

# Keynote address at The Sydney Institute's 2017 Anniversary Dinner

## **PRIME MINISTER:**

Thank you very much Gladys. Aren't we so lucky to have Gladys as our Premier here in New South Wales?

(Applause)

We are indeed.

It is a great honour to be here tonight. Gerard and Anne, thank you very much for inviting me. We are with Her Excellency Menna Rawlings, the British High Commissioner. And of course so many State and Federal parliamentary colleagues.

Also Andy Penn, the Chief Executive Officer of Telstra, who is our sponsor. And so many distinguished supporters of The Sydney Institute, friends and as we just saw, more than a few patriotic New South Welshmen and women.

There is nothing more Australian than competition – deep in our DNA is the drive to be first, to show that we can take on the world, and win, in any field.

Whether we are breaking sporting records like Danny Roach did in hockey, just down here in the front row, or achieving the most consecutive years of economic growth, we compete on our merits and we expect excellence.

Australia needs to draw on that spirit more than ever as we face our biggest test – the race to compete for jobs, investment and exports with the most dynamic markets of the 21st century.

We are living in the most extraordinary time, the most exciting time in human history – with economic change unprecedented in its scale and in its pace.

Most of the technologies which have transformed our world are barely two decades old, many barely a decade old. Andy Penn and I were just talking about the iPhone, the smart phone itself is ten years old.

In less than 40 years China has gone from barely engaging with the world, to being its second, or by some measures the world's largest economy and most countries' largest trading partner.

In an environment moving as fast as this, you can't stand still – complacency is deadly, only the keen competitive eye can see the way to continuing success.

And so we have to bring that competitive drive to our tax system, our energy markets, and our economy.

Most of the burden of high company taxes is borne by workers because high taxes discourage firms from expanding, from hiring and from paying better wages.

The burden of high energy costs is also borne by workers – when manufacturing moves offshore in search of cheaper energy – and by those on lower incomes hard-pressed to afford higher power bills.

And the burden of a less competitive economy is most heavily borne by workers in less specialised industries because those jobs more than others can be done often more cheaply overseas.

And while we usually talk about free trade in terms of driving exports, having access to cheaper imported consumer products has made the household dollar stretch further – once again the higher prices that protectionism brings hit those on lower incomes the hardest.

So, a competitive Australia is a fairer Australia because it provides more opportunities for all Australians.

Now, much of Australia's last wave of growth was turbocharged by exports of natural resources – an area where we have a comparative advantage over many other nations.

But growth in the 21st century will increasingly come from sectors where we have to work much harder – the export of services like health, education, architecture, engineering, the export of primary products.

This is a more competitive field, and the challenge is greater – but so are the rewards.

We want Australian businesses to sell their wares not just to 24 million Australians, but to a worldwide market.

We want the 3.2 billion middle-class consumers who will live in our region by 2030 to look to us for their fresh produce, for their wine, for their higher education, their health care, and their holidays.

My Government's role is to open the door for Australian businesses to venture into these lucrative markets and succeed. And the best way to do that is to enable them and our economy to be more competitive and thus more successful.

So we are focused on the fundamentals of economic progress—creating opportunities to get ahead, creating more jobs, all built on a foundation of economic and national security.

And our economic plan is focused squarely on making Australia an internationally competitive powerhouse.

That is the road to greater and greater success for us.

Now consider this, India and China alone offer a combined market of three billion people.

Closer economic ties with both nations are an important part of allowing us to capture those benefits.

Our efforts to do that are already bearing fruit.

Last month we hosted the Chinese Premier, Li Keqiang, his wife, Professor Cheng Hong, and China's political and business leaders in talks to promote deeper regional and bilateral trade and investment liberalisation.

Our relationship has firm foundations already and Australian businesses are reaping the rewards. One year into the China Australia Free Trade Agreement, tariffs have reduced dramatically with over 85 per cent of eligible goods benefitting from lower tariffs, generating impressive growth in so many exports, including wine, pharmaceuticals, skin-care products, agriculture, and as you saw, while the Premier was here the announcement of increased market access to chilled beef, at a scale unavailable to any other nation.

Among many agreements, Premier Li and I confirmed that we will press ahead with the next phase of ChAFTA implementation by starting talks on the further liberalisation of services and investment.

Now alongside China, India is a land of immense opportunity for Australia. Next week I will visit India, where Prime Minister Modi and I will follow on from our successful meeting at the G20 Summit last year.

India itself is undergoing a dramatic transformation and our close partnership creates big opportunities for both of us.

With a growth rate at more than seven per cent the Indian economy could be as large as that of the United States by 2050.

Our two-way trade is worth almost \$20 billion a year, a figure that has nearly doubled in the last decade but is still far below its real potential.

And our total trade in services has more than tripled over the same period from \$1.3 billion to \$4.4 billion.

So my first visit to India as Prime Minister is a chance to further cooperate across a wide range of sectors including energy, education and trade.

Our joint Australia-India Strategic Research Fund is helping Indian and Australian scientists and researchers collaborate on the technologies of the future. We have supported more than 260 projects with impressive results – heart regeneration, malaria vaccines, crop improvement, nanotechnology.

An Australia-India Centre of Excellence in Mining Technology at India's School of Mines is also helping its mining sector become more efficient and work in a more environmentally friendly fashion.

But there are many more opportunities. India wants to provide energy security to its people through a full range of technologies, including nuclear, clean coal, natural gas and renewables. Australia is well placed to provide many of the raw materials, and some of the latest technology.

The Indian Government is also aiming to train 400 million people by 2022 – we can help them achieve that goal, both here and in India.

So Education Minister Simon Birmingham will accompany me and will be pressing the case for Australian education providers.

Education is already our second largest export to India worth \$2.3 billion last year. India now represents the second highest source of international students for Australia, with more than 60,000 in 2016. And we are in fact the second most popular destination for Indian students after the United States.

So as our neighbours look to upskill their citizens, big markets are opening for Australia's international education. But this is also a very highly competitive field and we have to work hard to retain and build on our success to date.

International education is our third largest export after iron ore and coal. Reaching a record \$21.8 billion last year. That's an increase of 17 per cent on the previous record set in 2015 and is accompanied by a high satisfaction rating of the education offered.

But we don't get those deals by waiting for customers to come knocking. We have to aggressively pursue them – and make our businesses competitive enough to succeed.

Now, stronger economic growth as we know is the key to more jobs and we know that depends on stronger private business investment.

Company tax, as I have noted is ultimately a tax on workers, a tax on jobs, a tax on wages. Reducing company tax means businesses can invest more, employ more staff, and pay them more.

An uncompetitive business environment can be the difference between firms investing in Australia or choosing to invest elsewhere.

If we don't act now we will be left behind – not only will we miss out on investment, Australian jobs will go offshore, our living standards will stagnate.

That's why reducing the tax burden on business is so critical to our competitiveness – no other single tax reform by the Commonwealth can do more to grow the economy.

Last week we cut the company tax for 3.2 million small and medium sized businesses, incorporated and unincorporated. 883,000 of them are incorporated businesses. Collectively, these businesses from tiny, one person small businesses to businesses turning over \$50 million a year, collectively they employ 6.5 million Australians – more than half of the Australian work force. And despite all of the pundits, and all of the predictions, we have secured the passage of those reforms through the Australian Parliament last week.

We have now delivered every tax cut we promised for this term of government – just as we set out at the election.

And we are committed to delivering our full company tax policy, which will progressively reduce company tax to 25 per cent for all companies over the decade. We will continue to work hard to secure the support of the cross-bench for that.

Treasury modelling shows that once fully implemented, our policy will permanently increase the size of the economy by more than 1 per cent – that's more than \$17 billion in today's dollars, every single year.

But that doesn't take into account, that modelling does not take into account the consequences for our economy if we do not reduce business taxes, while other countries continue to reduce theirs. Just five days ago, the United Kingdom cut its corporate tax rate to 19 per cent, and will cut it to 17 per cent by 2020. The United States, of course, is proposing an even larger reduction. President Trump is talking about a 15 per cent tax rate. But imagine if they only managed to get to 20 per cent?

We cannot pretend that Australia will be able to compete successfully for capital, business investment and jobs if the cost of doing business here is so much higher than in comparable countries.

We are part of an intensely interconnected global economy. Globalisation is not just a buzzword, it's the world, it is reality. Businesses make rational choices and the fact is, the overwhelming majority of companies will invest in countries where they can maximise the return on their investment.

Now we will miss out on that investment unless we remain competitive.

If the private sector does not invest, or invests less, the whole economy, the whole nation, suffers.

Businesses lose out on the investment they need to grow and compete.

Workers lose out because there'll be fewer jobs and lower wage growth.

And families lose out through lower household incomes.

So as the Reserve Bank's Governor noted earlier this year – just as every Australian business is looking to grow and create jobs knows – this is a challenge to which we must respond.

Now while we support lower tax rates, we believe in tax reform, we also note that paying them is compulsory. We do not support the self-help approach to tax reform.

So by ensuring the integrity of Australia's tax base, including multinationals paying their fair share of tax, and you would've seen the results of that in today's newspapers, we are able to deliver a lower, more competitive company tax rate that benefits all businesses.

Now the Labor Party voted against our multinational anti-avoidance laws in 2015 just as they have voted against tax cuts that will benefit more than 3 million businesses and more than half of Australia's workforce.

Labor's policy is simple. Mr Shorten is happy to visit one business after the other and give them a selfie – but he won't give them a tax cut, because according to him that's a "handout", it's a "handout".

In other words, Labor believes that the profits of every business in Australia belongs, in the first instance, to the government. Anything that shareholders manage to keep after tax is apparently an act of benevolence from the Government, from the government that Mr Shorten presumably aspires to lead.

Now, never mind that many of these shareholders are superannuants who are relying on strong returns to fund their retirement. Labor is now openly, proudly, avowedly hostile towards the private sector. This is the most anti-business Labor Party we have seen in generations. And they forget that seven out of eight Australians work in the private sector.

The success of Australia's businesses, large and small will determine our prosperity.

So it is no surprise that despite Mr Shorten's self-proclaimed focus on "jobs, jobs, jobs," Labor has opposed every Government measure to grow the economy and generate jobs. And while they oppose Government measures – including those they once supported – they have failed to offer a single alternative of their own. You could say a single credible alternative but they do not, in fact, even vouchsafe an incredible alternative.

The Labor Party has not one policy that they claim will encourage one company to invest \$1 or hire one employee. And that tells you a lot about the nature of the political discourse today.

We remain committed to economic growth, to supporting business, to providing the incentives, conventional. There used to be a time when both sides of politics recognised that cutting company tax was the way to deliver greater investment, greater productivity and more employment.

In fact, Bill Shorten described it in exactly those terms almost precisely quoting him only a few years ago, and now we see this extraordinary divergence, with the Labor Party has gone to war with business, believes that you can have an uncompetitive tax rate in Australia and it won't affect investment apparently or they don't care. It won't affect employment or they don't care.

It is a narrow, bitter, defeatist populism that is guaranteed to do only one thing – to see us fall off the back of the economic pack and tumble backwards further and further, losing the prosperity that the hard work and the reform of our generation and those before us have won.

Now, along with tax relief, affordable and reliable energy is critical to job creation, growth and a more competitive economy.

Energy is the indispensable enabler, for families, for businesses, for the whole economy.

Now we face a challenge and an opportunity in energy.

Our immediate challenge is to become more cost competitive. Three decades ago Australia's energy was the cheapest in the developed world, now it is among the most expensive.

Over the past 10 years electricity prices for families and small business have doubled. And in the ten years to 2014, industrial electricity prices well outpaced inflation.

Without intervention, prices are likely to rise further. The Australian Industry Group predicts that current and forecast increases in gas and electricity prices will add \$10 – \$12 billion per year to costs. Most of that – nearly \$9 billion – is borne by business. Ultimately, of course it is borne by us all.

Now, the disruption in the energy sector is profound.

We are moving from an electricity system where power was generated by large, centralised, synchronous, mostly thermal power stations and then distributed the length and breadth of the National Electricity Market.

Renewable energy – particularly wind and photovoltaics – are distributed whether it is around the countryside, or on the roofs of our homes. At the same time they are variable – the wind capacity of South Australia can provide all of the State's demand and more at one moment or none of it the next. Think about it.

The gas market has its own problems. We are about to be the largest export of LNG, yet we now have some of the most expensive gas in the world. Our industries are paying two, three, and more times as much for gas as firms in the United States. Indeed, gas is cheaper in many of the markets we export to than it is here in Australia.

This has grave implications for our industries which depend on affordable and reliable gas and for the reliability of our electricity system for which gas is a key fuel, especially at times of peak demand.

South Australia is probably the case study of what not to do. A massive investment in wind was made, base load coal fired power was decommissioned, gas peaking plants were mothballed – nothing was done to provide for energy storage or backup beyond relying on a long extension cord to the LaTrobe Valley in Victoria.

The result – one blackout after another and the most expensive and least reliable electricity in Australia.

So this is what we are doing to fix it.

We are putting in place the large scale storage Australia will need to make renewables reliable – most notably the development of Snowy Hydro 2.0 which will see the increase of the Snowy Mountain Scheme's capacity by 50 per cent and the largest pump hydro storage scheme in the southern hemisphere.

We have obtained a guarantee from the gas producers on the east coast that gas will be available for peaking plants in this coming Summer – better protecting Australians from blackouts.

And we have told the gas industry that the disparity between domestic supply and prices to international alternatives is untenable. They must reexamine their production, transportation and retail operations, their marketing and contracts, to improve liquidity, increase supply in the domestic market and ultimately lower prices.

And we will continue to press state governments to open up their extensive onshore gas reserves for development.

The Victorian Labor Government's ban – this is a government I might say that has a 50 per cent renewable energy target – this government has a ban on both conventional and unconventional gas in a state which is full of gas.

This is the fuel, if you want to have lots of renewables, you need to be able back it up when the wind isn't blowing and the sun isn't shining.

So you've really got two alternatives. You either have storage, and yes we should have a lot more of that and we are certainly setting out to deliver that and to enable that. But you also need peaking power. What is going to fuel that? It is going to be gas.

So you'd think the Victorians would understand the importance of that gas resource, but they have locked it all up. Not just the unconventional resource where fracking is deployed but conventional gas resources. It is one of the most baffling, self-defeating energy policies in Australia.

Between South Australia and Victoria, you see what happens when ideology triumphs over common sense.

Now the same applies to electricity markets. That's why we have asked the Australian Competition and Consumer Commission to examine the prices charged to households and business, and all the relevant factors from the wholesale markets.

And we have commissioned Australia's Chief Scientist, Alan Finkel, to lead a panel that will provide a blueprint for energy security, while implementing our 2030 emissions reduction commitments. I cannot stress too much that the scale of the disruption in the energy markets – to move from a centralised system of generation to one that is distributed and variable is enormous. It is a profound change. It offers many opportunities but many challenges and that is why the work that we are doing, we are tackling that challenge now and putting in place both the capabilities, the planning and the engineering to ensure we get it right.

Economics and engineering are our guides in this work, not ideology and politics.

Affordable, reliable energy which enables us meet our emission reduction goals – that is the policy trifecta we will deliver and as we do ensure



energy becomes, once again, an advantage not a handicap.

Now, building an internationally competitive economy is a vital element in our push to create a nation of opportunity and security.

Our business tax cuts enable small businesses, family businesses, to invest more, hire more and compete with the rest of the world.

We are making markets more competitive by strengthening section 46 of the Competition and Consumer Act.

The record investment in our Defence Industry Plan not only delivers the capabilities our ADF needs, it provides the high tech platform that reboots advanced manufacturing, delivering thousands of new jobs and unprecedented spillover benefits.

Our investment in infrastructure keeps us competitive by connecting people with jobs, making our cities and regions more liveable and getting our goods to market.

We are helping get parents back into the workforce with our child care reform package.

Our Youth Jobs PaTH Program gives young who are unemployed on the job training that will help them find, and keep, a job.

Our record spending on education is matched with a commitment to high quality teaching – we must arrest the continuing decline in student performance relative to our competitors by insisting on higher standards.

And just as our education system provides opportunity, the fact that we have regained control of our migration system allows us to focus on attracting the world's best and brightest minds, for the benefit of Australia.

And our focus on budget repair will ensure that future generations of Australians can enjoy the same services and quality of life that we do.

26 years of unbroken economic growth should give us the confidence to meet the challenge of a global economy changing at a scale and pace unprecedented in human history.

But we cannot afford to let that confidence turn into complacency. We may be the lucky country, but we make our own luck by ensuring that every element of our strategy is calculated to ensure our success.

Labor, by contrast, cannot point to one policy which would encourage a business to invest or a business to employ. They want both businesses and individuals to pay higher tax and at the same time want to run bigger deficits with more debt.

Are Labor fools or knaves? Are they really so economically illiterate that they believe our open market economy can succeed if our company taxes are 50 per cent higher than our competitors for investment and capital? Or are they

just dishonestly using one populist line after another to deceive the people long enough to get into Office?

The truth is that without a competitive economy you cannot secure the investment and growth you need for families and businesses to get ahead, and you cannot generate the tax revenues to pay for the services Australians need.

Labor would see us fall off the back of the pack, slipping further and further behind until we were no longer a prosperous, high wage, first world economy able to afford a generous social welfare safety net.

The future of our children and grandchildren depend on our staying the course as we deliver our economic plan – driving investment, economic growth, employment and bringing the budget back into balance.

This is a time to see the world as it is, not as we would like it to be, or fondly imagine it once was. It is a time to face up to the challenges and seize the opportunities of this extraordinary time in human history and as we do secure Australia's future prosperity.

Thank you very much.

**[ENDS]**