

## Divide and Conquer: Public Policy and Prime Ministers

There were two policy issues at the core of the leadership challenge in August: Energy and Immigration. The difference of opinion on these two topics was not debated in the media during the imbroglio.

The extent to which energy policy played a role in the collapse of Malcolm Turnbull's prime ministership is a matter for debate. More than a few other factors were also in play. But the future of energy/carbon policy is now again up in the air and the uncertainty that led to the energy affordability challenge is about to be magnified, again.

There is no limit to political parties' ability to make poor policy decisions during an election campaign and this topic - one that is central to Australia building on our 28 years of economic growth and achieving another ten years of growth - will be a key issue at the next federal election.

Adding to the complexity in the debate is that a couple of state governments have started interfering in what should be national energy/climate policy before their own elections.

As Prime Minister, Scott Morrison, stated; power bills are high on the Coalition agenda and his new Energy Minister, Angus Taylor, has been given the role of "the minister for getting electricity prices down." Unfortunately, this summer he may find himself with the moniker of "Minister for Blackouts". Unfortunately for him, the one thing the NEG would have achieved is the ability of governments to channel blame at a specific electricity retailer the moment a blackout occurred.

Meanwhile, the new Environment Minister, Melissa Price, has the job of achieving the new Prime Ministers reaffirmed commitment to the Paris climate change targets of at least a 26% abatement goal.

But the Minister will be doing this without the assistance of the electricity sector, which has been effectively given a free pass, at this time with the abandonment of the NEG.

The ramifications of this for industry are two fold; firstly, electricity prices are not likely to fall tangibly, as the factors affecting price are long-term structural issues not green levies.

The Government's strategy of targeting a lack of competition in the retail sector of the energy market will have a very limited effect on electricity bills for households

and almost no impact on the price of electricity for large users. Retail prices account for less than 10% of the average residential bill so even a halving of this cost would be insignificant compared to the quantum increases over the past three years.

Secondly, by effectively exempting electricity as a source of abatement, our largest single source of emissions, will mean that other segments of the economy will be given more ambitious abatement targets.

With abatement in agriculture effectively prohibited due to its complexity, the source of around 67 per cent of Australia's carbon emissions are effectively excluded as a source of abatement.

The inevitable consequence is that transport, industrial processes and waste management will bear a disproportionate burden of the abatement task.

Look out for the government to re-start (again) discussions on the costly options of improving energy efficiency in cars and houses. These two options will result in a lot of departmental action without tangible abatement benefits.

But it is in this strategy that the political benefit lies. Separating the roles of the Minister for Energy and the Minister for Climate Change allows for the obfuscation of responsibility in both areas.

### Skilled Migration: 'All Work, No Stay?'

The most recent phase of economic growth in Australia has been based on population growth, which also drove the subsequent housing boom and the current construction boom.

In April 2017, Australia introduced a range of Visa changes which have targeted a reduction in the arrival of skilled migrants. This may seem odd as skilled migrants are necessary to grow the workforce to offset the impact of an ageing population and they have an immediate positive impact on the economy and subsequently on the housing sector.

During the ousting of Prime Minister Turnbull, the SBS put together an excellent critique of the 'Migration Two-Step' (the system of migration established under the Howard Government that saw migrants enter Australia as full-fee paying students and eventually stay as skilled migrants) and the importance of skilled migration to Australia's economic story. The analysis is contained in an article title, 'All Work, No Stay?'

The current phase of Australia's 28 years of continuous economic growth is built upon the arrival of skilled migrants. In the absence of a tangible economic plan to continue to grow the economy to achieve 40 years of continuous economic growth, it seems perverse that the Government would intentionally target the segment of population growth that is the most important to our immediate to longer term economic prospects.

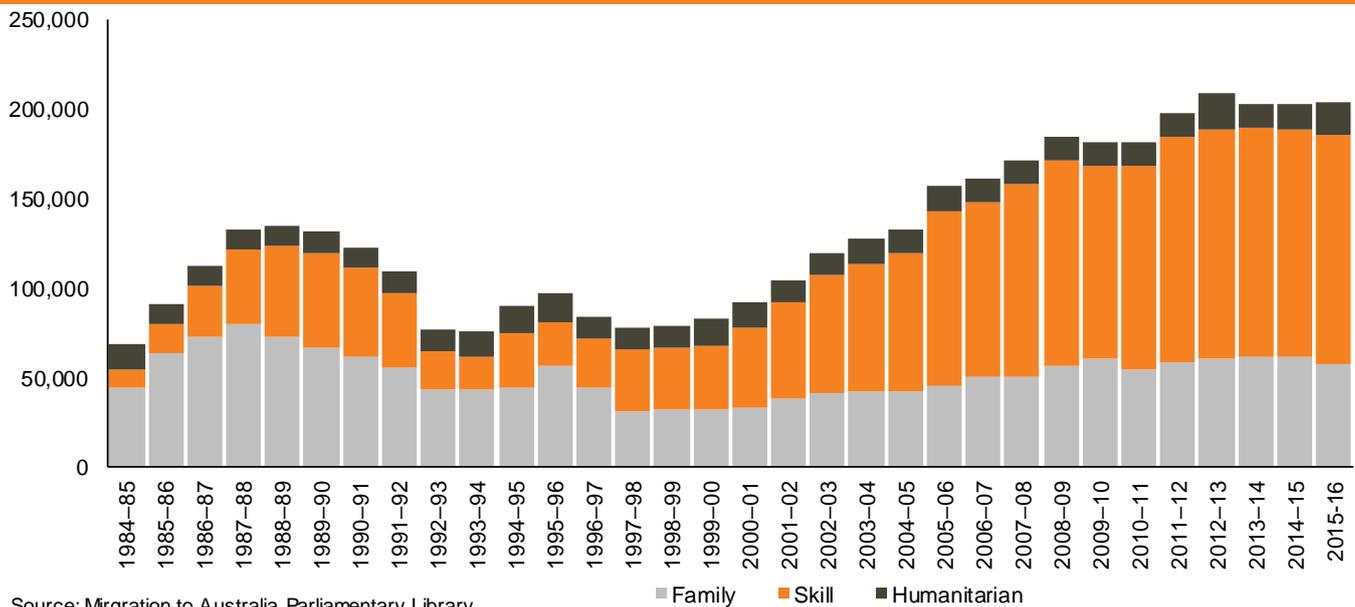
While the importance of this was missed by most media it was not missed by the incoming Prime Minister, Scott Morrison, who also separated the tasks of developing immigration policy and enforcing immigration policy.

It was also reported that differences in the government's strategy over immigration was a cause of conflict between the new Prime Minister and the former Minister for Immigration and Border Protection, Peter Dutton.

Regardless of what action is taken now, or after the next election, skilled migration is the most valuable form of migration, as measured by economic activity. Developed countries are therefore competing for the world's skills.

Over the past decade the UK and the US have moved to mimic Australia's migration 'Two-step' and as jobs growth continues to accelerate amongst major economies Australia is becoming a less attractive option for skilled migrants.

### Migration Program



Source: Migration to Australia, Parliamentary Library

### The fortnight ahead – key dates and releases (AEST)

#### Monday 3 September

CoreLogic House Price, August 2018, 9.30am

#### Tuesday 4 September

Interest rate decision, 2.30pm

#### Wednesday 5 September

ABS National Accounts (GDP), June 2018, 11.30am

#### Thursday 6 September

ABS Building approvals - Regional, July 2018, 11.30am

#### Friday 7 September

HIA-AIG Performance of Construction Index, 8.30am

ABS Housing Finance, July 2018, 11.30am

#### Tuesday 11 September

ABS Lending Finance, July 2018, 11.30am

#### Thursday: 13 September

ABS Labour Force, August 2018 11.30am



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