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Where is Australia Headed? David Penington

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Introduction

2016 is a critical time in our development as a nation under a renewed coalition government, led by Malcolm Turnbull, Prime Minister for just nine months. Over more than fifteen years we lived through a remarkable mining boom, with a huge opportunity to enhance national wealth. Now with commodity prices falling month by month, we have still not, as a community, faced up to the reality that the developing world will not be lining our pockets because of shortage of commodities. High cost producers continue to fail and those with highly efficient operations will pay much smaller dividends.

Both sides of politics share the blame for our current situation of fiscal over commitment and government debt. Reduced income from tax concessions and remarkably generous arrangements in superannuation were granted in the last two Howard (conservative government) years 2005-2007. This was followed by big new commitments by the Rudd-Gillard Labor governments, stretching for years, in both health and education without identified funding. Labor opposition through our Senate, for 3 years since they lost government in 2013, has consistently blocked curbing these over-commitments. In our July 2016 election, they used government's refusal to recommit to huge further health expenditure over five years as a basis for a dishonest scare campaign in the last three weeks before voting, claiming that the government was planning to 'privatize Medicare'. This was justified on the grounds that government had, under consideration, the possibility of outsourcing reconstruction of a badly antiquated electronic system designed in the 1970s for claiming reimbursement for services. Old people received telephone messages at their homes late at night telling them that if the government was re-elected on July 2nd they might lose access to health care!

The Hawke and Keating Labor government, in the 1983 recession, was a major economic reformer. It gained agreement to freeze wages until major economic reforms were implemented, with bipartisan support. They introduced Medicare. Sadly, it is currently hard to see a similar approach being achievable in our now badly polarized political system. We need to identify a common pathway with which the whole community can identify.

What are the big issues?

We have, since WWII, seen alliance with the US as our prime source of protection, both militarily and economically. However, to continue to tie ourselves to its coat-tails makes no sense; it has its own problems. It spent huge resources in its military adventures in the second Iraq War, Afghanistan and elsewhere to

the point where its debts are huge. It may be that following the next presidential election it will become more isolationist (Both contenders indicate that international free-trade agreements may not be honored).

As a nation we are singularly fortunate in being strategically close to Asia and did enjoy huge demand for coal and mineral resources, now greatly lessened. We have to look at exporting services and advanced manufacturing products, building on our well-educated population and a developed base for research. We need vigorous partnerships in industry to change our ways. The decision to partner with France to develop a new submarine fleet shows recognition of both the need to move into sophisticated manufacturing and to build our own defenses.

What do we see as our national strengths?

The man or woman on the street would probably nominate sporting achievements. We put great store by them, but this will never be a base for international economic or cultural leadership.

We certainly have a stable society and democracy, well-established finance and business institutions, many strong and vigorous universities, CSIRO and other research institutes. We also have good cultural institutions and a well-functioning health care system, although this needs reform through research to improve services in a cost-effective way. These are attractive to our Asian neighbors, whose societies are still evolving.

We are a multicultural society following huge and varied immigration since WWII. We need to make the most of our cultural diversity and build on our strengths. Our higher education system attracts large numbers of private overseas students. Our schools need specific support to reach the highest levels in mathematics, science and related subjects, as some of our Asian neighbors offer, but this is but part of our challenge.

What must be done?

In the US after WWII, research in its universities and research institutes was enhanced by heavy federal investment with expectation of partnership with industry. The culture of innovation was strong and became stronger with staff moving backwards and forwards between academia and industry as we see in Silicon Valley and elsewhere. We have never seen such in Australia. Our Collaborative Research Centers were introduced in the 1990s, but even these lag and have to fight for renewal of programs. Our research funding bodies are still tied to our academic tradition

of preoccupation with publications rather than translation of research through industry to benefit the community. Our research strengths in the biomedical area need to be built on through developing companies as seen in CSL, Cochlear and Resmed. These are examples of what must be achieved.

There has been opposition in the community to reducing taxes on companies to make them internationally competitive, but unless we are competitive internationally we will fail to attract the key partnerships we need to serve developing countries in our region, which represent the basis of our competitive advantage as a nation.