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PART ONE
QUESTIONS OF LEADERSHIP

Woe betide those who fail the Abbott government's tribal test

Michelle Grattan

At the end of the election campaign, Tony Abbott observed that the big difference between an opposition leader and a prime minister was that the former was inevitably the leader of a tribe while the latter had to be the leader of a nation.

But Abbott so far hasn't made the desirable transition he identified. His government is tightly wrapped in its tribalism.

One reason is that Abbott's all-powerful private office, headed by chief of staff Peta Credlin, has a "them and us" mindset. And some ministers are still in opposition garb. Christopher Pyne and George Brandis are particularly fond of their war paint and spears.

The tribal style is one that sharply divides the world. Friends are to be held close, rewarded, defended right or wrong — it can be a bond stronger than reason, as one insider puts it. Many outside the tribe are viewed with suspicion, or worse, seen as collaborators even if they aren't formally part of the enemy.

Two current examples — the government's treatment of the bureaucrats and the media — illustrate its approach.

This week the Canberra talk returned to Treasury secretary Martin Parkinson's situation. Parkinson was given marching orders in September, with mid this year set for his departure.

It was an Abbott office decision based, in considerable part it seems, on Parkinson's former role as head of the climate change department, where he assiduously promoted the Labor government's policy (as you do, when you're a career public servant). The Liberals also believed Treasury had been politicised under Labor.

Fairfax on Wednesday reported that before the election John Howard and Peter Costello had told Joe Hockey, set to be treasurer, that Parkinson should be retained.

Hockey — who'd had some "moments" with Parkinson in opposition — has been getting on well with him and the Treasury department generally. (The feeling appears mutual: according to one source, Parkinson has privately praised his boss but been less flattering about other ministers.)

Just imagine what Parkinson must be going through right now. He's flat out helping Hockey put together a difficult budget; they have also just had the rigours of the G20 finance ministers meeting (in a touch of black irony, Parkinson's wife is Abbott's sherpa for the G20).

Through all this, Parkinson is living with a sacking (to be technical, he resigned) that is, on any objective measure, a highly unfair dismissal.

Ken Henry, former Treasury secretary under both Coalition and Labor, noted on Wednesday that "no government has ever thought it appropriate to remove the head of the Treasury and put in somebody who they think is … of a more comfortable political character".

Henry said he did not know Abbott's motivation "but if that is what is intended, then that would be a very disappointing move and quite a historic one". Parkinson should be asked to stay on, he said.

Quizzed on Thursday about the sacking, Abbott described Parkinson as a very distinguished public servant doing a fine job, adding that "I look forward to continuing for some time to work with him".

He then went on: "But you've got to understand that incoming governments do very much want to place their stamp on the economic policy of the country and that's exactly what we are doing … That's a very, very big change and we expect everyone in the system to be working enthusiastically with us as we reshape our country."

This adds insult to injury, by implication casting an aspersion on Parkinson's commitment or ability to implement the government's objectives. That is a tribal rather than rational judgement.

It's known that Parkinson would like to remain until after the November G20 meeting. Whether this happens is up to Abbott, and those who influence him.

The tribal network can extend from Canberra to Liberal states. It's been suggested, rightly or wrongly, that this network was a factor in one of the secretaries who was sent packing in September failing to get a senior bureaucratic job in Victoria.

When there are appointments to be made to committees, statutory authorities and boards, the "us" and "them" filters are applied.

With staff jobs, tribalism is reinforced by the centralised vetting system, overseen by Credlin. While ministerial staffers are in a very different position from career bureaucrats, diversity can also be an advantage, but it's not one much appreciated by this government.

The other stand-out case of the them-and-us syndrome is the government's dealing with the media. News Corp is seen as part of the tribe. Government announcements, big and small, are routinely made through its papers. The ABC is regarded as sympathetic to the enemy tribe; it's there as a perennial target.

Shock jocks such as Alan Jones and Ray Hadley are in the home tribe.They're also chiefs in their own right, to be respected and on occasion feared, because they are not afraid to use their considerable power.

In a flaunting of tribalism, Abbott entertained a batch of conservative commentators at Kirribilli House hard on the heels of the election.

Tribalism is a driving force in the government's determination to rewrite the *Racial Discrimination Act*, after a court judgment against News Corp columnist Andrew Bolt. If it had been Bruce Bolt from the *Bay Bugle* would the Liberals be turning the law upside down? Probably not. From the Coalition's point of view, standing by Bolt won't come pain-free: the ethnic communities and Jewish lobby can be as tribal as they come and they're agitated.

Within the broad Liberal tribe there are emerging sub-tribes (a better term in this context than factions). Joe Hockey has his close loyal followers. Malcolm Turnbull is a chief on his own, with colourful plumage, suspected by some colleagues of being too tolerant of "them".

Turnbull recently alluded to the thinking when he said: "Some commentators on the conservative or the right-wing side of political debate have criticised me for launching Morry Schwartz's new paper *The Saturday Paper* … They apparently would like me to be … the minister for right-wing communications or communications that agree with the Liberal Party."

Tribalism will always be an important part of politics but an excessive dose can be a health hazard for a government. Talent can be lost on spurious grounds. Sections of the electorate can be alienated unnecessarily. Excessive time and energy can be spent hunting supposed enemies who don't matter or aren't even foes.

Too much tribalism makes for scratchy, ugly politics, and jars with voters who understand that the world is not that black and white.

A government that knows when to pick its fights and for the rest is seen as reasonably tolerant and generous of spirit is a more attractive political package than one that always feels the need to reinforce the bunker.

Hockey's first budget redefines the role of government in Australia

Shaun Carney

In 2012, then-opposition treasury spokesman Joe Hockey gave a speech in which he declared that the age of entitlement had to end. But he did not deliver it to a domestic audience. Instead, he went to the other side of planet, to London and a free-market think tank (the Institute of Economic Affairs), to reveal his plan for the Australian people.

Hockey got a lot of credit from many media commentators for what they regarded as his bravery and candour. Well-paid journalists, bank economists and policy analysts find it hard to resist that sort of message of denial.

Back in Australia, all the way to the 2013 election, neither Hockey, upon his return to our shores, nor his leader Tony Abbott pushed the content of that speech. Indeed, they went the other way.

In the face of a relentless onslaught from Labor during the election campaign, with warnings that an Abbott government would, according to Kevin Rudd, "cut and cut and cut and cut", Abbott pledged not to increase taxes. He promised instead to cut tax and not to introduce new taxes. He also promised that health, education and the ABC would not be cut.

Last night, at last, Hockey got around to delivering a much more profound and far-reaching version of that London speech. As treasurer delivering his first budget, the one that laid out the markers for the new government, he made flesh the thoughts and aspirations so carefully delivered two years ago in the Old Country.

Clearly, Abbott has signed on wholeheartedly to his treasurer's prescription for this recast version of Australian society. Delivered under the rubric of repair — a necessary corrective for Labor's budgetary mess — it is in fact a clear-headed and deliberate essay in creating a new sort of Australia.

The removal of various elements of the safety net for the unemployed and the sick, the killing of industry assistance, the deregulation of university fees, the squeeze on pensions and family payments: all of these are about remaking the nation in important ways.

Hockey's language in his budget speech provided powerful pointers to the way he wants to portray government to voters. Government interferes. It regulates. It's a burden.

At the outset, Hockey could not have been clearer: his mission as treasurer, with the support of the prime minister and the government's senior ministers, is to redefine the role of government. In this case, to make it much smaller.

Simultaneously, Hockey wants to foster the development of a new type of Australian: one who is more self-reliant, who does not look to the state to get them out of a jam or who will expect financial assistance from government to back up their life choices.

That sort of ambition does not grow from a set of budgetary numbers delivered by Treasury bureaucrats in the Canberra summer and early autumn, it springs from a worldview formed over a very long time.

That aspiration was not all that different to some of the noises that came from another Liberal treasurer delivering his first budget all of 18 years ago. Back then, Peter Costello introduced big cuts to Labor programs and explained his mission in similar epochal terms.

Within five years, various brushes with political mortality shifted the balance inside that government and persuaded Costello's prime minister, John Howard, to jettison the small-

government, tough-medicine talk and to embrace the open-chequebook approach for any voting bloc that looked like it might be getting a little bit wobbly. This proved to be something of an addiction for voters and for Howard.

As has been observed by several commentators already, Hockey is repudiating not just Labor's sometimes cack-handed version of social democracy but Howard's late-era government-is-here-to-help-you-out method too.

The question now is: having finally seen what the Abbott government is all about — and what it really wants to do rather than what it said it would do in order to avoid potholes on the way to the election — will the community want to join Hockey in his mission?

It is a pretty simple situation. Before the election, Abbott said that he could fix Labor's mess without referring to any need for Australians to make sacrifices. Now, his entire enterprise rests upon Australians accepting sacrifices. In real terms, millions of people near the bottom of the income pile, and in the middle too, will have to surrender income either through the loss of direct payments, new imposts or expected rises forgone.

It is often said that Australians have in the past embraced or at least tolerated prescriptions from new governments that require them to put up with some financial pain. That's true. It happened in the early period under Bob Hawke and again at the outset of the Howard government.

The difference between 2014 and then is that in the instance of both of those neophyte governments, recessions were very much part of the lived experience. With Hawke, the recession was still going in 1983 when he took power. For Howard, the economy was recovering in 1996, but the early 1990s recession — the worst in 60 years — was very much fresh memory.

This time around, Australia has avoided the recession that hit so many of our trading partners. Having not had to go through widespread hard times, many contemporary voters will

wonder just how much of an emergency there really is afflicting the country, especially when they were promised a "magic wand" style of budgeting — in which no-one would be hurt and there would be no need for new taxes — on the way to electing the Abbott government.

If only they could have been at that think tank in London in 2012.

Why Australian workplaces need much better leaders

Peter Gahan

Over the last decade, Australia has experienced a productivity slump. Our long-term productivity growth ranks well below the OECD average, and significantly below that enjoyed by leading economies.

However, the reality of falling productivity and its consequences has been masked for most ordinary Australians by the mining boom, which has created jobs and driven up wages.

A number of international studies have suggested that in many workplaces the quality of leadership and management skills can have significant direct effects on productivity, as well as indirect effects through their consequences for how workplaces adapt to changing business conditions and innovate.

A similar picture is now emerging in Australia. This gap is evident in official data on the ability of Australian business to introduce technological innovations, new products or services, or new management systems or organisational innovations. Among SMEs and in certain industries, the record is even more dismal.

Research on the take-up of high-performance management practices also indicates a paradox: while the types of practices that lead to better performance are well established, few workplaces adopt them.

Are Australians bad managers?

Why do Australian businesses have such a dismal record in improving the very things that drive workplace productivity? There are many reasons, but the quality of management and leadership in the workplace is a critical one.

It is clear, for example, that many Australian managers are seriously underqualified for the job they do. Australian Bureau of Statistics data on the qualifications of different occupation groups show that fewer managers have post-school qualifications than do the unskilled and semi-skilled workers they manage.

This is alarming at a time when the challenges of businesses are become more complex. This qualifications gap among our managers is particular acute among small and medium-sized businesses. Clearly, we need to invest more in training managers.

The Centre for Workplace Leadership at the University of Melbourne has begun to track employee perceptions of management and leadership in Australian workplaces.

Our initial survey findings, released today, present a stark picture. A staggering 75% of employees surveyed report that Australian workplaces need better managers and leaders. Perhaps a concerning indicator of future problems is the fact that this view is held by a majority of young people.

We are entering a period marked by the emergence of new, disruptive challenges for business. These challenges are set to undermine the competitiveness of Australian business, and cannot be met by providing businesses with tax breaks or subsidies to continue to operate at a loss.

Meeting new business challenges

The leadership gap goes well beyond formal qualifications. Recent survey evidence shows that many managers and leaders lack a number of critical technical and people skills. That undermines their capacity to maximise productivity.

Among the more significant is an inability to develop a strategic perspective that allows the business to read disruptive changes in markets, identify new opportunities and to adapt.

The flow-on effects are numerous, but inevitably a key one concerns the absence of the skills necessary to manage people, drive continuous improvement and effectively manage change. These challenges are also associated with under-developed and under-resourced HR systems.

This problem typically reflects a lack of knowledge of workplace issues other than in a reactive way. Again, the evidence on these matters shows that these challenges are most acutely felt by managers in SMEs.

Managing the future

It is now 20 years since the Karpin Report was released. This ground-breaking report, entitled *Enterprising Nation*, identified a number of critical challenges facing Australian managers as Australia entered the "Asian century". It is time to take stock of these new challenges and the ability of Australia's business leaders and managers to meet them.

The challenge here will be how government can induce business owners to take steps themselves. In particular, we need to think how we can address the challenge of improving management capability and leadership in SMEs.

These are the very businesses we are increasingly reliant on to generate employment, bring new ideas and products to the market and drive growth in the economy, but with the most limited resources to tackle the problem. Leadership and management skills will be crucial to meeting the challenge.

G20 tax reform mired in shadowy world of lobbying

Raquel Alexander
and John Barrick

Raquel Alexander John Barrick

Researchers estimate the US loses more than US$90 billion annually in corporate income tax revenues from tax loopholes and tax havens, also known as base erosion and profit shifting (BEPS). With a growing perception that multinationals consider income taxes voluntary, international tax reform is on the agenda. However, prospects for significant reform are dim as large, well-funded groups successfully lobby the US — where corporate tax reform has stalled — to maintain the status quo. At the OECD, proposals to replace current toothless transfer pricing rules are off the table.

In the most developed nations, lobbying statutes are enacted to promote transparency. In the US, both the firms that lobby and their lobbyists are required to register with Congress and publicly disclose their clients, fees earned, and lobbying issues. But the lack of lobbying disclosure requirements at the OECD creates an army of ghost lobbyists who are invisible to the public and yet are shaping international tax policy.

Paying to fall between the cracks

The corporate players behind the scenes of OECD tax reform proposals use associations and law firms to hide their identity from the public.

During 2013, lobbying expenses in the US were US$3.21 billion. But there is no doubt it is a good investment — a recent study found a return of $220 for every $1 spent — a boggling 22,000% — on lobbying expenses for firms seeking a one-time tax holiday on international earnings.

OECD tax policies are not just important for its 34 member nations. These policies have implications for developing nations' ability to raise revenue and create a level playing field for local businesses.

One of the most successful of the groups lobbying the OECD is the Digital Economy Group (DEG), fronted by the prominent US law firm Baker & McKenzie, which has had considerable success in pressuring the OECD to maintain favourable tax rules on web-based sales, and sourcing of income from intellectual property.

At Baker & McKenzie, former OECD staffer Mary C. Bennett represents DEG, and Caroline Silberztein, who headed OECD's transfer pricing unit for 10 years and initiated their intangible transfer pricing work, gives DEG members backchannels to the OECD staff.

While not individually identified, DEG members also belong to the Business and Industry Advisory Committee (BIAC) to the OECD, an association with a strong, formalised connection with the OECD, and charged with advocating business perspectives.

The public database maintained by the US Senate shows no record of DEG or BIAC. In the US, BIAC members lobby individually and through other groups like the Business Roundtable, which spent US$12 million on lobbying in 2013.

The public remains in the dark about DEG membership. The OECD does not require lobbying disclosures by association members and Baker & McKenzie won't identify the firms bankrolling their lobbying efforts. Amazon, Google and other large US internet-based firms are speculated to be key players.

Firms use trade associations or coalitions to lobby. The benefit of lobbying in a group includes building greater constituency with Congress, increasing economies of scale and more importantly, providing cover.

Like tax law, the US lobbying disclosure laws are also riddled with loopholes. Trade associations' lobbying expenses are public, but linking expenses to specific firms' contributions is impossible. Further, membership lists that are required to be public disappear from websites after the group disbands.

Public trust is eroded when relationships between private corporations, rule-making bodies and regulators appear to be too cozy. In fact, the OECD has asked governments to increase lobbying transparency and prevent conflicts of interest that arise from the "revolving door" between public service and private employment.

Ironically, neither information on the OECD's own lobbying guidelines nor public disclosure of lobbyists are readily available on their website.

The lobby's lobby

Historically, the US has played an outsized role in international tax policy at the OECD, being the organisation's single largest funder, providing over one-fifth of the OECD budget. It is unsurprising then, that US policymakers are engaged in the OECD at the behest of their constituents. The OECD's earlier work to eliminate tax havens changed from a "bombshell to a damp squib" after US interests intervened.

Ebay's 2013 Q3 lobbying disclosure lists, for instance, includes meeting with US Congress members, the Internal Revenue Service and the US Treasury department on "OECD proposals to modify international tax rules" among other items reported for the US$565,265 in lobbying expenditures during the period.

If international tax reform went ahead, resulting in worldwide tax harmonisation and the elimination of transfer pricing loopholes, firms would likely see increased tax liabilities but reduced tax risk and uncertainty.

Vodafone shareholders are aware of the cost of tax uncertainty. The firm is losing a tax dispute with India worth US$2.6 billion, related to sales through a tax haven subsidiary. Two months after the Indian Supreme Court ruled in Vodafone's favour, the government retroactively changed the tax code back to 1962 to ensure the transaction would be illegal.

But in most cases, multinationals don't want to give up the secrecy provisions and the transfer pricing policies for uncertain tax reforms. In other words, better the devil you know.

State by state

The long-term prospects for tax reform are not entirely dim. Recent actions by some US states suggest a growing impatience with the federal and international tax reform efforts.

Hearings before the US Senate and House of Commons Public Accounts Committee have made the public aware of spectacular tax avoidance strategies. But it's not just public ire that has been the impetus for state tax reform. The reasons for expanding state corporate tax revenues are two part.

US states are unable to borrow to fund government deficits, so when tax revenues decline, they enact austerity measures which face considerable backlash. In a lawsuit brought by local school boards, for example, the Kansas State Supreme Court found the school funding reductions there to be so severe as to be unconstitutional.

Local government officials are also concerned that the deck is stacked against local businesses that do not buy complicated international tax strategies from well-heeled tax lawyers and accountants.

Three types of state laws are effectively closing down the most aggressive tax planning strategies. First, states are moving away from separate company reporting (similar to that used in international taxation) and instead are adopting combined, or unitary, reporting. Unitary or combined reporting eliminates the benefits of shifting profit to subsidiaries in no-tax states.

Second, states are also enacting "economic nexus" laws that subject firms to tax based upon an economic, not physical, presence in the state. Digital economy firms and others with significant intangible property are aggressively fighting these laws, but the US Supreme Court has decided not to hear their pleas.

Third, states are enacting legislation to impose tax on corporate revenues earned in tax havens, even if this income is not subject to tax at the federal level. A recent study shows that California would raise US$3.3 billion by taxing corporate profits sent to tax havens.

But states are being lobbied as well, and not just by corporations. Representatives from Luxembourg and Lichtenstein have written to Maine — population 1.3 million — to argue against a bill that would have closed a loophole allowing multinationals to use tax havens to evade tax.

No change soon

According to a PricewaterhouseCoopers survey, 81% of US CEOs believe the current international tax system has not changed to reflect how multinational corporations operate today. Yet, only 7% believe the OECD will achieve substantial reform of the international tax system within the next couple of years.

Due to successful lobbying efforts, US tax reform has stalled and now US multinationals believe the OECD is merely studying BEPS, rather than doing something about it.

Higher education: the age of Pyne the destroyer begins

Simon Marginson

In Hinduism, Lord Brahma is the creator, Lord Vishnu is the preserver, and Lord Shiva is the destroyer and transformer. Here are rich models for contemporary leaders, whether they were raised in the Hindu tradition or not.

Federal Education Minister Christopher Pyne plans to leave his mark on higher education and research in Australia. We can be sure it will not be as Vishnu the preserver: Pyne enjoys a good stoush and is not seeking a quiet life. It will not be as Brahma the creator — that requires too much imagination, and it is difficult to be kind to everybody. Mr Pyne has chosen for himself the role of Shiva the destroyer and transformer.

If the Senate passes the package in the budget, the Abbott government will destroy the predominantly public settings of the present unified Australia higher education system, created by Labor Minister John Dawkins in 1987–1992 on the basis of 39 universities with similar missions. Mr Pyne will transform the Dawkins system into one with a different shape and different patterns of social participation.

To understand what is happening we need to distinguish short-term and long-term effects. If the package goes through, universities will be able to set their own fees at up to three times the current levels, knowing that the burden on students will be softened by the income contingent repayment mechanism for tuition loans. Through this mechanism, the government effectively subsidises students while they are studying, and also subsidises graduates whose earnings are not high enough to trigger repayments through the tax system. But under the new

system, the interest rate on tuition debt will be higher than before, and the total graduate debt will be much higher.

In the short term, universities will sharply increase student contributions, to make up the gap in the funding of places resulting from cuts in the government subsidy rate, and to provide much needed extra resources. Also, more private providers will emerge, cherry picking cheap profitable areas like business finance and health sciences. Because of the higher level of interest charged to tuition loans, repaid through the tax system, plus the higher tuition rates, students will be hit hard. There will be much protest.

In the long term — over a decade or more — a different system of higher education will evolve. The research mission will become concentrated on fewer providers, the word 'university' will break loose from the present requirement for research and become associated with many smaller teaching-only institutions offering no-frills degrees, and some of the existing institutions will be struggling to survive.

Not one market but two

The Pyne-Shiva system will be sharply divided between two distinct markets. The first market will be populated by an elite sector of highly selective universities, enriched by high student fees, inhabited as now largely by the middle class, and dominated by students from independent schools. Institutions in this sector will lift their global performance. The fact that universities of Melbourne, Queensland, Sydney et al. will become stronger in world terms is the one good piece of news in this package. However, their strength will take the form of the great American private universities, the Stanfords and Yales, rather than University of California Berkeley, or the University of Toronto. Unfortunately, they will lack the stellar research funding of their American counterparts. Research has been cut back in this package, a sign of the anti-modernist populism that infects the

conservative parties in Australia. So, expect world top 30–50 university performance rather than top 10–25 performance.

The second market will be a mass sector populated by a miscellany of for-profit private colleges, which will now be supported by tuition loans on the same basis as the public sector (though with less transparency and narrower responsibilities, and no obligation to provide research depth underneath the teaching), online providers, and large impoverished public universities struggling with their cost base.

In between will be a shrinking number of universities playing in both the elite market and the mass market, constantly paring back costs and changing offerings, floating vocational credentials, and feeling the strain. Nimble entrepreneurs will make gains. But in university markets, which are markets in social and economic position, status is everything. Status is the sole source of educational value and the strongest source of revenue, and there is only so much status to go around. There is a limited number of places at the top of the social pyramid. Not everyone can do well in the Pyne-Shiva system.

Flaws in the reasoning

The flaws in the minister's reasoning are that competition in a price-based system will drive prices down (true only in the bargain basement commercial market), and lift quality and focus on the customer (ditto). As everybody knows, and most commentators have been saying, prices in the top two-thirds of the sector will go rocketing up.

In the elite market, universities in that category have to compete with each other for prestige, resources and high quality students and staff. But they are out of reach of non-elite competitors. With limited places and a product with guaranteed high social and economic value, they can feint towards the customer — it is cheaper to do so through the marketing department than by substantially lowering class sizes — while putting their main efforts into research, which builds the global position,

and into prestige facilities. That is how elite universities behave the world over.

In the high tuition countries, the elite group of universities is remarkably stable. The idea that high fees create contestable markets is a fantasy. Competition in higher education does not work like that. This is a positional market, not a shopping mall.

The leading universities can also put money into scholarships for students from under-represented social groups, but the use of academic criteria for entry ensures that they will continue to be dominated by families from affluent backgrounds who can afford to invest in academically strong secondary schools.

Regressive effects

For many poorer families, higher education will become a poisoned chalice. With interest fixed at the bond rate the level of debt could become frightening. While the graduate is out of the workforce looking after children, or earning an income below the repayment threshold, the debt burden will mount rapidly. This brings the commercial colleges into the picture. Their course will be shorter and cheaper. But their credentials will lack "zing" in the labour markets.

The current system is biased in favour of women and low income earners, many of whom do not repay their tuition loans, and encourages the spread of participation. The new system will be socially regressive rather than progressive and will limit the growth of participation in bona-fide tertiary education.

The Senate should seek to limit the rate of interest, or change the package so that higher interest is charged only after the graduate reaches the threshold for repayment of tuition debt, as HECS founder Bruce Chapman has suggested. However, all efforts to put equity back into the package will increase the public cost of the tuition loans system, which will be under heavy pressure already because of the high fees that many universities will charge.

Inexorably, this will push the Pyne system towards a cap on the tuition level that is subject to public subsidy via income contingent repayment. Elite institutions will charge a commercial fee on top of that publicly subsidised component of fees. They will waive that commercial component for some students, on grounds of merit and/or social equity. But a commercial fee will deter participation by poorer families. All that will make it harder for struggling middle level universities to sustain their student base at the level of costs needed to support both teaching and research.

Americanisation, without American wealth

At the level of Australian society, longer term, the overall outcome will be a higher education system that will become more firmly reproductive of an unequal social order. Participation in tertiary education will stop short of the near-universal inclusion of society that has been achieved already in Canada and parts of East Asia, such as Taiwan and South Korea.

Across the world, education systems vary in the balance between social inequality and its reproduction, and social equality/mobility. They also vary in their level of social inclusion — in the overall social rate of participation in upper secondary and tertiary institutions of acceptable standard.

The Nordic systems are more egalitarian, with "flatter" university hierarchies and the presumption that all public education has high value, and all citizens have a right to participate in good tertiary education. The US system tends to be more reproductive of the status quo, in a society that is becoming more unequal. Australia for long has sat somewhere in the middle, with the HECS tuition loan settings pushing the nation towards higher inclusion, without disturbing the longstanding inequality of value between providers. The Pyne-Shiva reform places Australia firmly in the US camp.

It is a remarkable change from the existing higher education system, but a change that will sit comfortably with the upper middle class backbone of the coalition parties. The recycling of privileged families through independent schools, the top universities, and business and the professions will continue as before. These families will be better protected from social competition from below; for example, from ambitious migrants.

How nice. The social elite will enjoy greater security. In that respect, Mr Pyne has retained his conservative credentials. The Hindu pantheon always was a touch ambiguous. There's a little bit of Vishnu the preserver in every Shiva.

Facing the hard questions on university funding

Glyn Davis

A public university owes a wide debt to society. Among our obligations is to ensure the wisest use of public funding for education. So the subject of Commonwealth university policy demands attention. Inevitably, the issue is more than fees.

Yet, the question of fees is very important. A petition from the University of Melbourne Student Union, signed by hundreds of students in recent weeks, puts the issue frankly:

> Vice-Chancellors should be standing with the student body to demand greater public funding. The report submitted to the federal government on university fees pushed policies that were detrimental to the student body – in particular, students from disadvantaged backgrounds.

Everyone on campus, staff and student alike, has a history with the question of who pays for tertiary education. For me, this

began in 1978 as one first-year arts student among many, marching in protest against cuts to higher education imposed by the Fraser government. We could not know that funding per student had already peaked, and would fall steadily for the next three decades despite all the marches, demonstrations, campaigns and political lobbying ahead.

Now Malcolm Fraser is protesting against cuts to higher education expenditure. As the former prime minister told graduates at Macquarie University recently, "education is the best and most important investment that this country can make".

Fraser noted the long, slow decline in public funding per student. Those who lead universities make the same point often. During my term as Chair of Universities Australia, vice-chancellors pressed the case for more public investment through print, electronic and social media. You may recall the television advertisements, which were filmed next to the Old Quad at the University of Melbourne.

The campaign drew welcome support from the sector, but ominous silence from politicians. Before the year was out, Labor Education Minister Craig Emerson announced funding reductions amounting to $3.2 billion for university and student support over the next four years. Present Liberal minister Christopher Pyne later introduced legislation to enact the cuts, confirming an unhappy bipartisanship on public funding for universities.

How do politicians defend this record? They cite a different measure of investment: access to the higher education system. Funding per student may have fallen, they agree, but expansion of entry has been more important.

Once, a handful of students found places on campus; in 1970 around 3% of the adult population held a bachelor degree. Now, nearly 40% of young adult Australians possess a bachelor qualification. This growth in enrolments, they suggest, has required huge additional public investment, and a necessary trade between quality and quantity.

There is also a tougher message politicians pass on only in private, using the language of electoral calculus — and that message is simple: however passionately those in higher education feel about the sector, the issue does not rate in polling about public concerns. Australians worry about the health system and school education, about jobs, transport and the cost of living. They are not inclined to pay more taxes.

Put bluntly, the electorate believes university students do well after graduation, earning more than most. The case for investing more in higher education makes compelling sense to students and staff but rarely moves the wider community.

This perception follows a simple calculation. The average Australian graduate has less than $20,000 in higher education loan debt, which is paid back through the taxation system in around eight years. On one recent estimate, graduates earn an additional $1.2 million during their working lifetime. There are few other investments with such sustained returns.

The UMSU petition argues that higher fees are detrimental to students; in particular, those from disadvantaged backgrounds. Price increases are always unpopular and debt is never welcome.

I am less sure higher fees affect equity. With HECS, students face no entry costs to study and make no repayments if their income does not reach the tax threshold. As the government demonstrated in 2005, lifting the cost of higher education does not alter participation, even among the disadvantaged.

Nonetheless, there are vital social returns from public investment in higher education. Most taxpayers may not attend university but they profit from the skills of graduates — those nurses, teachers, engineers and art historians who make this a better community. Our society benefits too from research done at universities, and from the large flow of international students who choose Australian universities as their destination, and so enrich our culture and our economy.

The UMSU petition calls for students and vice-chancellors to stand side by side in demanding greater public funding. Agreed, but what happens when governments decline that call? When we've marched in the streets, run advertising campaigns, made public statements to no avail, what then?

Do public universities walk away from all other options because students will not like the alternatives? The quality of an institution depends on money to hire brilliant academics, build teaching laboratories, support a well-stocked library, ensure the amenities to support study and student life, and support scholarships to help those with financial challenges. As a non-profit public enterprise, this is how the University of Melbourne spends income earned from student fees. As we face the possibility of yet further cuts in public funding, the issue of student contribution is hard to avoid.

The UMSU petition opposes not just higher fees but other policy changes:

> Reverse your position on fee increases and deregulation and, in future, consider students' welfare before taking a position on fees.

Yet the scale of student contribution is part of a bigger policy picture. The University of Melbourne has indeed argued for deregulation, citing examples where duplicated reporting regimes, inflexible rules and unnecessary government impositions burn up money better spent on teaching and research.

The current national funding system contains significant internal unfairness. Tertiary students do not make an equal contribution to their education. For studies in dentistry, medicine or veterinary science, the taxpayer covers around two-thirds of the course cost. But for law, accounting, commerce, economics or administration, the taxpayer provides around a fifth of the cost. The situation is more challenging for international students who pay significantly more on average for the same course than their domestic counterparts.

How does this square with concern for student welfare? If we are serious about equitable contributions by students, the status quo should be unacceptable.

Moreover, the current funding system privileges some areas of study, but makes others financially difficult for universities. For example, the cost of offering a place in the Masters of Teaching is around $5,000 a year more than the total public subsidy and the maximum charge allowed by the Commonwealth. This gap reflects the expense of delivering within working schools, using master teachers and a clinical model — the essential features of the program, and the basis of the internationally acclaimed success of the Melbourne Graduate School of Education.

It is only possible to offer such financially unviable programs by taking money from other courses — an inequity built into the system. Equally unfair is the cross-subsidy from international students to locals; one student's benefit comes at the cost of another.

So, when the University of Melbourne argues for deregulation, it addresses more than student fees. It seeks a system in which fees are linked to the courses a student chooses to study, and where the burden of charges is shared more equitably.

As the 2011 Base Funding Review report noted, a consistent rate of student contribution would see some course costs rise and others fall. As at present, there would be no up-front fees thanks to the Higher Education Contribution Scheme.

The Coalition government has signalled an intention to cut public spending. Assuming a further reduction to outlays for universities, the government may contemplate allowing institutions to raise fees to cover yet another fall in public spending per student. The UMSU position, as expressed in the petition, suggests the University of Melbourne should not take up this flexibility should it be presented. This will win the sympathy of many in the short term, but will have serious implications for future generations.

The dilemma for the university is distressing but straightforward: do we accept a fall in quality as the public subsidy diminishes yet again, or seek flexibility to match the student contribution to the real cost of delivering tertiary education and address inadequacies in the current system? This question is bigger than fee levels, since it goes to a status quo already riddled with inequitable distribution of available public funding.

Students and staff alike hold dear the importance of universities to the nation, and the overriding importance of adequate public funding. Those running our universities feel likewise the responsibility of ensuring the highest-quality university possible.

It is not in students' interests to reduce the quality of their education to avoid unpopular fee rises. This is a choice no one welcomes, but a question we cannot avoid.

The University of Melbourne is a public-spirited university committed to excellence in research, teaching and learning and engagement. In the best of all possible worlds, that mission would be proudly and unstintingly supported by the nation. Our reality, alas, makes for harder choices.

First rule of fighting terrorists: don't do their job for them

Daniel Baldino

It appears that Australia might be put on a higher threat alert level. ASIO director-general David Irvine's comments on a possible increase in the terrorism threat level (which came into force in 2003) have created a wave of flurry, concern and nervous anticipation. As Irvine explained:

> The notion of a threat level at medium is that an attack is possible or could occur. If we raise it to high it means an attack is likely.

Certainly, a fundamental security challenge is how intelligence and police agencies can best deal with potential home-grown terrorists and their allies. For instance, Britain has raised its threat level to "severe" in response to events in Iraq and Syria. So how should the Australian government and its citizens best respond?

Back to the future

Despite Osama Bin Laden receiving a bullet to the head in May 2011 and a weakened al-Qaeda — which is on the run and characterised by paralysis, incompetence and infighting — Australia's terrorism threat level is potentially poised to rise from medium to high for the first time since inception.

This seems to revolve around deteriorating conflicts in the Middle East, the evils of Islamic State (IS) and Sunni militia groups, and salvos about "Aussie jihadists". About 60 Australians are reportedly fighting in either Iraq or Syria.

Yet every measure put forward to manage the threat of citizens being involved with extremist groups abroad should not be understood as automatically acceptable or validated. A plausible strategy for countering IS has not yet been clearly articulated. And talking more openly about the greatest sources of funding for IS, including the role of Saudi Arabia, would inject a bit more honesty and intricacy into the debate.

It is worth noting that over that past decade many have argued that Australia's decision to join the US invasion of Iraq in 2003 was never a straightforward "mission accomplished". Rather, it ultimately exacerbated existing ethnic and religious tensions, in turn making Australia less safe from terrorism.

It directly led to the "balkanisation" of Iraq. Adding insult to injury, purported WMDs eventually stood for "weapons of mass

disappearance", while the dictator Saddam Hussain had no direct relationship with the tragedy of 9/11.

The "Team Australia" narrative

This has been a muddying period of scatter-gun political exchanges, mixed security narratives and gloomy media reporting.

We have, for instance, had the Abbott government insist that renewed or enlarged participation in military operations in Iraq and Syria will not put Australia at increased risk. Yet both intelligence agencies and government have been anxious to win support for expanded powers under new security legislation.

Similarly, while team Abbott has appeared eager to focus on an escalating terrorist situation at home and abroad, security assessments have not been in lock-step with political attempts to jump-start a new dialogue of national security menace. The threat status remained stubbornly unchanged.

This might change. Yet the stronger terror assessment scenario painted by ASIO does seem rather odd. Irvine chose to speculate publicly about the threat alert being raised to the second-highest level, ostensibly before giving formal advice to the government.

Based on ongoing assessments, either a threat is likely to occur or it is not. If so, why the delay? If not, why prematurely raise a "worst-case" scenario? Citizens remain stuck in terror limbo.

Further, this drip-feed of vague warnings is being packaged by policymakers with a hyper-legislative insistence on introducing another round of "tough" terror laws. While some measures appear justifiable — such as up-to-date powers to suspend passports — many others do not. Some proposals remain decidedly inconsistent with past recommendations by watchdogs like the Independent National Security Legislation Monitor.

Overall, it can be argued that many shortcomings and the lack of practical fine-tuning evident in core elements of

Australia's counter-terrorism legislation are the result of undue haste. Governments have rushed to pass laws without appropriate scrutiny and related checks and balances. We seem to be stuck on a rinse-and-repeat cycle to keep terrorising ourselves.

A fine line between public alert and panic

The head of ASIO publicly musing about terror threats has undoubtedly had a virtually identical impact to the anticipated actual adjustment (or non-adjustment) of the National Terrorism Public Alert System. It has grabbed headlines and accelerated political chatter and public speculation.

Problematically, this has created rolling confusion. Much work remains to be done to keep uncertainty about terrorism in perspective.

The alert system has limited usefulness in guiding people's movements. It is not tied to any specific action — unless self-imposed and completely arbitrary.

Do we stay home? Do we avoid public transport or airports or crowded movie theatres or the AFL finals series? Do we shun strangers with beards? Do we re-read (or re-find) our Howard government-issued fridge magnets for instructions while setting our mobile phones to automatically dial the terrorist hotline when our spider-sense tingles (sorry, I can never remember the number)?

This type of "alert and alarmed" scenario tends to lead in a couple of directions: it either creates wider public paranoia or greater public scepticism. Neither is particularly helpful for an effective, sustainable and clear-eyed counter-terrorism strategy.

Serving the terrorists' agenda

A variety of policymakers and media are doing their best to contribute to the manipulation of revived fears about terrorism. Social media in particular have become highly effective in spreading violent extremist ideology and propaganda. Brutal

decapitations such as that of American journalist James Foley are instantaneously available worldwide.

But imagine that the most effective weapon against the West for the IS is actually terror. Imagine that terrorists are hoping to provoke shock and fear; they aim to terrorise. Imagine that these ugly videos are entirely ineffective in changing the direction of the US in its involvement with expanded air campaigns and drone strikes against IS.

That would leave the only substantial impact these beheadings can have on Western audiences as a psychological one of building IS into a sort of shadowy, omnipresent super-villain that is hell-bent on world domination.

Yet the noise emanating from IS is mostly crude bluff and ludicrous chest-beating. It is critical to match its well-echoed and grandiose intentions with a calculation of its actual capacity to form a self-proclaimed caliphate throughout the Middle East, North Africa and large parts of western Asia and Europe. This capacity is zero. It is based on an illusion.

IS is a threat to specific people in parts of Iraq and Syria. It might dictate terms within some lawless and poorly defended areas. But IS does not have the ability to march into Pakistan. Or to take Baghdad (being "close" to Bagdad does not count). In fact, this splinter movement has struggled to hold the riverside town of Dhuluiya, which is part of a belt of Sunni Muslim towns.

IS is in ongoing battles not only with US hellfire missiles but with rival jihadist, terrorist and rebel groups. As al-Qaeda eventually realised, the IS brand of savagery and its core bloodthirsty organisation will continue to alienate support from both local and global Islamic communities.

In short, IS is a nasty piece of work, but it is not a global game-changer.

Frustratingly, while making nonsensical noises about IS power, reach and authority, it is head-shaking that the Prime Minister would then reward IS propaganda by implying that

such unbridled violence and accompanying beheadings could happen on Australian soil before long.

The instinct to "do something" and heroic calls to strong vigilant action might be good politics. However, such heavy-handedness is a careless and unhealthy national security stratagem.

What next?

The bad news is that the conflict in Iraq and Syria will remain an incubator for a new generation of terrorists.

While individual motivations and profiles will vary, foreign fighters from all parts of the globe are joining the combat. The problem of war travellers who go to fight in foreign locations and return home after operating in radicalising environments is a serious security challenge.

Issues like detaining or arresting citizens before they have left for a conflict zone — without solid evidence — will continue to be complicated.

The good news is that the threat of foreign fighters is both manageable and marginal. The coherence and capabilities of the IS splinter group should not be overstated.

Another bottom line is that these Australian foreign fighters do not represent the wider Islamic community — IS is keen to kill all Muslims who they deem to be "infidels". (This makes many calls for "community" solutions by the overwhelming moderate Muslim majority in Australia overly simplistic.)

This is not a clash of civilisations. Australian citizens still have more chance of being killed by bee stings or car crashes than by a rare, albeit conceivable, home-grown terrorist attack.

Interestingly, former US secretary of state Henry Kissinger recently warned that traditional state-based threats remain a much more serious and long-term security headache:

> I consider Iran a bigger problem than ISIS. ISIS is a group of adventurers with a very aggressive ideology. But they have to conquer more and more territory before they can became a strategic, permanent reality.

The lesson is not to dismiss the IS threat but to respond in a proportionate, carefully calibrated fashion, to avoid hyping terror risks and to invest in smart counter-radical campaigns. The building of public resilience — the ability of society to restore calm and for citizens to adapt rationally to random events and unexpected changes (from terror strikes to shark attacks) — remains indispensable.

The more immediate hazard is pointless overreaction and political exploitation of public fears. The build-up of these kind of tensions have had a track-record of leading into knee-jerk and totally counter-productive policy initiatives — like the unnecessary Iraq invasion of 2003. That had no clear national security benefit and contributed to much of this latest mess.

National security gags on media force us to trust state will do no wrong

Rick Sarre

It has been said that the line between good investigative reporting and inappropriate journalistic prying is never clearly drawn. Journalists usually complain long and hard when governments intervene to move the line. So they will not be impressed with what has happened this week.

In the shadow of the recent anti-terrorism raids across New South Wales and Queensland, the Abbott government has passed legislation (with Labor support) designed specifically to silence those who would seek to report particular anti-terrorism measures.

Government can impose blanket of silence

The relevant law emerges from the National Security Legislation Amendment Bill (No.1) 2014. This amends the *ASIO Act 1979* by adding a new section 35P (among others) to extend existing state and federal prohibitions on the disclosure of information regarding policing for anti-terrorist purposes.

The amendment imposes substantial jail terms (five years) for anyone who discloses information relating to a "special intelligence operation" (SIO). That penalty doubles if there is evidence that the disclosure would endanger the health or safety of any person or prejudice the effective conduct of an SIO. The Senate accepted a Palmer United Party amendment that means anyone who publicly names an ASIO agent could be jailed for up to a decade, a ten-fold increase in the existing penalty.

There is no "public interest" defence. There is no defence that a journalist was not aware that an SIO was even in progress.

Laws designed to limit the reporting of such matters are not new. In the past decade each jurisdiction in Australia has passed legislation that limits publication of information about anti-terrorism orders, or other operations. For example, section 26P of the *Terrorism (Police Powers) Act 2002* (NSW) gives the NSW Supreme Court (upon application by the government) power to suppress anything to do with a preventative detention order or prohibited contact order.

What is different about the latest legislation is that the silence "blanket" now applies across Australia without the need for a court order.

History of abuses makes case for transparency

Respected criminologist Peter Grabosky has contributed an interesting chapter on this subject in a forthcoming book, *Unsettling Transparency*. In his chapter he writes:

> While hardly anyone would suggest that national security should be managed in an environment of

> complete transparency, there are many who suggest that citizens of a democracy are entitled to know about acts of questionable propriety that have been committed by their government on their behalf. And prospectively, it is important for citizens to be party to informed discussion about whether the policies that may lead to these acts are misguided or not.

Professor Grabosky analyses five international cases of unauthorised public disclosures of national security information. He concludes that the real harm to the national interest in each of the cases arose not from the initial disclosures, but from the state responses. Richard Nixon's attempted censorship of the Pentagon Papers, for example, only invited further opposition to the Vietnam War.

The difficulty for any government that invokes a cloak of secrecy under the claim of "national security" is that it invites suspicion. Is the real agenda to conceal a blunder, to justify a violation of the law, or to pursue a political end?

Remember the famous phrase of Ronald Reagan? "If you knew what I knew." That rang hollow a decade later when the US government trotted out the same justification for the military pursuit of Saddam Hussein's alleged "weapons of mass destruction" in the absence of any overt evidence.

In our own corner of the world the tradition continues: on the grounds of "national security" the Australian government continues to refuse to discuss allegations that it engaged in eavesdropping on cabinet ministers of the government of Timor-Leste.

The need to speak truth to power

Into this debate come the journalists, those whose natural inquisitiveness aids their scepticism. Are there any ulterior purposes? Are governments exaggerating a threat in order to justify excessive countermeasures?

No-one is able to assess whether the claims are valid, and whether operations are a legitimate use of state power, unless the

information is put under public scrutiny. Moreover, in the absence of reliable information, potentially damaging speculation is likely to fill the evidentiary gap.

So, where do we go from here? One could suggest that media proprietors' barristers should head to the High Court and argue that the law violates the freedom of political communication implied in the Constitution, especially if disclosure does not pose a disproportionate threat to public safety.

The legislation, however, does not give any assistance in this respect. And, in the case of *Lodhi (2006) NSWSC 571*, the NSW Supreme Court held that suppressing evidence such as this was not an unconstitutional restriction on freedom of speech.

One could simply trust governments to do their job, and tell naysayers to desist. But we need to remember that, when officials are confident that they are not under scrutiny, it is not unfair (nor un-Australian) to suspect that some will exercise their power inappropriately. And to determine whether that has occurred we need transparency, not a wall of silence.

Governmental zeal, however justified by the pressures of the day, must be kept in check by the curiosity of a free press.

Tony Abbott's year of living ideologically

Michelle Grattan

Tony Abbott promised a government of no surprises but has delivered a year chock-full of them.

A prime minister expected to lean to caution has thrown it to the winds. A leader without a cushion of popularity has taken big political risks. A man who campaigned on trust has squandered much of that precious political commodity.

Tribal, ideological, arrogant and over-centralised — these have been Abbott government faults in its first 12 months. It has often presented an unattractive canvas, desperately needing more subtle hues.

But for all the roughness, it would be unwise to predict from the first year what the second and later ones will be like. There are indications that performance and fortunes could be on the turn. A few Senate wins, some more deft touches, better polls, could shift the political dynamic and put Labor under more scrutiny.

If one looks back on recent prime ministers, their initial year contains seeds of future success and portents of failure: there is no surefire way of knowing which will prevail.

Poll expert Peter Brent, a blogger for *The Australian*, says Abbott has "polled very badly for a freshly elected prime minister". Comparing Howard, Rudd and Abbott (the last three PMs to take power from opposition), Brent says that on the measures of voting, approval and better PM "Rudd was the most impressive [in year 1]; Howard was nearly as impressive, and then there's daylight to Abbott".

Because of its them-and-us view of the world, the Abbott government has eschewed inclusiveness. It has appointed a slew

of mates to positions; denigrated those seen as "them" (like the ABC); displayed partisan pettiness (cancelling Steve Bracks' appointment to New York).

Key election mantras have been delivered on. The boats have stopped. The carbon and mining taxes are repealed. Roads are planned.

The quest to repair the budget has been a less successful story. There have been some poor decisions, exaggeration of the problem, trashed promises, confused lines, bad selling, Senate logjams.

The government has frequently seemed insensitive to the pressures many ordinary men and women feel under in their daily lives. Tellingly, it wasn't able to effectively rebut the argument the budget was "unfair".

After writing off the old Senate, it has struggled with the new one. To have its legislative fate largely in the hands of Clive Palmer, a man who used to be "one of us", as it were, has been almost beyond bearable.

This week's deal with Palmer to get rid of the mining tax was a fillip, for its symbolism as much as its substance, a sign the government could negotiate with this ragtag Senate. Nationals whip Mark Coulton says: "I think we're starting to see the Senate settle down. I'm more confident of Senate outcomes than a few months ago."

Abbott has struggled to make the transition into the job for which no preparation is fully adequate. Yet, in another surprise, he has shown an unexpected sureness on the international stage. His handling of the MH17 tragedy won wide praise; his response was, in the words of one Liberal, "visceral Abbott, coming out of the blocks very strong". Now Australia is on the brink of ramping up its role in the Iraq conflict and even preparing to dabble in the Ukraine one as well.

Domestically, a flicker of Abbott's old pragmatism has recently come through the government's hardline approach.

When its pursuit became untenable he dropped, with barely a political tear, the plan to weaken the *Racial Discrimination Act*. A cost of pragmatism is that it disillusions the true believers. Walking away from the RDA change deeply disappointed some commentators and MPs from the right.

Many in the government look at the top of the pyramid and see not one but two power wielders. "I think Peta Credlin is running the country," says a Liberal backbencher, referring to Abbott's omnipresent, super-influential chief of staff.

Credlin has a hand in everything from appointments to ministers' offices to the flowers for a William-and-Kate function. When she attended the pre-budget meetings of cabinet's expenditure review committee with Abbott she had plenty of views, officials recall.

She had a strong voice in the sacking of Treasury secretary Martin Parkinson, out of favour because of his role as a former head of the former climate change department. A better articulator of the government's economic policy than the government itself, Parkinson's dismissal (still to take effect) was a bad own goal.

Complaints about Team Abbott's command-and-control approach are still heard. Decisions can be slow to come from the Prime Minister's Office, a mild case of the disease that afflicted the Rudd PMO. The routine briefing out of most announcements exclusively to the *The Daily Telegraph*, the *The Sunday Telegraph* or *The Australian* has become something of an in-joke around official circles.

After such stunning success as opposition leader, Abbott has found it difficult to exit the campaign bus and hang the fluoro jacket in the cupboard. An opposition that thrived on slogans has become a government that deals in them. Some sources put this down less to focus groups than to the fact Abbott is an old journo, with a love of the cut-through line. "Sometimes the memorable phrase can be just a bit too memorable," as one Liberal puts it. Think Team Australia.

In an abnormal job, Abbott battles to keep a little normality in life. He didn't like moving from his home into Kirribilli House — I don't want to live in a palace, he was heard to say — but had no choice. He rides the bike, lives at the Australian Federal Police College when he's in Canberra, the gym on hand, and occasionally climbs onto the rural fire truck.

But leadership, whether in opposition or government, has drained some of the colour from his personality. Greg Craven, Australian Catholic University vice-chancellor and Abbott's friend, wrote a month ago: "Abbott has been so careful and so measured in most of his public utterances that he seems to be channelling a funeral director at a chancy burial. But it does not work. The genuine spontaneity becomes strain. The quirkiness becomes awkwardness. The deeply held convictions become potential traps to be avoided … The only way for Abbott to succeed as prime minister is to be Abbott."

Since then, we have seen a touch more spontaneity, encouraged perhaps by the reaction to his handling of MH17, but also, as he approached the anniversary, by feeling he was settling into the job. A senior colleague says: "It's starting to look more like he belongs there."

But the challenge remains to "be Abbott" and bring that off politically with a public who has never warmed to him.

The report cards of the Abbott ministers are mixed.

Foreign Minister Julie Bishop receives the ultimate accolade. She's coming through strongly in Labor research, seen as confident and cool, with voters impressed by her shuttle diplomacy over MH17. She has that status of "next big thing", which Julia Gillard once enjoyed under Kevin Rudd. Bishop, it is worth remembering, is not without leadership ambition.

Scott Morrison has delivered on his KPIs, although even some on his own side find what comes through as pitilessness difficult to stomach. With an eye on the future, the Immigration Minister is using the rise of the wider national security issue to

broaden his profile, but he remains little noticed out in the electorate, other than as a man who has done the job.

Mathias Cormann received a lucky break when he landed the finance portfolio. He is one of the strongest performers, also competently taking on the work of assistant treasurer Arthur Sinodinos, who stood aside after being embroiled in the Independent Commission Against Corruption. No one doubts Cormann covets the Treasury but he'd need to switch to the lower house to ever get it.

For Joe Hockey, a confident start in the early months turned into annus horribilis (including the ill-timing of his biography). Some believe he'll never recover, which ignores the changeability of politics. Hockey aspired in his maiden budget to out-perform Peter Costello, only to rate behind Wayne Swan in a poll of recent treasurers.

It has been almost as bad for Attorney-General George Brandis, the once small-l liberal who forgot he was in the Senate, not the Oxford debating hall, and tripped on the hurdle of free speech. He will forever be tagged with his defence of the right to be a bigot.

Senate leader Eric Abetz unwisely ventured onto a popular TV show, to be entangled in a bizarre proposition about abortion and breast cancer.

Other senior ministers are ranged between, awarded the Bs and Cs of the class.

Malcolm Turnbull, limited by the narrow portfolio of communications, has been fenced in. Team Abbott — the PM and his senior advisers — will always see Turnbull as a threat, though the right so dominates the Liberal Party that it is nearly inconceivable he could lead again.

Mostly, Turnbull flashes that charming smile, his frustration kept behind closed doors. Sometimes he kicks back, most recently when he was excluded from the first round of an important decision on metadata, left to read it in the *The Daily Telegraph*.

In opposition, the Coalition accused Labor of gross economic and budgetary mismanagement. Saul Eslake, chief economist at Bank of America Merrill Lynch, observes the economy "hasn't performed materially differently in the Abbott government's first year than in the Gillard-Rudd government's last year".

Both consumer and business confidence picked up in anticipation of the change in government. But consumer confidence is now lower than at the election and business confidence is no higher than then, while unemployment is half a percentage point above a year ago.

Describing the budget as economically sound but politically ill-judged, Eslake says the Coalition assumed the public had bought its line about an "emergency"; it made the mistake of assuming the election "was a vote for them rather than a vote against the other mob".

The government has set out down controversial reform paths, with its initiatives to deregulate higher education, make Medicare patients pay, and put the acid on young job seekers (it believes bludging, rather than an obvious lack of jobs, is the problem with some of them). The fate of these measures will depend on Senate crossbenchers, with the numbers so far not there.

Other, yet to be drawn up reform plans — on taxation, federalism, industrial relations — are to emerge after inquiries, with promises that proposals will be presented to the 2016 election before any attempt to implement them.

On certain fronts, the government has been anti-reform. It has dismantled one of the most significant changes of recent decades — the imposition of a carbon price — that only a few years earlier was briefly a bipartisan policy.

As part of the mining tax repeal deal, it has pushed back to 2025 the increase to 12% in compulsory superannuation, despite the growing burden of pensions on taxpayers. The hit on superannuation has opened another battlefront, with the govern-

ment's argument that the decision means workers will have their money sooner, rather than in retirement, unconvincing.

It is itching to kill or cripple the renewable energy target, but aware the politics could be negative. This week Abbott called a meeting between the relevant ministers and interested backbenchers to get feedback.

Abbott has taken some flak from his backbench, well beyond disgruntled Liberal senator Ian Macdonald, a constant critic who called the PM out for being late to a party meeting. Cory Bernardi, from the right, was outraged by the budget income tax levy. At this week's Coalition party meeting, West Australian Liberals threatened to put a submission about the GST to the government's tax inquiry (and were warned against doing so by Abbott).

Liberal Warren Entsch, a former whip from the Queensland seat of Leichhardt, usually has a finger on the backbench pulse. "I think morale is improving," he says, but "there is still a way to go. We've got some of the key stuff through the Senate and that has helped significantly. There still needs to be more sharing with the backbench. In some areas that's starting to happen. We need to make sure it is continuing." He discussed these matters with Abbott on Monday and was pleased at the response. "He agreed with me."

Craig Laundy, a new Liberal MP from the western Sydney seat of Reid, with an Islamic component of 11% in the last census, had many constituents worried about the mooted changes to the RDA; now they're concerned at the anti-terrorism proposals. On the latter Laundy says: "I'm being approached on a regular basis; I've been to half-a-dozen meetings." He doesn't believe the anti-terrorism measures are discriminatory, and sees his job as explaining them.

Jason Wood, a Liberal from the Victorian seat of La Trobe, was in parliament from 2004 to 2010 and re-elected last year. He notices the big change from the Howard government days: "The economy was flowing along, there was money in the bank — as

an MP, every budget brought tax cuts and projects being delivered." It's a very different focus now.

The voters, he says, "want us to get things under control but with a gentle landing. They don't want to see any more hardship on themselves. But they also understand we have to clean up the Labor mess."

Wood says Abbott has improved consultation in the last couple of months, more directly asking for backbench feedback. "Before, it was just a polite 'how are you going?' without seeking direct feedback. Now he wants to know what you are thinking about."

In conversation with Tony Abbott

Michelle Grattan

Tony Abbott has been in office six months, and this week marks 20 years since he was elected to parliament. On Thursday he sat down with The Conversation in his Parliament House office to talk about settling in to the most demanding job in the nation's political life.

Abbott admits being prime minister is fatiguing, but with six hours sleep a night "I can survive indefinitely". It's a "very collegial" and "like-minded" government, despite some senior members being in a "slightly different philosophical space to mine". "The outliers are not very far away from the mainstream," he adds. His cabinet often makes changes to items coming to it — "that's what cabinet government is all about".

He expresses confidence that his one ministerial casualty, Arthur Sinodinos, who has stood aside because he's before ICAC, will come through — "I will be amazed if any significant adverse finding is made against him".

He canvasses his formal and informal advice networks, and mounts a spirited defence of his controversial chief of staff, Peta Credlin. Discussing the accelerated political process, he says anonymous social media can be much more vitriolic and extreme than "normal media", likening it to "electronic graffiti".

Abbott explains his failure to take his surprise "knights and dames" initiative to cabinet and the party room by saying this was a matter between him and the Queen.

On proposed changes to the *Racial Discrimination Act*, he says the government is not "impervious to a further argument".

Looking to the new post-July 1 Senate, he promises the government will keep the crossbenchers "very much in the loop" as it tries to get its bills through.

And what has he really, really enjoyed in the job? "The contact with the military at every level."

The interview started on the subject of whether a PM can have a life apart from the job.

MG: How are you managing the work-life balance?

TA: No senior politician can expect to have work-life balance. I'm afraid there are some jobs for which work-life balance inevitably goes out the window. If you want work-life balance you just have to accept that you can't be a senior member of a government, or for that matter a senior member of an opposition. So, I'm not really managing the work-life balance, I'm just accepting that the work increases and the ordinary life has to decrease when you're the prime minister.

MG: You did try to hang on to a few things. Have you given that up?

TA: I haven't, but inevitably the space for "self time" decreases even further when you become PM and that's just the way it is. I'm not complaining, it's just a fact of life.

MG: Have you hung on to anything?

TA: I'm still getting my exercise at five o'clock in the morning, that's good. So far I've managed to hold on to a bike ride on Saturday or Sunday morning, probably at least two weekends out of three. But there has been bugger-all surfing since the election. For the first half of January, I got a surf in most days, but that's really the only surfing there's been since the election.

MG: And the fire brigade?

TA: I got one night and one day with the brigade up in those Blue Mountain fires in October and I think I've done two duty days since then. So just enough to stay an efficient firefighter, and I'll try to get another Sunday in sometime between now and the budget.

MG: Are you still in your Sydney house?

TA: Yes.

MG: Are you going to stay there?

TA: Look, the security people are anxious, but there has been no definitive decision made. That one's still being weighed.

MG: How different is the prime minister's job from what you expected?

TA: Again, Michelle, I should stress that this isn't all about me. This isn't about me and my experience, it's about the people and their experience of the new government. Hopefully, the people's experience of the new government will be that it's competent and considered, trustworthy and candid, in a way that the former government wasn't.

There's a sense in which lots of things help prepare you for this job, but nothing can completely prepare you for the job. I was a very senior minister in the Howard government and I sat around this particular table [in the prime ministerial office] in many discussions. The difference between being a senior minister and the prime minister is that ultimately the buck does stop

with the prime minister and in the end the prime minister has to make those critical judgement calls and that's the big difference.

It is a very heavy responsibility to make, but someone has to make it for our country and I am thrilled and honoured to have that opportunity and that responsibility.

MG: I've heard it said that you believe the political process has speeded up considerably since the Howard days. Do you think the PM's job has changed since those days?

TA: I think there is no doubt that the advent of 24/7 news channels, which are voracious in their demand for constant new content, has accelerated the political process. The rise of social media, in addition to talkback, I think has intensified the political process. The thing about social media is that it is anonymous, so it can be much more vitriolic and extreme than normal media and yet it is there for everyone to see. It is kind of like electronic graffiti. The political process is accelerated and intense in a way that I don't believe it ever really has been before.

MG: And that's changed the prime minister's job?

TA: It is just an added element of pressure, that's all.

MG: Is the job very fatiguing?

TA: Yes, but I'm lucky in that I've got quite a bit of stamina, Michelle. I don't need more than six hours sleep a night — if I get six hours sleep a night I can survive indefinitely. I can bound out of bed at five o'clock in the morning, get my hour of exercise and feel very refreshed for the day. That doesn't mean there aren't periods during the day when you don't start to feel like the odd yawn, but nevertheless I find I can go through the day till about ten o'clock pretty comfortably.

MG: How would you rate your start in the job?

TA: Well, Michelle, I've always avoided those sorts of self-assessments because if you give yourself a 10 out of 10, people

think you're a big head, if you give yourself a 6 out of 10, they think you're plagued with self-doubt, so I'm just not going to rate myself.

MG: When we spoke before the election, you said the prime minister should be somewhat more than first among equals, but leave a lot to his ministers. Now you're in the position do you still think this is the appropriate formula?

TA: I do. There are some issues where ministers should come and talk to the prime minister, if the prime minister hasn't already talked to them. Any issue which a minister thinks is going to be profoundly controversial, where we do not have a clear existing position, it is important that there be a conversation between the minister and the prime minister. I think they all understand that and I think it is working very well.

MG: Have you had to intervene with ministers more than you expected?

TA: No. It's a very collegial government. The media — and I'm not blaming them — obviously like to seize on the differences between people and, sure, there are some senior members of the government who are in a slightly different philosophical space to mine. But do not underestimate the substantial single-mindedness of this government. We are a very like-minded group, the senior members of this government. The outliers are not very far away from the mainstream.

MG: How difficult for you personally was the Sinodinos affair?

TA: I have a lot of respect for Arthur. I've known Arthur for a very long time. I've worked closely with him over a very long period of time. Arthur is a fundamentally decent man and I will be amazed if any significant adverse finding is made against him. Arthur is also a tough political professional and he realised that it was going to be difficult for the government if he simply toughed it out, and that's why he came to tell me what he told me.

MG: What are your various sources of advice; do you maintain an informal network as a sounding board?

TA: Every prime minister has a whole series of networks, and there are official formal networks and there are unofficial informal networks. I'm lucky in that I have good official formal networks, starting with my own office, the leadership group, the cabinet and the party room.

But I've also got some informal networks. I guess the people I cycle with are inevitably a bit of an informal network. The people up at the fire brigade are inevitably a bit of an informal network. My wife and daughters are inevitably a bit of an informal network.

I'm confident that there are plenty of people who have the strength of character and the presence of mind to warn me of difficulties and alert me to opportunities.

MG: You didn't mention the public service in that list.

TA: Of course I should have, but in the end the public service is there to implement the policies of the government as well as to offer frank and fearless advice.

MG: Your office has got a good deal of flak, particularly your chief of staff [Peta Credlin], for being too controlling. Does this concern you at all?

TA: I think it is curious, Michelle, that when a female chief of staff is strong, the term "controlling" is used, whereas when a male chief of staff is strong, "decisive" is the term used. I think she is doing a terrific job and I'm very proud of my office.

MG: What have you found the most rewarding areas of the job and what have been the most difficult?

TA: It is such an honour and a privilege, and most of the time such an exhilarating honour and privilege, that I'm reluctant to single out any particular aspect. Like the Governor-General,

when asked what you enjoy most about the job my tendency is to say "today", because of the insights you get into our nation and because of the privileged contact you have with so many people.

It's nearly all been good. I suppose, being a fairly traditional person, the contact with the military at every level, from the service chiefs to the squadies that I've been lucky enough to do PT with, has been a special highlight.

MG: And the downsides?

TA: It just goes with the territory, but no one likes criticism which they think is completely unjustified. Although as a mate of mine said to me once, unfair criticism is a compliment in disguise.

MG: Is there a particularly egregious example of this you can give?

TA: No, if I start going into details I will be thought to be whinging and I don't want to be thought to be whinging because, as I said, it goes with the territory.

MG: You were hit in the early days by some really tough and unexpected issues, notably the revelations about spying in Indonesia and the announced closure of the Australian operations of two car manufacturers. How tough were they to deal with and did you feel prepared to deal with them?

TA: They were both tough issues and I think the government has handled them both, in the end, as well as they could have been handled. Whenever you're in a very difficult position it is important to have principles and values to fall back on.

In respect of Indonesia, I am determined to be the best possible friend of Indonesia that I can be, consistent with my overriding duty to protect our country. We would never do anything that was damaging to Indonesia, because we want Indonesia to flourish. We want Indonesia to take its rightful place as one of the really important countries of the world, as it will, sooner or later.

So I'm never going to do anything that's damaging to Indonesia. I want to be a very good friend to Indonesia, but there are some things which are non-negotiable. Border protection is just non-negotiable. Maintaining a strong security network is just non-negotiable. I think the Indonesians understand that. I just think it is a pity that the inevitable domestic politics of Indonesia, the inevitable sensation-seeking of the media here and there, turned what was always going to go the way it went into some kind of a big storm.

MG: You blindsided your colleagues this week with your plan to bring back knights and dames. Why didn't you take that to cabinet and the party room, especially after the criticism when you bypassed the party room in opposition on paid parental leave?

TA: In the end the relationship between the prime minister and the monarch is very much a personal one and when it comes to the constitution of the Order of Australia, which is headed by the monarch, this is governed by letters patent, which are a matter between the prime minister and the monarch.

I think the prime minister is entitled to make these sorts of decisions with the monarch. I took a few soundings. In fact I took some quite widespread soundings on this and, as you'd expect, some people were more in favour than others. The soundings that I took obviously didn't deter me from a particular course of action.

Obviously, I know there has been a predictable reaction from the usual suspects, but I think it will quickly settle down. Under the new arrangements we're not going to have a flood of new knights and dames; there will be four a year and I think that is appropriate given the very single honour that a knighthood or a damehood is.

MG: Do you care that a lot of fun is being made of the initiative at your expense?

TA: I've seen some amusing cartoons and I've had a bit of a chuckle about it. So be it.

MG: Is this a return to traditional Tony — was it a case of letting your instincts off the leash?

TA: I want to stress that in the same week that this announcement has been made, I gave quite a significant foreign policy speech, we had red tape repeal day in the parliament as part of our deregulatory agenda, we announced the sale of Medibank Private, we had important legislation such as the mining tax repeal bill dealt with in the Senate.

So, the idea that I've spent most of the last week thinking about this is simply wrong. But nevertheless, as I said the other day, I think that this will be a grace note in our society and I'm pleased that it has happened.

MG: You are losing a lot of skin over your planned changes to the *Racial Discrimination Act*. You feel strongly that a legal injustice was done to columnist Andrew Bolt, but is the course you are taking worth the flak? Do you understand the fears of ethnic communities and the Jewish community [about the proposed changes]?

TA: This was an election commitment. In the aftermath of the Bolt case there was quite a fierce debate and we said any number of times, orally and in print, that we were going to repeal section 18C in its current form. What we've done is entirely consistent with that commitment.

We've removed "insult", "offend" and "humiliate", we've kept "intimidate" and we've added "vilify". I think we've produced a stronger prohibition on real racism, while maintaining freedom of speech in ordinary public discussion. So I'm very comfortable with where we're at. We're not dogmatic or impervious to a further argument, that's why we released it as an exposure draft rather than simply releasing it straight into the parliament.

MG: Is the Fairfax story today about George Brandis being done over in cabinet essentially correct? [The report said cabinet this week forced Brandis to water down his original proposals for changes to the *Racial Discrimination Act.*]

TA: Without commenting on that story, what's the point of having a cabinet if from time to time proposals that are taken to the cabinet aren't modified and improved? That's the whole point of having a cabinet surely, so that a minister can bring a proposal forward, the cabinet discussion can ensue and the proposal might be amended because of that discussion.

There are very few things that come to cabinet that aren't changed in some way and there is nothing wrong with that. That's what cabinet government is all about.

MG: On economic matters — in your tough line on SPC Ardmona and the car industry, we've seen a very "dry" line from you. Some of your colleagues are surprised. Do you feel your thinking on economics has shifted? When did you "dry out"?

TA: This is where putting labels on people is so counter-productive. Most of us on some issues could be considered conservative, on other issues could be considered progressive, on other issues might be thought of as being moderate, on other issues might be thought of as being rather forthright.

I think all senior politicians tend to be rather more subtle then the commentators would have it. It is a natural tendency for human beings to try to classify. We all have this classification urge — so and so is such and such, that person is in that camp — but look, most sophisticated people defy stereotype.

MG: One of the government's major tasks will be dealing with the new Senate after July 1 in which Clive Palmer's party will be very important. You two have had your moments in the past. Will you be meeting regularly with him, or leaving the negotiations mainly to others?

TA: This is something that will evolve. What will most certainly happen is that there will be very clear and full communication between the government and independents and minor parties. The precise mechanisms will evolve over time, but we certainly intend to keep the minor parties and the independents very much in the loop. We have to if we want our legislative agenda to have a reasonable chance of success and that's what we intend to do.

MG: You've already done quite a bit of travel and you have a substantial trip coming up in April to China, Korea and Japan. Then you will be off to the United States. How hard is it to juggle the overseas travel with keeping a grip on domestic priorities in these early days? For example, you will be out of the budget process for a week or so when you go to China and the other countries.

TA: I don't think anyone should over-estimate how out of the loop people are these days. In the era of mobile phones and emails, you're no more out of the loop in China than you are in Sydney. There's not even much of a time change. In terms of the time change, the time change is no different to Perth. So I'll be staying in close touch.

MG: Nevertheless, your mind has to be on what you're doing there and it is a bit different when Joe Hockey can just pop into this office and say "look I want to talk about this for five minutes".

TA: If we were in the pre-budget month and I was in Western Australia for a week, for instance, I'd be just as much out of the loop there as I would be in China. It is very important for our long-term economic future that the relationship with Japan, Korea and China, who are our three biggest trading partners, be ever stronger. That's why I'm making this trip. I think the fact that I am making this trip quite early on in the life of the new

government is a sign that we understand the importance of these relationships to our long-term economic security.

MG: Just speaking of Western Australia, you'll be there next week, which is the last week before the Senate election. Do you think you'll hold your three senators?

TA: I think we can and should, but I don't presume to prejudge what the electors will do.

MG: Just finally, if you were to fast forward a year, what are the three things you would most like to have achieved by this time 12 months on?

TA: We've got to stop the boats, get the budget under control and repeal the carbon tax and the mining tax. They're the things that we have to get done in these first 12 months.

In conversation with Bill Shorten

Michelle Grattan

Bill Shorten will have been a year in his job next month. After its trouncing at the election, Labor is in a much better position than many would have expected, leading on a two-party basis in the polls. It has been helped by the government's mistakes, but the national security issue is likely to play to the Coalition's political advantage.

In an interview with The Conversation, Shorten talked about his style, those he turns to for advice — who include "mentor" Bill Kelty and former PM Paul Keating — and Labor's history wars, raging with the release of Julia Gillard's book.

As Gillard and Rudd continue the blame game, Shorten, a key player in both the 2010 and 2013 leadership changes, admits

the 2010 one was "far too quick in hindsight", but "my focus is on the future — it is not my aim to be the museum curator".

Asked where a centre-left party positions itself these days, Shorten says it is as "pro-growth with a strong safety net". "It is reaching for higher ground. It is utilising all the talents. It is uniting the country, not dividing it."

He says he makes a point of speaking to business leaders "every week" and describes his relations with business as "very good". On the other side of the industrial fence, unions are "an important part of who the Labor Party are", but the party must speak for people from all walks of life.

Shorten really fires up on climate change, declaring it a "massive issue". With the ALP committed to the challenge of campaigning on an emissions trading scheme in 2016, he says "this government is so right wing on climate change it just defies belief".

On the dispatch of forces to the Middle East, the opposition leader makes no apology for sticking close to Tony Abbott. "I take the government at their word. They're conscious of not engaging in mission creep. We've set out our principles. The government hasn't misled me thus far and I've got no reason to think they will."

His approach for the 2016 election will be that "we won't over-promise and break promises like Tony Abbott. Nor will we under-promise and be a totally small target".

He says he'd bring to the nation's top job the aim of getting "the smartest people into the room. I think I'm good at harvesting what people think and distilling it". Describing himself as "a very compassionate person" he would like to be "prime minister for the powerless".

The interview was on Wednesday evening, in Shorten's Parliament House office, with the news dominated by the introduction of tough anti-terrorism legislation and Tuesday's horrific incident in Melbourne that left a young terror suspect dead and two policemen injured.

MG: How difficult has it been to transition from senior minister to this job?

BS: It's a big privilege doing the job. It's a different job to being a senior minister. My challenge in the first 12 months has been to unify the party, to help start the process of building policies for the next election and to hold the government to account. It's distinctly different, there's not people waiting for you to make the decision which will allocate resources, it's not the same work as a minister, it is quite different.

MG: Harder?

BS: Yeah, it's harder than being a minister, leading the opposition.

MG: Because?

BS: Different tasks are involved. Labor lost the last election quite decisively, so the rebuilding work is a different challenge. Unifying the party, attracting more people to the Labor Party, holding the government to account, starting to build our policies for the next election, making sure we have good candidates, making sure that we have a positive narrative as well as holding them to account.

The other thing is, their budget was so ridiculously unfair and so divisive that frankly I was taken by surprise by their willingness to break promises. There seems to be only a few promises they're interested in keeping and everything else is an optional extra.

MG: Just standing back, what's been the toughest aspect of year one for you?

BS: I'll leave that for other people to decide. For me it's been trying to hold this government not to commit the mistakes it's making with the Australian people. The toughest thing is how unfair their vision of Australia is.

MG: I would have thought that was, in a way, the easiest aspect [for you]?

BS: The toughest aspect of it is they can't win. We can't let them win on wrecking Medicare. We can't let them win on treating the unemployed the way they are or trashing higher education. So that is the biggest, toughest challenge we've got because they have the numbers in the House of Representatives.

MG: But those were ammunition for you.

BS: I'd rather the government wasn't doing it. I don't want people being used in this way, it is dreadful.

MG: In terms of how you do the job, how do you manage the enormous demands that the job places on you — Tony Abbott, for example, is very fit and this sort of job is quite physically exhausting, isn't it?

BS: It is. My family are supportive, that's crucial. I've got to reserve some space for being present for my family when I'm home, they keep it real. I've got excellent staff. My colleagues have been very supportive and very encouraging. So that's how you manage and I do like to exercise most days when I get the opportunity.

MG: What do you do?

BS: I run — slowly.

MG: What distance?

BS: Seven or eight kilometres.

MG: A day?

BS: Yeah, four or five days a week. Not very fast though. The other thing I should tell you just on that is that I've got not one but two British Bulldogs now, so I walk them for an hour — well, they don't walk for an hour actually.

MG: How much time would you spend on the road?

BS: Travel has been extensive and is very demanding. Over a year it'd be 120 nights away. And then there's plenty of day trips as well, where you leave early and come home late. So, I'd be on the road three days a week.

MG: Do you think the travel, the constant campaigning, is excessive these days?

BS: I've never been the leader of the opposition before, I have nothing to compare it to. I like people, so I like campaigning. I like travelling the length and breadth of Australia. Also, there's a lot of people who want a strong Labor Party and that's quite galvanising and energising. I'm also impressed our MPs are working pretty hard, so you get to see what people do.

MG: Can you outline where you get your advice? How much do you rely on your personal office, do you have a circle outside to whom you go and how difficult is it to get fresh ideas?

BS: I get advice from my office, I get advice from my shadow ministry, I think I have a consultative style. Any of the major speeches I've given, from higher education, to Indigenous affairs, to climate change, to national security, my colleagues are smart so I get advice from them.

I've always believed in trying to find three or four experts in any given area who are the smartest in the country and talk to them as well. So I try and reach beyond the parliament for advice and counsel. I've got advisors from the business world. I talk a lot to [former ACTU secretary] Bill Kelty, who is a mentor of mine. Again, my wife gives me good advice.

So I've always reached out to people across the political spectrum and across the spectrum of the community. I'm always interested in who does it best in the world on an idea and what people have got a view on what the future looks like. I'm also interested in how you get consensus.

MG: Bob Hawke used to laud John Curtin and now politicians on both sides have accolades for Hawke. Who's the leader you most admire and is there anyone that you use as a role model for this job?

BS: It's a combination of people. I listen a lot to, as I said, Bill Kelty. Paul Keating's been very helpful and very generous with his advice. I've had the chance to talk to Kim Beazley when I've been in Washington — he's always very professional but he has good insights.

Reaching back, everyone from Whitlam to Curtin to Chifley have got lessons for us. I'm heavily influenced also by Martin Luther King. When in doubt, most of the questions we deal with have been thought of in some context before, so reading widely is a prerequisite.

MG: And you get a bit of time to do that?

BS: You have to make time for that — it's not an optional extra.

MG: If you became prime minister how would you approach the job? Tony Abbott, for example, said he wanted to be the prime minister for infrastructure — what would you want to be the prime minister for?

BS: I'm a very compassionate person, I would like to be the prime minister for the powerless, people who don't have a voice in society. I'd like to be a prime minister who tackled tough issues. I'm interested in being a prime minister who looks at the future as well. Being prime minister for science would be good.

I think one attribute which I would definitely bring to that leadership position is: you don't have to be the smartest person in the room — what you have to do is get the smartest people into the room. I think I'm good at harvesting what people think and distilling it.

There's a lot of smart people in Australia who want to make a contribution, the trick is to harness it, to not take forever

listening. So I think that would be part of the attribute — I would bring people into government with diverse views.

MG: What about in style? Over the years we've seen prime ministers who've got their hands in everything, we've seen prime ministers who stand back and let their ministers do their work.

BS: I prefer to have a champion team than be the first among equals. I'm interested in getting the best out of my whole team. In my experience, it doesn't matter if it is workplace relations or disability reform or superannuation, you get the best people and you get the best out of them by giving them some degree of autonomy, voice and control.

MG: We're talking about ministers here?

BS: Yes. I don't want to micromanage people. We set our priorities, we set our directions, then you trust people to implement the steps towards those directions. My role is to help navigate, but there is a lot of people who can help row.

MG: Are there any other aspects of style that you would highlight, that you want to bring to that job?

BS: I don't divide society into goodies and baddies or lifters and leaners. My style is I've always believed in reaching for higher ground. The story of Australia is one of creating wealth, of growth, with great strong safety nets. So I wouldn't want to waste anyone's potential. I think everyone's got something to offer. Someone once said that everybody is somebody, and what I want to do is make sure that everybody can be the somebody that they were destined to be.

MG: Your initial year has been much helped by the government's problems — are you at all concerned that Labor's lead in the polls, which has been consistent for quite a while now, is not a real lead in the sense that it could evaporate when people were actually making a choice?

BS: Well, there's no election on Saturday, so the numbers are not what fundamentally drive me. We have had a good start. I think that's fair to say. It's not just because of the government's unfair budget. I think it's also because this is a government who staked their reputation on telling the truth and they haven't.

Also, my team have been united. They've been pretty disciplined and they're starting to work on the strands of our narrative for the next election, so that's helped too.

I think the most recent bout of history wars or legacy wars going on in the books just reminds people that that was then and Labor has moved on from then.

MG: Where does a centre-left party position itself these days?

BS: On the centre left.

MG: What does this mean in practice?

BS: It means we're pro-growth, we're pro an international economy, we want to be pro small businesses, we're pro-competition and pro-productivity, we're pro the creation of national income. But we are also for the efficient distribution of the national income. We're also for a strong safety net of social justice. We're not for leaving the poor behind. We believe it should be merit that guides people's access to universities. It should be a strong superannuation safety net so that people just don't have to rely in the future on the aged pension or the part pension.

So it is growth. It is reaching for higher ground. It is utilising all the talents. It is uniting the country, not dividing it. It's based upon a strong safety net — pro-growth with a strong safety net.

MG: You have been criticised for replicating Tony Abbott's negative tactics in many areas — do you think that's just the way politics is played these days?

BS: I've been criticised for replicating Tony Abbott's negativity and I've also been criticised for being too agreeable with him at times. It's not bad going to be both at the same time, is it? Too agreeable and too oppositional.

Our opposition or our support will be based on the issues. There is no doubt that Tony Abbott helped create one of the most negative political environments that Australia has ever seen in peacetime, but when it comes to the budget and the unfairness of it, we didn't ask him to divide the country or to make fairness a motif for what goes on.

They're not a brave government. It doesn't take courage to attack the most vulnerable, to make the sick pay more tax, to make the pensioners have a slower rate of indexation, to make it harder for working class kids to go to university. It's not brave to massively slash funding to the states because you're too scared to have an argument about tax reform.

MG: By the time you get to the third year of the cycle do you think you'll have to take on a quite positive …

BS: I think I'm quite positive now. When it has come to national security, when it has come to talking about how we engage in recognition of Australia's Aborigines.

MG: Before we get onto that, I guess I meant in terms …

BS: I'm not accepting the assumption of raw negativity.

MG: I mean in terms of presenting positive policies.

BS: We will.

MG: And that will be the third year that you start to roll that out?

BS: It won't be three minutes to midnight like Tony Abbott did. We won't over-promise and then break promises like Tony Abbott. Nor will we under-promise and be a totally small target. Our process now that we are engaged in is listening to people. National policy forums, the work of my shadow ministers, reach-

ing out to business on a constant basis, listening to the not-for-profit sector, talking to all the actors in our community.

MG: So you'd start to roll out things when?

BS: Before the next election. Well before the next election.

MG: You said yourself there are areas of agreement, which is very true on national security and the government's military commitment to Iraq. Do you think that this will last in the medium term or do you expect mission creep of one sort or another will in fact fracture the consensus?

BS: I take the government at their word. They're conscious of not engaging in mission creep. We've set out our principles. What we've endeavoured to do — and I've been greatly assisted in this by our national security team, including Stephen Conroy, Tanya Plibersek, Mark Dreyfus and others — is set out our principles.

Gareth Evans has been a useful source of advice in all this. We've set our principles which will guide us as circumstances change. So the government hasn't misled me thus far and I've got no reason to think they will. They understand that an extended on-the-ground, ground combat unit role isn't going to drain the swamp of terrorism and you can't solve all these matters through military intervention alone.

Our guiding principle has been how do we assist innocent populations with humanitarian relief, from what is a dreadful, dreadful situation and that's what guides us. The Iraqi government has requested this support. It is quite different perhaps to the second Gulf War. There is a much stronger international coalition on this matter.

MG: So you trust Tony Abbott on this, you don't think he is backing you into some corner?

BS: I think national security is the most important issue. The politics of the day are a second-order matter for the way we

evaluate these. We're interested in what's right and wrong, not what is right and left.

MG: You have assured the prime minister in a letter today that you'll expedite that passage of the foreign fighters legislation through parliament after an inquiry into its detail. On first blush, do you think Labor will want many changes to that legislation?

BS: I'm not going to usurp the work of the parliamentary committee. They did make a range of changes which the government has thanked us for on the first bill. So on the second bill, it is almost 200 pages long, it needs to be investigated and debated. We need to hear from the security agencies, we need to hear from stakeholders. Our message is that we approach this with goodwill. We don't approach this with partisanship.

Of course the detail is important and that is why we made clear we want the committee to do its work, as parliament should do and as this committee has done in the past.

MG: Do you think Labor's bipartisanship will disillusion some of your base supporters?

BS: Is that because we're being too positive, not too negative?

MG: Yes, too positive on this.

BS: It's difficult, isn't it, in this job? If you're too negative, too oppositional, well, that's too much, and if you show any bipartisanship, well, that's too soft. There seems to be a very fine line here which is not always easy to detect to the human eye.

MG: Well, there are also different constituencies of course.

BS: There are. No, because we're taking a principles-based approach. I can make no apology for prioritising our national security. I do not think that there are very many people involved at all in planning dreadful evil acts against Australians. But the truth of the matter is there are some. It's a very small number. So you're silly to ignore the intelligence briefings that you get and

the facts at your disposal.

By the same token, as I said in parliament today, we've been through difficult times in the past as a nation; we will live through challenging times in the future. What we require is to exercise wisdom and knowledge and that is what people expect of us. So I take this on the merits of the issue and the priority of security, balanced against the liberties of ordinary Australians.

MG: Do you think the national security issues inevitably benefit the government, in the short term at least?

BS: Well, there's a political set of opinions that say the government of the day benefits. I can't afford to let that be the issue. What benefits the nation is consistent long-term principled decisions. What'd benefit Labor is if we adopt consistent principle positions about the national interest.

Politics is a second-order issue when we deal with matters like this — it just has to be second order. The first-order issue is our communities, our nation, our families and that's the way I approach it.

MG: This week the United States Secretary of State, John Kerry, said that one can make a powerful argument that climate change might be "the most serious challenge we face on the planet because it's about the planet itself". Do you agree with him?

BS: I think it's a massive issue. They're his words, but climate change is one of those tests of the parliament, because it is not just about the here and now, it is about the future. This government has been appalling on climate change.

When you see Joe Hockey complaining about wind towers making him sick. When you see the government retreating the whole renewable energy model, a multi-billion, multi-thousand employing sector, treating it as some sort of basket-weaving enterprise, this government is so right wing on climate change it just defies belief.

MG: You're committed to campaigning on an emissions trading scheme in 2016 — this does look a hard sell against a scare campaign from Tony Abbott.

BS: Well, we are not going to have a carbon tax at all. We believe in the power of the market, Tony Abbott doesn't. It's funny, isn't it? He doesn't want to send a price signal to the market when it comes to sustainability and climate change, but he's happy to put a price signal for poor people going to the doctor with sick children.

MG: So you think you can sell it?

BS: I don't think there is any choice about the campaign. If Tony Abbott keeps trying to scare Australians about climate change, he is betraying the future.

MG: Next year will be Labor's national conference — what's the minimum you will expect that to deliver in party reform?

BS: We need to be a membership-based party, not a faction-based party. We need to have the mechanisms whereby we can get the best candidates possible. We need to be a party that is genuinely open and accessible to people from all walks of life, not just some of our traditional bases.

MG: The material coming from the union royal commission is potentially a serious problem for Labor. What are your plans for managing the party's relationship with these powerful union affiliates without making it appear compromised or beholden to them?

BS: Well, just to go to the assumption in your question: this is Tony Abbott's royal commission into trade unions. It is a forum for people to settle old scores. I'm not going to provide a running commentary or pre-empt what the royal commission does or doesn't do.

In terms of our relationship with unions more generally, unions are an important part of who the Labor Party are and

they've got an ongoing contribution to make. But I do not see the Labor Party as purely being the political arm of trade unions. We're not the political arm of anyone except the Australian people.

Some trade unionists won't like what I say, but I don't think they can fault my record in terms of being committed to the rights of working people. The Labor Party needs to not just be perceived as acting for certain of the institutions of Australian society. People from all walks of life need to feel that the Labor Party speaks for them. There is no going back.

MG: How important and how possible is it for you to improve the Labor-business relationship, which has been strained in the last few years? Surely business is going to pull out all stops to prevent the re-election of Labor at the next election?

BS: I don't have an us-and-them view about business. It is one of the great myths about workplace relations in Australia. Most of my time was spent resolving issues for business and their employees. You can't have someone have a job unless business is making a profit. It goes back to that basic proposition that I believe in reaching for higher ground, I believe in growth and the creation of wealth and that's done with a strong safety net. So my relations with business are very good.

MG: You're working on this actively?

BS: I make a point of speaking to business leaders every week, every week. And some of my closest confidants are people in business who give me good advice.

MG: Is that different business leaders every week?

BS: Yes, although I have some who are generous enough to give me advice on a regular basis.

MG: You referred earlier to the history wars. We've seen a spate of books and interviews about the Rudd-Gillard years. You were a key player in both coups …

BS: I just don't buy your language on coups, Michelle.

MG: Well, you were a key player in changes of leadership, if we put it in more polite terms. Do you regret how you acted in either of those?

BS: First of all, just on the first part: people have the right to tell their story. I think Wayne Swan has the right to write his book and Bob Carr does and Julia Gillard does. My focus is on the future. It is not my aim to be the museum curator. In the past, I have made it clear that I think that the change in 2010 happened almost too quickly and in 2013 again I've stated, as I've said in the past plenty of times, that was incredibly difficult. I felt I had to put [first] the interests of Labor doing as well as it could electorally. So those difficult decisions were made.

MG: So is the summary there, that you've got some regrets about 2010 but not 2013?

BS: I have regrets that Labor was so disunified. I have regrets about the circumstances.

MG: But about yourself?

BS: As I said, I regret that in 2010 there wasn't more explanation of what had happened and why, and in 2013, I regret that the relations had got to a point which made making choices inevitable.

MG: But in 2010 do you think the party should have delayed?

BS: I think it was far too quick in hindsight.

MG: Should the change have been made at all?

BS: We made the changes and I still have the view that Julia Gillard was an excellent leader. None of what I have said is motivated by any negativity about Julia or Kevin.

MG: But it would have been better to leave it till after the election?

BS: I think it was done too quickly. But again, I've been in books, there's nothing new that I'm going to say that I haven't already said. My focus is completely the future.

MG: Looking to the fairly immediate future, if Tony Abbott reshuffles his ministry later this year are you likely to make adjustments in your own team?

BS: Well, let's see what he does administratively in terms of responsibilities. If he changes or if he shrinks George Brandis' portfolio, or if he further emasculates Ian Macfarlane's portfolio, or if they decide to do away with calling someone a minister for the environment altogether.

I don't have any desire to reshuffle, I'm satisfied with the team I have.

MG: But you don't rule it out?

BS: No, it'd have to be a pretty extraordinary set of circumstances. I'm happy with the team I've got and I think consistency and continuity is an important part of what we do.

MG: Labor cuddled up to the Greens and then distanced themselves from them. In New Zealand, the same distancing has been seen as a mistake in the last week or so in the wake of the election. How do you now see the Greens? Are they the party closest to Labor on the political spectrum or is that the Liberal Party?

BS: I don't see Labor in the context of close or not to Greens or to Liberals. My plan is to rebuild confidence in the Labor brand and what we stand for. What the Greens do is up to them. What the government does is up to it. I can't control those things and I don't seek to. What I do seek is that the Labor Party at the next election, people can articulate what we stand for and they do it on the basis of three years having been quite consistent in opposition.

So for me, the work is building what we stand for, communicating quite clearly to the electorate and engendering confidence in the electorate. It's not whatever Greens, Palmer United, Liberals, Nats or anyone else do.

MG: Do you believe this could be a one-term government and if that's not a fulfillable aspiration, would you want to stay on as leader for a second election?

BS: My aim is to do as well as we can in this election and that's what my sights are set on.

MG: Which is not necessarily victory?

BS: No, I'm in this to win it, but I accept that it has been accomplished very rarely in Australian political history, to win in the first term. On the other hand, I don't think we've ever seen a government have so long to bring down its first budget and to do such a spectacularly bad job of it.

MG: But do you think you would have the support and the personal political stamina for a six-year run to power?

BS: I've got excellent stamina. I think what my team and Labor voters and indeed Liberals expect me to do, is to try our very best to win the next election and that is our focus. And to do so on the basis of having held this government to account and to do so on the basis that we're united, to do so on the basis that we've got great candidates and a dynamic party growing and to do so most importantly on a positive set of ideas about what Australia looks like, not just at the next election, but in the next ten years and 20 years. It's all about the future.