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Reform summit: Summit needs to agree reform must occur





Opposition Leader Bill Shorten and Prime Minister Tony Abbott. Reform can quickly become mired in politics.

by Gary Banks

Will Wednesday's do-it-yourself National Reform Summit prove successful in helping to bring about the reform breakthrough this country needs? The answer depends on how we measure success. It seems too much to expect the diverse interests represented to agree on a list of truly productivity-enhancing reforms. But could the summit at least serve to elevate publicly the urgency of reform and provide guidance and support for governments' efforts?

The summit is motivated by the reality that governments have shown themselves incapable of overcoming political and sectional opposition to key policy initiatives. The political headwinds have indeed been strong. But it was ever thus. The art of reform is in finding ways to weaken opposition and build support for policies that benefit the majority. This can be hard, but the reformer's life was never meant to be easy.

The commonly-cited recent examples of reform failure in the face of pressure, such as the previous government's tax twins (mining and carbon) and the ill-fated budgetary initiatives of 2014 should not be seen as indicative of reform's true potential. All of these 'reforms' were arguably predestined to fail. And some, to be frank, deserved to fail - being either wrong-headed or poorly-handled or both.

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But there are some real reforms that greatly need to succeed if we are to support living standards and job prospects for our burgeoning population, and avert the malaise gripping Europe. Paramount among these, given that monetary and fiscal conduits for boosting demand have reached a dead end, are policy initiatives to boost the supply side of our economy.

In my final speech on leaving the Productivity Commission nearly three years ago, I compiled a to-do list of such pro-productivity reforms, drawn from a variety of inquiry reports over the years. The list was a long one. Having another look, it remains a long one. While there have been initiatives in a few reform areas, in most there have not – and in some we have gone backwards.

In the crucial areas of taxation and industrial relations, public inquiry processes have been enlisted once more. But the very length of the to-do list itself illustrates that such inquiries cannot be a panacea. How such reviews and their recommendations are handled by government is more important still.

Mixed messages and policy surprises

More recently, governments of neither political persuasion could be said to have distinguished themselves in this respect. In place of clarity of intent and the consistency of narrative that characterised the 'reform era', the past decade has subjected the community to mixed messages and policy surprises. Behind these have been inadequate consultation with some key stakeholders and excessive consultation with others. It is unsurprising, therefore, that recent opinion polls reveal a loss of trust in government's ability to execute reform.

It is now common to lay the blame for policy dysfunction on the advent of 24/7 media, with its relentless pursuit of content, its sensationalism and its intolerance of delay. While this and related trends have undoubtedly made the reformer's life (even) harder, that genuine reform can still be made to work politically is illustrated by the recent return of the NSW and New Zealand governments.

In the opening session of the Australia and New Zealand School of Government's annual conference last year, Joe Hockey asked his New Zealand counterpart for the secret. Bill English's reply, "we copied Australia", might have baffled some of the younger public servants present. But the rest of us knew what he meant: an approach to reform that the OECD still refers to as the 'Australian Model' – inclusive, evidence-based processes and a consistent political narrative about how citizens gain from a more competitive and productive economy.

So what could this latest summit do to help secure real, productivity-enhancing reform? It would be great if it gave its endorsement to specific measures identified by some of the more authoritative independent public reviews. But union reactions to the Productivity Commission's modest proposals for industrial relations do not augur well. Also, it must be said that the best taxation and superannuation solutions for the country are unlikely to emerge from negotiations among interested parties (as the mining tax demonstrated).

But if the summiteers could agree on just three things, progress will have been made. First, that the future prosperity and wellbeing of Australians, including those experiencing disadvantage, depend on a strong economy. Second, that securing this will require structural reforms to boost the economy's supply side. Third, that while such reforms may involve losses for some in the short term, compromises will be

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accepted in the longer-term interests of the community as a whole. The rest would be up to government itself.

Gary Banks is chief executive and dean of the Australia and New Zealand School of Government and a former chairman of the Productivity Commission. The views expressed are his own.

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