



Australian Government

Department of the Prime Minister and Cabinet



WHAT ARE THE STRATEGIC POLICY PRIORITIES TO COMMENCE POLICY DEVELOPMENT?

BRIEF TO THE PRIME MINISTER, THE HONOURABLE TONY ABBOTT MP

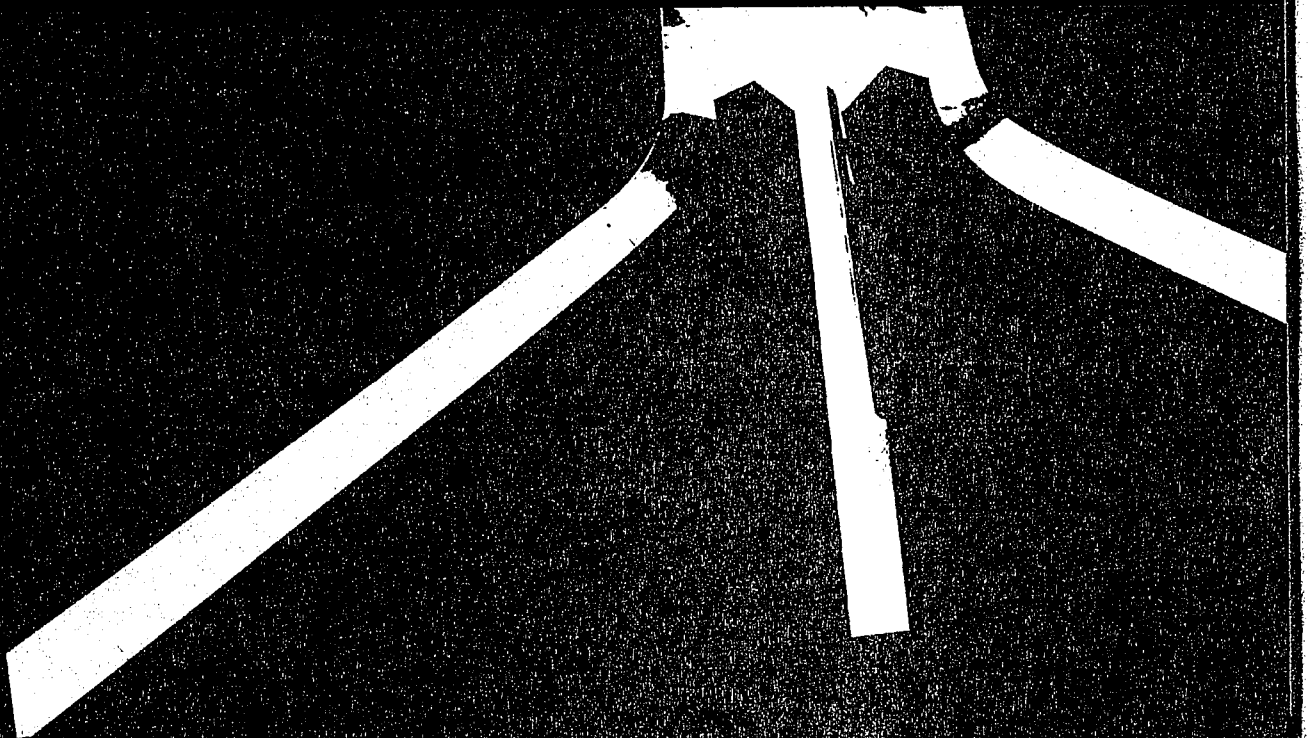
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1. INTRODUCTION



VOLUME B

Volume B of your Incoming Government Brief provides an extension of Volume A. Each subject is covered more extensively here, with further analysis and recommendations provided. Consistent with the rest of the document, the material in Volume B is structured around four themes: economic prosperity, a cohesive society, a healthy environment and Australia's national security and international interests.

This volume melds your election commitments and strategic agenda with further complementary initiatives in a consolidated plan.

Chapter 2: Major commitments and policy areas requiring early action includes a one-page brief on each of your major election commitments and urgent policy matters with recommendations to take forward each of these issues.

Chapter 3: Key strategic challenges facing Australia describes in greater detail the strategic medium- to long-term challenges set out in Volume A, chapter 3 as well as some further challenges and recommendations.

Chapter 4: What is required to successfully deliver your agenda? describes in greater detail those issues outlined in Volume A, chapter 4. It suggests a way to prioritise and plan your Government's agenda

Chapter 5: What changes are required to the structure of government? describes in greater detail the machinery of government changes outlined in Volume A chapter 5 that will assist in aligning the ministry and public service with your priorities and support the effective delivery of programs. It also makes a series of further minor machinery recommendations not set out in Volume A.

Volumes C, D, E and F offer more practical advice on the day-to-day running of your Government, official establishments and your relationship with the department.



2. MAJOR COMMITMENTS AND POLICY AREAS REQUIRING EARLY ACTION



a. **Budget process to implement election commitments**

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Contact: Dom English
Economic Division (6271 5506)

b. Content and timing of the Economic Statement

The Government has announced its intention to issue an Economic Statement within one month of coming to office.

Contact: Dom English
Economic Division (6271 5506)

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c. Debt Reduction Taskforce

In the election campaign, the Government announced its intention to establish, in the first week of its term, a Debt Reduction Taskforce (the Taskforce) to be co-chaired by the Treasurer and the Minister for Finance.

You indicated this Taskforce would examine the state of the national accounts and prepare a comprehensive debt reduction strategy.

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Contact: Dom English
Economic Division (6271 5506)

d. **Establishing an Office of Due Diligence**

Contact: Andrew Jagers
Office of the Coordinator-General (6271 5016)

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e. Tax reform—lower, fairer, simpler

Early decisions should be taken to confirm your election commitments:

- not to change the existing mining tax arrangements or proceed with related measures of the previous government (which form part of your announced savings)
- to reduce the company tax rate to 28.5 per cent from 1 July 2013, and
- to release of all information relating to the Australia's Future Tax System (Henry) review.

In the short term, the Government has also committed to:

- maintaining current research & development (R&D) tax incentive arrangements until at least 1 July 2011, and consulting with industry on more attractive investment incentives
- exploring tax based options to support exploration, and
- providing PAYG taxpayers with a tax receipt.

f. **Real action on sustainable population growth**

The Government has announced a range of immigration and population-related commitments

Contact: Dom English
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g. Planning for an early meeting of the Council of Australian Governments

You have committed to a Council of Australian Governments (COAG) meeting within three months of the election.

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Contact: Dom English
Economic Division (6271 5506)

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h. Implementing your commitments on broadband

Contact: Paul Schreier
Industry, Infrastructure and Environment Division (6271 5597)

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i. **Implementation of Australian Public Service staff freeze**

There are a number of immediate actions that will need to be taken to ensure departments and agencies are acting in a manner consistent with the Government's intention to apply a staff freeze to the Australian Public Service.

You announced the two year recruitment freeze to reduce public service numbers would apply on an agency-by-agency basis, with uniformed and frontline positions (Australian Federal Police, customs and quarantine, Australian Defence Force and Centrelink customer service staff) to be excluded. The announcement advised there would be no redundancies, but for two years the 6,000 bureaucrats who retire or resign each year will not be replaced.

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Contact: Dom English
Economic Division (6271 5506)

j. Delivering practical improvements on health and hospitals

You have committed to convene your first COAG meeting to reach agreement on public hospital boards and more beds in the first three months of government.

The Government has signalled its intention to take practical action to:

- improve governance and local accountability for management and control of public hospitals, including through establishment of independent hospital boards
- consider the Commonwealth's future funding contribution for public hospital services, while maintaining the option of moving to 100 per cent funding on an activity-basis if requested by states
- increase investment in additional public hospital beds, frontline mental health services, the nursing workforce, aged care, GP services and regional health services, and
- redirect funding currently committed to a range of National Health and Hospitals Network measures.

Contact: Yael Cass
Social Policy Division (6271 5266)

k. Paid parental leave

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*Contact: Rebecca Cross
Office of Work and Family (6271 5400)*

I. **Delivering outcomes for Indigenous Australians**

You have committed to ten priorities to improve outcomes for Indigenous Australians. Several critical issues will require early consideration to ensure that your action plan for Indigenous Australians is on track:

Contact: Yael Cass
Social Policy Division (6271 5266)

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m. Inspect all homes with insulation installed under the Home Insulation Plan

Early action is required to implement your commitment to safety inspections of all homes with insulation installed under the Home Insulation Program (HIP) and removal of insulation.

Under the current safety inspection programs, arrangements are in place to inspect all 50,000 homes with foil insulation and at least 150,000 homes with non-foil insulation. The cost of this work is funded from remaining funds from the Energy Efficient Homes Package.

n. **Redirection of school infrastructure funding to individual schools**

You have committed to taking immediate action to re-direct unspent funding under the Primary Schools for the 21st Century (P21) component of the Building the Education Revolution (BER) program to individual schools.

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*Contact: Andrew Jagers
Office of the Coordinator-General (6271 5016)*

o. Murray-Darling Basin water reform

The Government has committed to the Murray-Darling Basin Authority (MDBA) releasing the *Guide to the Proposed Basin Plan* (the Guide) for public consultation within two weeks of the election.

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Contact: Paul Schreier
Industry, Infrastructure and Environment Division (6271 5597)

p. Suspending the current marine bioregional planning process

The Government has committed to immediately suspend and restructure the marine bioregional planning process, which would see the establishment of a network of marine protected areas.

*Contact: Paul Schreier
Industry, Infrastructure and Environment Division (6271 5597)*

q. Direct action on climate change

Early decisions will be required on the Emissions Reduction Fund to meet your commitment that preparations for the Fund will be underway within three months. Early action will also be required on implementation arrangements for your proposed renewable energy programs in order to manage program design and risk issues.

r. **Montara Commission of Inquiry**

The Commission of Inquiry Report into the uncontrolled release of oil and gas from the Montara Wellhead Platform in the Timor Sea was provided to the former Minister for Resources and Energy on 18 June 2010.

The previous government had not released the report nor developed an Australian Government response prior to the election.

The Commission of Inquiry was established under Part 9.10A of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and tasked with identifying the likely cause(s), the adequacy of the response and the effectiveness of the regulatory regime, including any changes that may be required to further strengthen existing arrangements.

Contact: Paul Schreier
Industry, Infrastructure and Environment Division (6271 5597)

s. **Border protection: People smuggling and unauthorised maritime arrivals**

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Contact: Tony Sheehan
Homeland and Border Security Division (6271 5917)

t. **International engagement**

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Contact: Patrick Suckling
International Division (6271 5628)

u. Afghanistan

Afghanistan is Australia's most complex and pressing foreign and defence policy priority. An early visit by you to Afghanistan will be vital.

v. **G20**

G20 is the premier leader-led forum for global economic cooperation. The G20 has demonstrated unprecedented coordination and cooperation in driving a coherent response to the global financial and economic crisis. Through the commitments made by Leaders, the G20 is pursuing comprehensive reforms to transform the global economy by strengthening economic growth, regulation, markets, institutions and governance to more effectively minimise the risk of, and respond to, crises.

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Contact: Patrick Suckling
International Division (6271-5628)

w. Cyber threats

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Contact: Rachel Noble
National Security Chief Information Officer (62715526)

x.

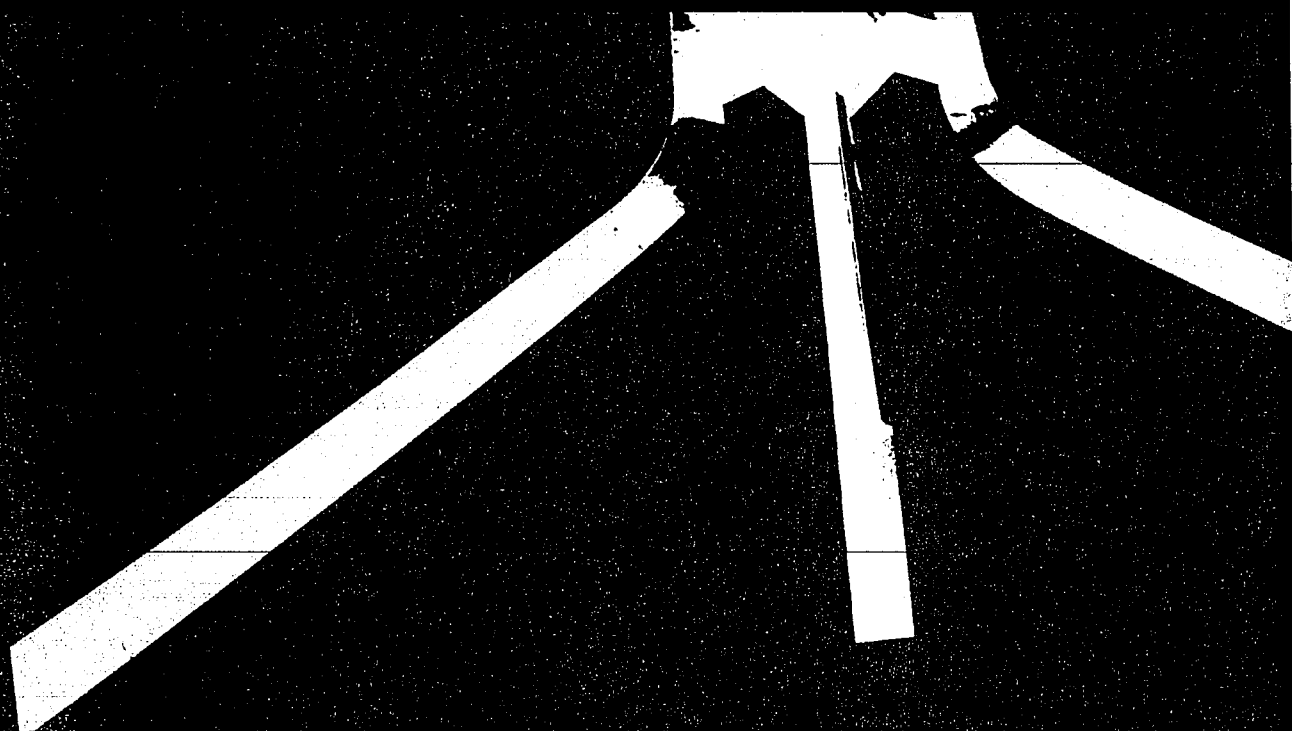
Security at the 2010 Commonwealth Games

Contact: Tony Sheehan
Homeland and Border Security Division (6271 5917)

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3. KEY STRATEGIC CHALLENGES FACING AUSTRALIA



a. Overview

The previous chapter summarises a number of urgent items that we suggest you consider immediately to progress your priorities. This chapter builds on your campaign and election commitments, by suggesting a number of complementary proposals to tackle medium-term policy challenges

These proposals arise from a wide-ranging survey by the department of the strategic challenges that Australia faces. The survey was undertaken by teams of PM&C analysts under the direction of the department's senior executive. It represents the professional views of the department, reflecting its assessment of current public policy debates and your priorities.

These complementary proposals are structured around a framework of four strategic goals. For each goal, we have identified a small number of high priority initiatives to complement your current commitments.

- **Promoting economic prosperity**
- **Promoting a cohesive society**
- **Promoting a healthy environment**
- **Promoting Australia's national security and global interests**

This advice recognises that it is not sufficient for a government just to have good policy ideas: as you have said, an effective government also needs to be able to implement and deliver on its commitments. In this regard, it will be important to tackle constraints to ensure services and programs are well planned, well governed and well delivered.

Recognising the constraints imposed by the fiscal environment, PM&C can work with other departments and agencies to develop and cost the initiatives proposed. PM&C's analysis can

also be used as a starting point for a more comprehensive work program within government, developed through consultation with relevant ministers and departments.

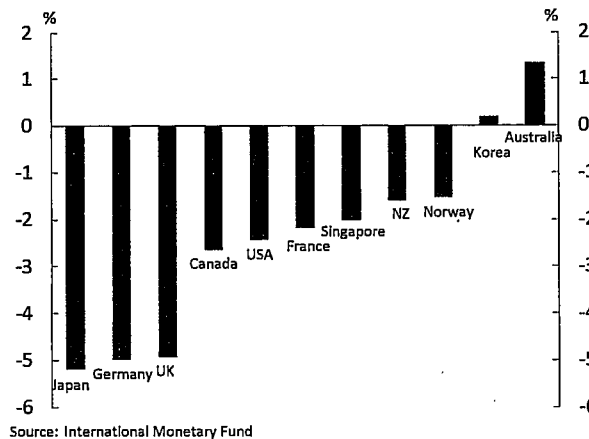
b. Promoting economic prosperity

In recent decades, there have been deep structural shifts in the Australian economy. Previous governments have tackled these shifts by undertaking significant microeconomic reforms, developing strong regulatory frameworks and institutions, and maintaining sound macroeconomic policy settings. These measures have improved productivity and promoted economic prosperity in the face of an ever-changing and volatile global economy.

Your Action Contract recognises that growth in productivity determines our standard of living, participation is of key importance and macroeconomic settings can reduce Australia's vulnerability to economic shocks. What follows below is our advice on how to build on your commitments to achieve the goals of increased productivity and participation, while minimising the impact of and boosting our resilience to economic shocks.

Australia performed better than almost any other advanced economy during the global financial crisis (Figure 1). The economy has remained resilient in the early recovery phase, experiencing 2.25 per cent growth last financial year. Net government debt is expected to peak at 6 per cent of GDP. Further detail on Australia's fiscal position is provided in Attachment A to this volume.

Figure 1: Relative GDP growth (percent), 2009



Rapid fiscal and monetary policy responses, both in Australia and abroad, made a critical contribution to the present position. But the foundation of Australia's resilience was the strong fiscal position at the start of the crisis and the far-reaching, often difficult economic reforms undertaken by successive Australian Governments over the past four decades.

Those reforms largely had their genesis in significant government-directed inquiries:

- The 1965 Vernon Report, commissioned by the Menzies government, together with the 1975 Jackson Report and 1979 Crawford Report, led to a constant stream of government decisions in favour of **tariff reductions** under all subsequent governments.
- The 1975 Asprey Report, commissioned by the McMahon government, was the basis for **significant tax changes** undertaken by the Hawke, Keating and Howard governments.
- The 1981 Campbell Report, commissioned by the Fraser government and endorsed by the 1984 Martin Review drove the **financial deregulation** enacted by the Hawke government.
- The 1993 Hilmer Report, commissioned by the Keating government, led to the **competition policy** reforms carried out by the Keating, Howard, Rudd and state governments.
- The 1996 Wallis Report, commissioned by the Howard government, set out his government's **financial sector** governance reforms.

The reforms generated from these inquiries, along with labour market deregulation and superannuation reform, made Australia's economy more efficient and flexible and strengthened its economic institutions. Combined with strong policy responses, these reforms enabled Australia to grow, not contract, through the global financial crisis, as it also did during the 1997-8 Asian financial crisis and 2001 dot-com crash. The reforms also contributed to strong productivity growth in the 1990s and early 2000s, boosting national per capita income.

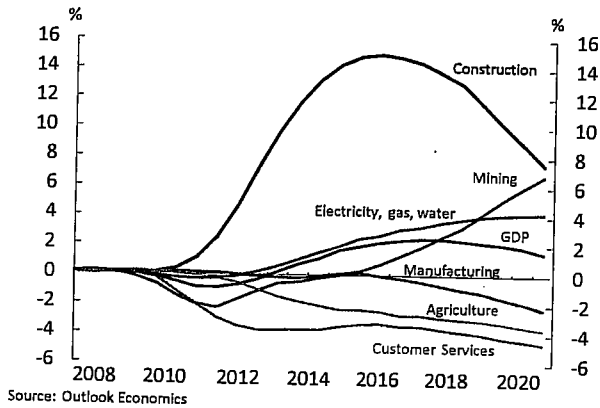
i. *What are Australia's economic challenges?*

Increasing productivity growth

Increased demand for Australia's natural resources has been a major driver of growth in the broader economy. This demand is likely to keep growing as China and India continue to industrialise. But we face a challenge in maximising and ensuring broad distribution of the benefits of the resources boom.

Strong growth in the resources sector is increasing Australia's terms of trade—the price of exports compared with imports—and boosting national income. It is, however, imposing pressures on other parts of the economy. Workers are moving to areas of the resource-rich states, Western Australia and Queensland, leading to skills shortages in other states and non-resources industries, and creating the risk of wage pressures and inflation. The flow of capital into the resources sector is pushing up the Australian dollar, reducing returns in other export sectors. Exchange rate-sensitive industries such as agriculture, education, tourism services and manufacturing are under pressure (Figure 2).

Figure 2: Impact on industry output of sustained higher terms of trade (per cent deviation)



The previous Government commenced several measures designed to boost productivity that are not yet complete. These include the national partnership to create a seamless national economy, changes to national infrastructure planning, and the adoption of national criteria for capital city strategic planning. One of the economic policy decisions you face is whether to continue with these measures.

There are likely to be significant benefits for the economy if these initiatives are implemented effectively. To maximise their economic benefit you have proposed changes to strengthen some of these initiatives further through your Action Contract commitments on harmonisation, productivity and infrastructure. Realising the objectives of these policies will require renewed political emphasis and administrative effort, supported by clear communication of the Government's expectations.

During the election campaign, you committed to numerous measures to support entrepreneurial activity and small business. These measures could provide an important boost to productivity.

International education sector in challenging times

Australia's international education industry has suffered a sharp slowdown in growth over the past year, and faces further challenges from cyclical factors, safety concerns and changes to migration policy. There was a significant decline in the growth rate of international student enrolments from 19.1 per cent in 2009 to 2.3 per cent in 2010. This issue is broader than the decline in the number of Indian students, with an overall decline in the numbers of students coming from Asian markets. The United States and United Kingdom have emerged as stronger competitors in the international education sector.

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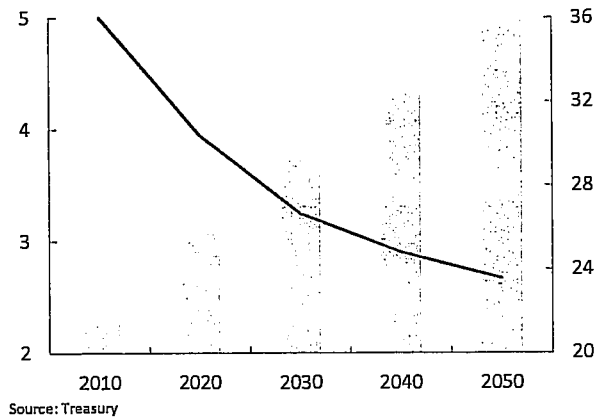
Lifting workforce participation

In coming decades, slower population growth and increased life expectancy will reduce the proportion of the population in the workforce. Today there are five working age people supporting each retiree. This ratio will fall to four by 2020 and below three by 2050, while the population continues to grow (Figure 3). Though our capacity to support an ageing population has grown over time, it is important to ensure that this growth continues.

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Figure 3: Projected aged-dependency ratio & population
(LHS: ratio working age population to 65+, RHS: million people)



As the population ages, the cost of providing health care and aged care services is increasing. As the population grows, pressure on cities and regional centres will rise. Planning arrangements, private incentives and government investment strategies will need to adapt to cope with these pressures.

Although the costs of infrastructure and services will rise, an ageing population has relatively fewer taxpayers. Policies that enhance productivity will improve the economy's capacity to support the ageing population. In particular, policies that lift productivity in service delivery sectors such as education and health minimise the pressure on the Government to divert resources from other priorities or increase taxes to meet increasing service demands.

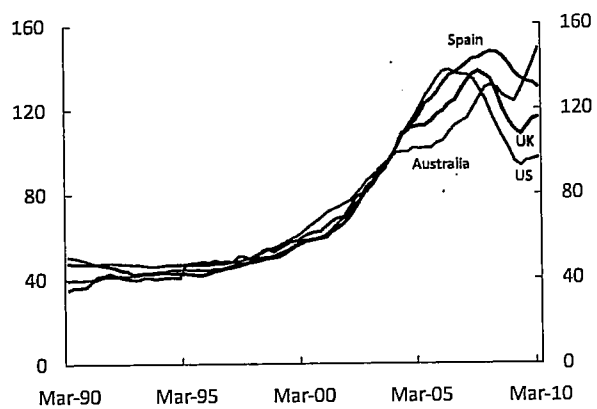
Policies that increase the proportion of the population in work will also be important. While overall workforce participation is high, Australia lags other developed nations on labour utilisation measures such as average annual hours worked per worker and the share of the working age population on disability support. There is significant scope for improvement. Lower than optimal participation constrains national output, as it raises the costs of labour and distorts investment into more capital intensive sectors. Increasing workforce participation can provide economic benefits by alleviating labour shortages and social benefits to individuals who experience greater self-worth through meaningful employment.

During the election campaign, you have recognised the importance of participation, including through your commitments on improving work opportunities for older Australians.

Building resilience to economic shocks

Australia has benefitted from access to global capital markets to fund our investment needs and from higher commodity prices to boost our national income.

Figure 4: House Price Index International Comparison (Index, 2003-04=100)



Source: ABS, Case Shiller, Halifax, Spanish Ministry of Housing

c. Promoting a cohesive society

Australia is a prosperous country with a strong and cohesive society. It stands up well in many international comparisons. Yet the nation faces many challenges. As the population ages, its social infrastructure will come under greater pressure. And Australia still suffers from entrenched disadvantage, within specific vulnerable communities including among Indigenous Australians, people with severe mental illness and households experiencing long-term joblessness.

Citizen expectations of government service delivery in areas such as education and health are growing. Without better planning for growth, demographic pressures will harm living standards, particularly in cities, as housing prices rise, congestion increases and it becomes more difficult to access services.

The Government's key challenges in social policy are to: work with service providers, states, local government and local communities to ensure that education, health and other services are delivered effectively to citizens; to ensure government services create better opportunities for disadvantaged Australians; and to ensure cities and regions support strong and resilient communities through better planning and investment.

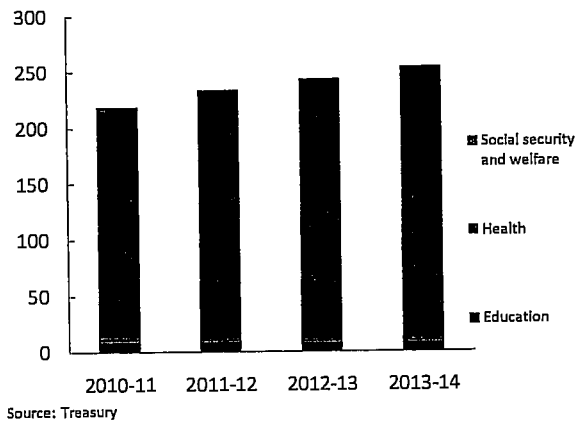
i. What are the challenges to promoting a cohesive society?

Governments provide a range of social policy infrastructure to all citizens. You have indicated that it is critical that service delivery and other interventions act to support people's capabilities and create opportunities, rather than displace individual and community initiative.

During the election campaign you made commitments to improve local control of health services, to give school principals greater autonomy and to support Indigenous communities to develop their potential.

Effective social policy design and delivery is critical to ensure governments achieve value for money. Over the next financial year, the Commonwealth will spend more than \$220 billion on social services, more than 62 per cent of total Commonwealth spending (Figure 5).

Figure 5: Forecast Commonwealth social policy expenditure (\$ billions)



Pockets of entrenched disadvantage remain

Significant pockets of entrenched disadvantage remain across Australia. In some areas people are unable to participate meaningfully in society or the economy. This disadvantage is often: amplified by economic downturns; geographically concentrated; transferred from parents to children; and characterised by a combination of health, education and employment problems.

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Entrenched Indigenous disadvantage remains a serious challenge. Australian Governments have undertaken a series of reforms in recent years to improve Indigenous life expectancy, infant mortality, and education and employment outcomes across the nation, but progress remains slow.

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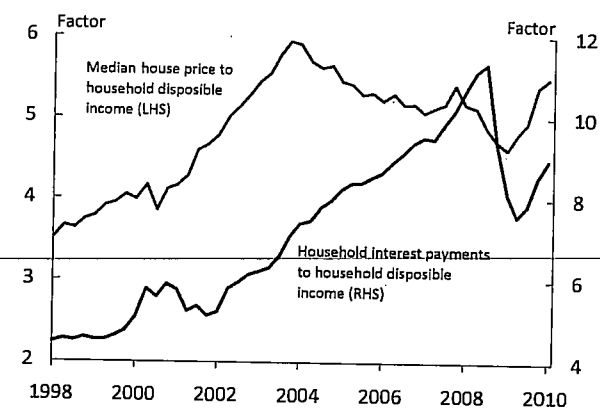
Quality of life is under stress

A key factor creating and sustaining strong and resilient local communities is the quality of our cities. The way cities are planned and operate makes a real and tangible difference to how communities function and how individuals and families find a sense of belonging and enjoyment with those around them. You have reflected this concern in your commitments on sustainable population growth, including extending the brief of the Productivity Commission to include sustainability issues.

The perception that the quality of city life is declining is reflected in declining liveability (including from greater congestion and longer commuting times), declining efficiency (such as land use planning and infrastructure that do not support business collaboration and innovation) and a lack of affordable housing.

Australian housing demand has been strong over the past decade, boosting house prices. Income growth, easier access to credit, favourable Commonwealth tax treatment and lower average interest rates have underpinned this demand and encouraged households to invest in higher quality housing. Inflated price expectations may have also led to speculative activity, further driving up prices. As discussed above, a speculative house price bubble is a macroeconomic vulnerability that may increase Australia's exposure to global instability. Yet despite this demand, the supply of new homes has actually fallen and is running below average levels. As a result, housing affordability for both owners and renters is deteriorating (as shown at Figure 7, below).

Figure 7: House prices and interest payments as a factor of disposable income



Source: Real Estate Institute of Australia, Reserve Bank of Australia

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d. Promoting a healthy environment

Over the past four decades, environmental issues have received increasing public and government attention. Although states and local governments have primary responsibility for environmental issues, there are two critical areas where the Commonwealth Government has a key stake. The first is climate change, which requires a national effort as

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part of a global response. The second is management of the Murray-Darling Basin, which is a crucial natural resource that spans four states. The Commonwealth has taken on a growing role in addressing these matters, facilitating coordination between different levels of government and participating in international climate negotiations.

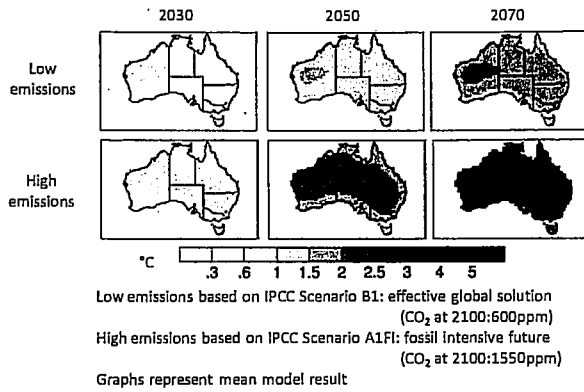
Australia has a unique and fragile ecosystem. It is the driest inhabited continent on the planet and has extreme weather patterns such as bushfires, cyclones, droughts, floods, storms and volatile temperatures. While land and natural resources are abundant, the availability of water varies greatly. With the population projected to increase from 22 million now to 26 million in 2020, with growing demand for resources, and with probable continuing global climate change, environmental sustainability will remain of critical concern.

i. What should Australia do to combat climate change?

The most credible scientific evidence strongly suggests that climate change is occurring, is primarily caused by human activity, and will significantly damage the Australian and the global environment.

Australia is highly exposed to the effects of climate change. In Australia, climate change is likely to cause higher temperatures, more frequent and severe natural disasters, including droughts, sea level rises resulting in coastal erosion, loss of biodiversity and reduced agricultural production. It may also have national security implications, given its potential impact on refugee flows and food and water security. Without a rapid and sustained global reduction in greenhouse gas emissions, it is likely that in the second half of this century irrigated agriculture will become increasingly unviable in some regions of Australia, including the Murray-Darling Basin. Figure 8 illustrates the impacts on Australian temperatures of various climate change scenarios to 2070.

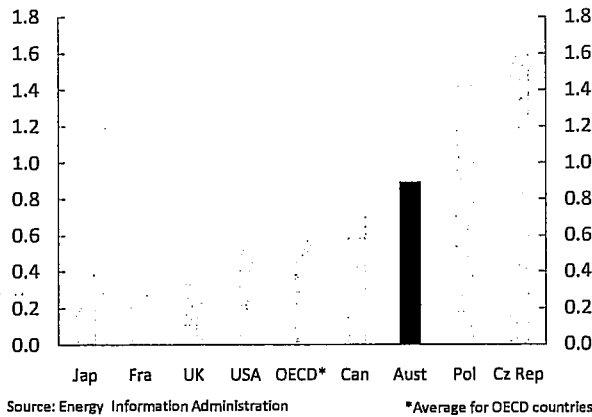
Figure 8: Climate change scenarios to 2070



Sources: Australian Greenhouse Office, Bureau of Meteorology, CSIRO

Australia's economy is one of the most carbon-intensive advanced economies in the world. It is 50 per cent more carbon intensive than the OECD average, and among OECD countries only the Czech Republic, Hungary, Poland and Slovenia are more carbon-intensive (Figure 9). Australia's current trajectory without further abatement will lead to a 21 per cent increase in emissions by 2020 from 2000 levels, not including your election commitments.

Figure 9: CO₂ emissions from consumption of fossil fuels (2006, metrics tons of CO₂ per thousand US dollars)



Climate change is a global problem that requires a global solution. However, the United Nations Framework Convention on Climate Change conference in Copenhagen in December 2009 failed to agree on a global approach.

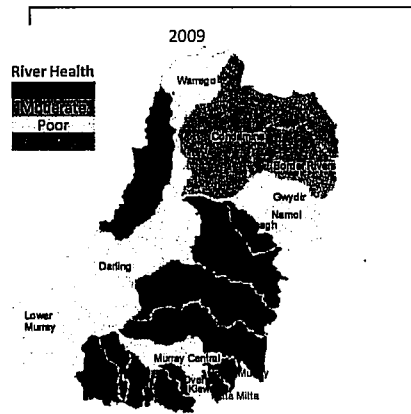
You have committed to a target of reducing CO₂ emissions by 5 per cent by 2020 based on 1990 levels in your Action Contract. In the absence of a global agreement, you indicated during the election campaign that the emphasis of your approach to meeting this target would be through direct action. Our advice on how to commence your immediate direct action initiatives is set out in chapter 2, section (q) to this volume.

ii. *How can Australia best manage the Murray-Darling Basin?*

In many parts of Australia, rural industries, cities, towns and the environment are competing for declining water supplies after many years of over-allocation of water rights and prolonged drought. Over coming years, population and industry will continue to grow and environmental demands will remain, but water availability will fall, driven by over-allocation and climate change. This will place a growing strain on Australia's water resources and supply infrastructure.

These pressures are particularly acute in the Murray-Darling Basin (MDB), which produces one-third of Australia's food supply and spans four states.

Figure 10: Murray-Darling Basin ecological health (2009)



Source: CSIRO, Murray-Darling Basin Authority

Progress has been made in managing MDB water resources, including by reforming water markets, establishing an independent Murray-Darling Basin Authority, buying back water entitlements from irrigators and improving water infrastructure.

e. Promoting Australia's national security and global interests

National security and foreign policy have two fundamental aims: meeting the expectations of Australian citizens for homeland security, and engaging with the rapidly evolving regional and global environment to protect our interests overseas.

The key challenges in national security and foreign policy are to ensure that priorities are clear and explicit, that all elements of national security are well integrated to maximise efficiency and effectiveness, and that future plans are realistic and affordable.

Maximising Australia's diplomatic effectiveness

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Meeting our Defence needs

The 2009 Defence White Paper, *Force 2030*, proposed an ambitious build-up of high-end warfare capabilities over the period to 2030 – in particular, naval and air capabilities – to be funded by a growing real Defence budget and internal efficiencies.

f. **Maximising the critical enablers for success**

i. *Budget discipline to create fiscal space*

You have announced that the Government will establish a Debt Reduction Taskforce, chaired by the Treasurer and the Minister for Finance, to focus on reducing waste and mismanagement and the retiring of public debt.

ii. Making the federal relationship deliver

As discussed in chapter 2, section (g) you have made a commitment to convene a COAG meeting within three months of the election, and to hold two COAG meetings a year. COAG is integral to delivering your election commitments and the complementary proposals described in this chapter.

iii. Better delivery of government services

With growing recognition of the interconnectedness of community needs, the policy solutions attempted by government have grown increasingly complex and multi-faceted.

You have made strong commitments to improving policy delivery in a number of policy areas, including education and health.

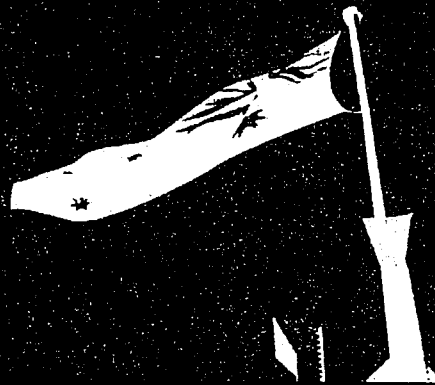
Five broad concerns with Commonwealth delivery capacity have been identified:

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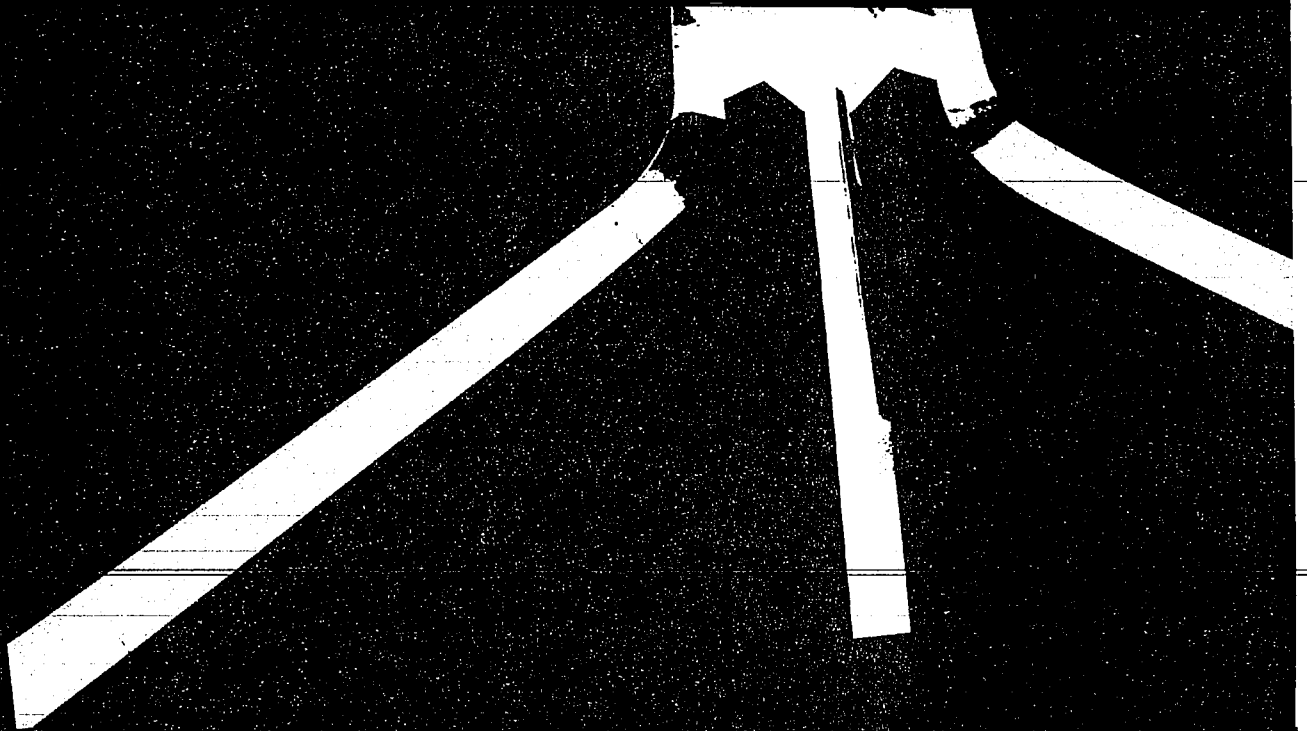
iv. *Working with Australian communities*

An active community, supported where necessary by government action, is a foundation of sustainable and effective policy. Collaboration with communities and citizens is essential in building understanding, consensus and support for a policy, responding to citizens' needs and empowering communities.

Recent governments have taken steps to engage more directly with local communities and citizens. }



4. WHAT IS REQUIRED TO SUCCESSFULLY DELIVER YOUR AGENDA?



a. Overview

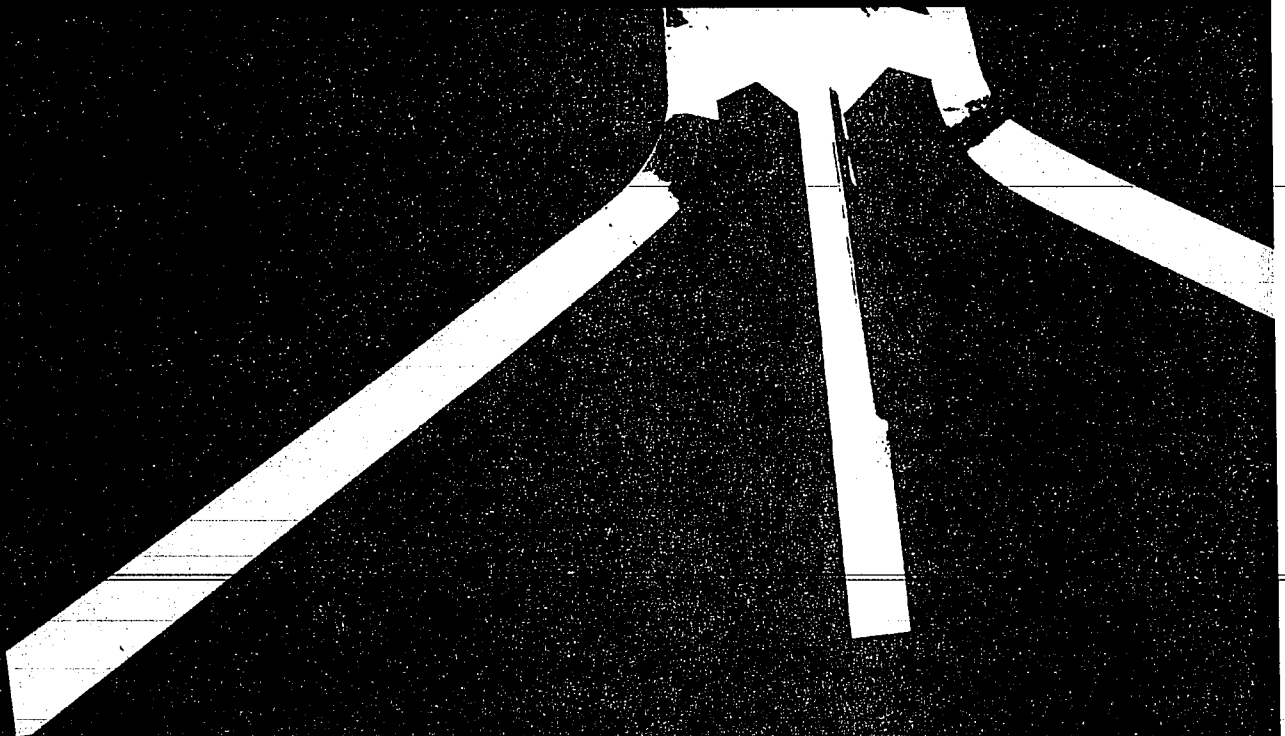
This chapter brings the preceding two chapters of this brief together by describing how you might deliver your agenda. The preceding sections identify significant policy commitments that must be progressed over the short term as well a number of initiatives that the Government could undertake to address the strategic challenges facing Australia.

- d. **Strengthening the delivery of programs**

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5. WHAT CHANGES ARE REQUIRED TO THE STRUCTURE OF GOVERNMENT?



a. Introduction

There are strong links between the key machinery of government proposals outlined in this section and your major policy commitments and strategic direction. Each proposal is a considered view of how machinery of government arrangements support implementation of your Government's agenda set against principles for machinery of government changes (set out in Attachment B). The need for change to embed policy direction and make operational improvements has been carefully balanced against the cost and potential disruption to services caused by new machinery of government arrangements.

The machinery of government proposals are not entirely modular. There are inter-relationships that we will work through with you depending on how much of the proposed machinery of government framing you accept as necessary or desirable to achieve your policy goals. To assist with your assessment, we have ranked proposals according to their impact and risks.

Systems and process reforms also support objectives of better connectivity between departments to achieve and monitor delivery of clear policy goals. These can progress with or without machinery of government changes.

d. Other proposals

We have reflected on arrangements for the Prime Minister's portfolio and suggest some changes that we believe will allow you to better focus Government priorities.

Secretaries were invited to provide proposals for consideration by an incoming government. Many of them are reflected in the key changes proposed above, but there are several smaller scale changes which offer efficiencies or clear operational benefits that could also be pursued.

i. Prime Minister and Cabinet

ii. *Machinery of Government changes in other portfolios*

Defence Portfolio

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Infrastructure, Transport, Regional Development and Local Government Portfolio

Environment, Water and Heritage Portfolio

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Families, Housing, Community Services and Indigenous Affairs Portfolio

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Health and Ageing Portfolio

e. Commitments on ministerial arrangements

Your Government has made commitments to establish the following ministerial arrangements:

- Minister for Ageing and Seniors to recognise that seniors face more issues than just aged care.
- Cabinet Minister for Small Business.
- Minister for International Development in the Foreign Affairs and Trade portfolio, and
- Minister for Fisheries in the proposed Agriculture, Fisheries and Natural Resources portfolio
- Parliamentary Secretary for Regional Education.

i. Summary of Ministerial arrangements

The *Ministers of State Act 1952* limits the total number of ministers to 30 and parliamentary secretaries to 12. It is, of course, for you to determine the number of ministers to be in the Cabinet and the allocation of portfolios. The list below proposes a structure that would support the machinery of government changes outlined above. To ensure clear lines of accountability, it is desirable to seek to avoid ministerial arrangements that would see ministers sworn across multiple portfolios.