond to the great moral, environmental and economic challenge of our age.

Labor prepared to face the future.

The Government trying to hide from the future.

Increasingly we see this across the breadth of public policy – a government after 11 long years growing arrogant with office, a government running out of ideas, a government gone stale and a government trying to hang on to power through political spin.

Instead, Labor will offer positive plans for Australia's future that anticipate the major changes and major challenges that now confront us – from the rise of China and India, the water crisis that now extends to every state in the Commonwealth, through to the reform of an increasingly dysfunctional Federation.

So this election will be about the future versus the past.

That is the choice working families will make.

And we, on our side, are ready for the future.