

# FPL Analysis

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# Analysis



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# We need more women in government and gender quotas are how we'll do it

Following the Andrews Government re-election and recent ministerial appointments, Victoria has a 50% gender split in cabinet. Victorian Parliament as a whole lags behind with 41% of seats filled by women. While Labor's contribution to Parliament comprises 48% women, in the Coalition women fill just 29% of Parliamentary seats.

## Why we need a gender-balanced parliament

Increasing the number of women in government has numerous benefits for the public. A recent Canadian study of data over 40 years shows links between higher counts of women as elected officials and increases in

public health; another study of 125 countries shows that countries with more female parliamentarians experience lower corruption. In this context, gender quotas are not about hiring women simply because they are women; they are about putting practices in place to identify and recognise women who have the skills and capacity to do the job well while removing barriers that currently keep women from accessing these roles. In any government, achieving a balanced cabinet leads to a wider array of perspectives being heard, being able to better address the specific needs of women and girls, and an equitable range of voices participating in the allocation of scarce funds. It also has a symbolic effect of reflecting current societal values and inspiring women and girls to enter politics or aim for positions of power.

Victoria was not the first jurisdiction to achieve gender parity in its cabinet – Queensland reached 50/50 last year and the Northern Territory has a female majority. Over 100 countries have quotas for female national legislators in some form; over 70 have them enshrined in law. Not all have been effective in a political climate such as Australia's, but the precedent set by the current state government is in line with standards shown to work in similar developed nations.

## Types of quotas in practice

Quotas specifying minimum numbers or percentages of each gender put forth for election can either be legislated or voluntarily implemented by a political party. When parties nominate women, voters do support and elect

them. These quotas are not a clear path straight to Parliament but an assurance that women are getting on the ballot as an option for voters.

Both legislated and voluntary quotas as described above have been effective in countries like Australia, with voluntary quotas coming out ahead. The final type of gender quota involves reserving a percentage of parliamentary seats for women. While very effective in developing countries or those undergoing large structural or constitutional changes, there are no developed countries with this quota type.

Although Australia has no legislated quota, the ALP has had voluntary gender quotas for several years and has seen increased numbers of women elected as a result. Unfortunately, not all parties have chosen to make gender-balanced workplaces a priority and as such, legislation is necessary to create a balanced Parliament that reflects the Australian public. While the current state government has made this change voluntarily, there is no guarantee that future governments would make the same choice. With gender in politics being such a hot button issue recently, now is a great time to introduce gender quotas for future elections.

## Gender quotas in action

Such legislation must be properly implemented for it to be effective. When France introduced legal limits to create a more balanced government, some parties chose to ignore them and pay the paltry fine imposed for non-compliance. In the subsequent two elections, female representation rose just 2% as parties chose to take the hit to their wallet in order to preserve their political position. Rather than writing quotas off as failed experimentation, France reformed them and applied tougher financial penalty for failure to adhere to the law. In the first election

following the reform, women won 15% more seats than the previous election.

A similar situation occurred in Ireland. In 2011, the lower house of Irish parliament had just 15% of its seats filled by women. A law was passed in 2012 that states each party must choose at least 30% women and 30% men as candidates or they lose 50% of their public funding in the next cycle. In the first election since the new law was introduced, the number of female candidates increased 90% and the number of women elected increased 40%.

As a final example, Belgium has seen the percentage of women in its Chamber of Representatives rise from 16% in the late 1990s to 41% in 2014 through several incremental changes. Each party must now provide equal numbers of candidates of both sexes – the difference between the number of male and female candidates can't be larger than one – and the first two candidates on any electoral list must comprise one man and one woman. These small and easily implemented changes compound to a more balanced Parliament that better reflects the population.

The main criticism on gender quotas is the belief they lead to unqualified women being elected ahead of qualified men, but this is unfounded. The goal is not just more women, it is to ensure the best person is appointed, recognising that women have traditionally been removed from the arena. Gender quotas are the quickest way to influence equality in Parliament and they would ensure we keep the current cabinet gender balance in the future.

*Olivia Peters*

*Olivia was a Policy Intern at FPL Advisory over the summer period.*



# In a world of uncertainty, how can leaders make strategic decisions

The world is increasingly volatile, uncertain, complex and ambiguous. Businesses are expected to advance their commercial interests and provide value to shareholders. Policymakers are expected to act responsibly and create public value. But in a variable and unpredictable environment, the high costs of mistakes are having more adverse and far-reaching impacts on major vested interests than ever before. For government, how do we determine these uncertainties and challenges to create optimal policy? How do we communicate them to policymakers? And how can businesses help policymakers deal with them?

Henk Don aimed to address these very questions while he was Managing Director of the Netherlands Bureau of Economic Policy and Analysis. In 2006, he convened a conference which provided a forum for policymakers and researchers across policy areas to share their experiences and provide some guidance for addressing uncertainty in strategic decision-making.

During a number of sessions, dilemmas were presented to illustrate how policymakers can deal with risks and uncertainties and how their perceptions of a policy problem can influence their decision on how to formulate the appropriate solution. At one such session, attendees were presented with an [example scenario](#):

*Every year, 800 people die from the effects of radon exposure. This is almost as many as the 1,000 people killed in road accidents in the Netherlands every year. People are exposed to radon in the place where they feel safest: at home. Although the impact is high, it took years for preventive measures to be implemented. On the other hand, many measures have been taken in other areas where the risks are objectively lower, but where there is much more public protest, such as chlorine transport in the Netherlands, for instance. The Dutch government has spent millions towards relocating a plant in order to reduce chlorine transportations. Scientifically speaking, however, the actual risk was limited.” [1]*

Overall the key message imparted was to “deal sensibly with risk” but ultimately this scenario highlights the number of forces at play in creating policies to address an infinite number of problems with finite resources. This in itself is complicated, but in an increasingly fast-paced and unpredictable world, how can policymakers make strategic decisions to create maximum value?

The U.S Army War College has described the modern strategic environment over the past 25 or so years as a VUCA world: Volatile, Uncertain, Complex and Ambiguous. The term originates from the post-cold war climate but its use by consultants and business leaders took off following the September 11 terrorist

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## What is VUCA?[2]

**Volatile:** unexpected and/or unstable challenges

**Uncertain:** change is possible and presents a challenge even if cause and effect information are known.

**Complex:** overwhelming volumes of information that has different interconnected aspects and variables.

**Ambiguous:** challenges with “unknown unknowns” and unknown causal relationships.

Read the Final report on the conference *Dealing with Uncertainty in Policymaking*, 16 and 17 May 2006, The Hague, July 2008:

[1] <https://www.pbl.nl/sites/default/files/cms/publicaties/550032011.pdf>

[2] <https://hbr.org/2014/01/what-vuca-really-means-for-you>



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attacks as a way to articulate the turbulent and rapidly transforming business environment that we have found ourselves in today. This has not come without conjecture (“this is not a new idea, business has always been tough, competition and technological change has been around for years” and so on) but applying a VUCA framework to understanding geopolitical uncertainty and technological disruption as a means of making sense of the risks and opportunities in the business environment explains its ready adoption.

Using VUCA as a construct for decision-making provides a framework for discussing risk within and outside an organisation while also highlighting how leaders should shift their mindset and behaviour to readily adapt to an unpredictable and equivocal environment. Psychological literature is rich in human decision behaviour research, particularly in attributing the psychological determinants of how we make decisions to uncertainty. Sources of uncertainty are not homogenous, and modern research has posited a plethora of theories involving the role of motivation and emotional functions interacting with cognitive judgements, conscious and unconscious influences on making decisions, as well as tactic and explicit processes on individual choices. Normative economic theories assume

that we have unlimited capacity to gather information, analyse the data and assess probability to result in the best choice. Yet we don't always act in a logical and reflective manner and largely make decisions that are satisfying, but not necessarily optimal. Put these cognitive processes in a VUCA environment and we are left with having to make difficult decisions in the absence of a clear pathway to optimal choices.

While the Netherlands conference did not explicitly explain decision-making in the context of a VUCA environment, the recommendations following its conclusion

shed some insight into how policymakers, and business leaders, can tackle this ubiquitous challenge (and with optimism, we can presume that leading policymakers already are).

Other than recommendation number 10 (organise a second edition of the conference in four years), many resonate here in Australia and in the VUCA context, including:

1. Scientists, policy advisers and policymakers should adopt an uncertainty-tolerant attitude.
2. Uncertainty information should be regarded as knowledge.
3. Ministries should create awareness of uncertainty and ways of tackling it among their workforce. A number of simple ways of achieving this include:
  - Organising a course focused on uncertainty for the entire workforce.
  - Adding a section on uncertainty to all analyses that are carried out within or at the request of the ministry.
  - Selecting important projects that have been implemented by the ministry over the past twelve months and assessing how uncertainty can be dealt with.
  - Developing the function of an uncertainty expert within each ministry.

Making decisions despite moving variables in the policymaking environment is a challenge for policy leaders. But using the VUCA construct to identify and assess uncertainties in a rapidly evolving environment can aid strategic decision-making. While any decision-making construct is imperfect (by its very nature an uncertain environment means that not everything can be known), it provides a useful framework to lay out the complex and rapid changes in the world that policymakers must contend with to meet strategic priorities.

Allana Ferguson

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## complexity

**Characteristics:** The situation has many interconnected parts and variables. Some information is available or can be predicted, but the volume or nature of it can be overwhelming to process.

**Example:** You are doing business in many countries, all with unique regulatory environments, tariffs, and cultural values.

**Approach:** Restructure, bring on or develop specialists, and build up resources adequate to address the complexity.

HOW WELL CAN YOU PREDICT THE RESULTS OF YOUR ACTIONS?

## ambiguity

**Characteristics:** Causal relationships are completely unclear. No precedents exist; you face “unknown unknowns.”

**Example:** You decide to move into immature or emerging markets or to launch products outside your core competencies.

**Approach:** Experiment. Understanding cause and effect requires generating hypotheses and testing them. Design your experiments so that lessons learned can be broadly applied.

https://hbr.org/resources/images/article/assets/hbr/3403/F1401C\_A\_1G.gif

## volatility

**Characteristics:** The challenge is unexpected or unstable and may be of unknown duration, but it's not necessarily hard to understand; knowledge about it is often available.

**Example:** Prices fluctuate after a natural disaster takes a supplier off-line.

**Approach:** Build in slack and devote resources to preparedness—for instance, stockpile inventory or overbuy talent. These steps are typically expensive; your investment should match the risk.

## uncertainty

**Characteristics:** Despite a lack of other information, the event's basic cause and effect are known. Change is possible but not a given.

**Example:** A competitor's pending product launch muddies the future of the business and the market.

**Approach:** Invest in information—collect, interpret, and share it. This works best in conjunction with structural changes, such as adding information analysis networks, that can reduce ongoing uncertainty.

HOW MUCH DO YOU KNOW ABOUT THE SITUATION?

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# Lost in Translation - The importance of words in the Sino-Australian diplomatic space

For many years, linguistic translation in political spaces has remained a largely unexplored field. However, translation is a significant act in foreign relations because subtle language choices can be used to convey and hide meaning. Metaphors, as well as similes and analogies, have become a popular choice in translating political discourse and have a powerful impact in communicating nuanced and complex messages.

Maintaining the established but fragile status quo with China is one of the most important issues on Australia's political agenda. With the Federal election looming and Australian Foreign Affairs Minister Julie Bishop indicating she will not run in the next election, developing bilateral co-operation despite heightened political sensitivities has become paramount. A key challenge not often identified in managing complex issues with China such as the South China Sea, ongoing China-Taiwan debate, the banning of Huawei from Australia's 5G network and claims that the ABC had violated China's laws and damaged 'national pride', is the problematic nature of translation.

When Bishop met with Wang Yi at the G20 conference in Argentina last year, she described the meeting as 'very warm, very constructive'. Global media outlets reported the encounter as 'less positive' due to the perceived anti-China rhetoric within the Australian Federal Government (in relation to the controversial 'preventing foreign interference' legislation passed) at the close of 2017. Of particular interest is the variations in

translation of comments made by Wang with respect to the meeting which loosely translate to Wang allegedly telling Bishop "take off the tinted glasses [and] see China's development from a positive perspective". Numerous Australian media outlets translated Wang's words to mean 'tinted glasses' or 'tinted glass', other reports described it as meaning 'tainted glass'. In addition, 'take off the tinted glasses' has widely been described as 'Chinese diplomatic shorthand for what it sees as Western bias' or as referring to 'foreigners [who are] prejudice against China'.

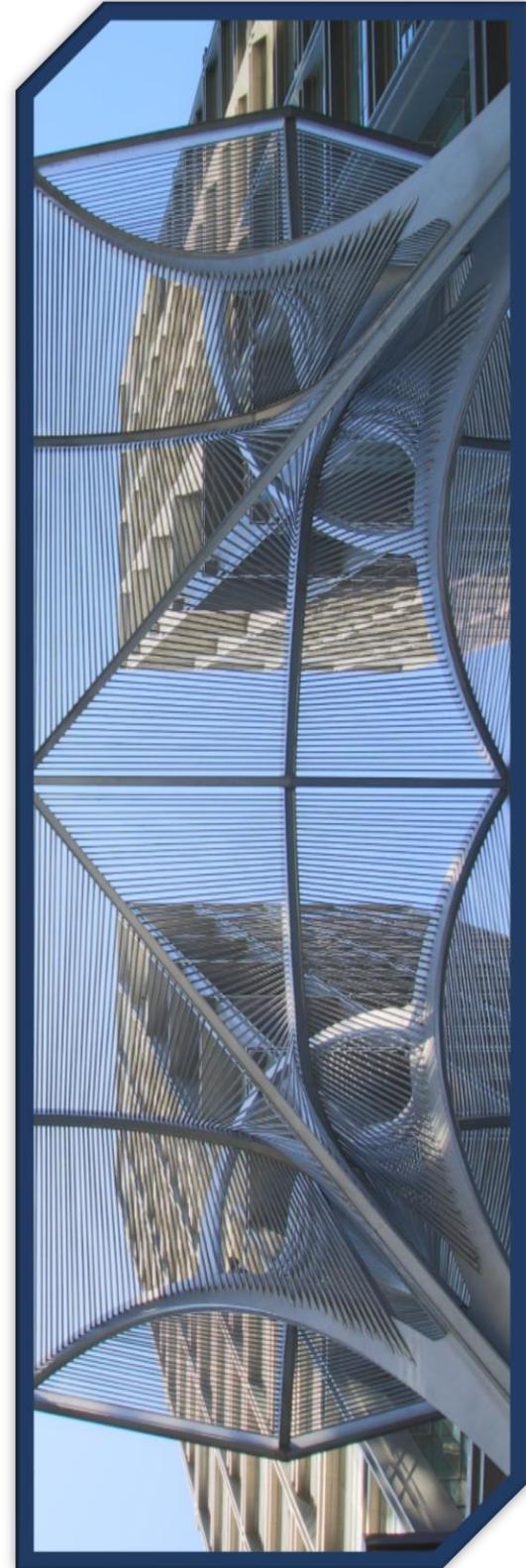
As there was no official transcript of the comments, Western media sources had to rely on translating from Chinese press coverage, as reported in China's official news outlet Ministry of Foreign Affairs of the People's Republic of China, directly to English. The characters used in Chinese press more closely translate to 'coloured glasses' (有色眼镜) rather than tinted glass. The first two characters (有色) mean 'coloured' and the last two refer to spectacles (眼镜) as opposed to 'tinted' (色彩) and 'glass' (玻璃). Translating from Mandarin into English is particularly problematic as phrases can have multiple meanings depending on the context. Each character must be carefully considered and interpreted, rather than cutting and pasting the terms into a translation application in full sentences. Further, some expressions are influenced by specific historical developments and can be misconstrued in translation with their authentic significance lost. Wang's comments were conveyed in Chinese media to

encourage Australia to get rid of its traditional (anti-China) thinking in order to cultivate their relationship rather than 'recoil' it.

The potential for misunderstanding is compounded by the fact that unlike English, Chinese (Mandarin) is a tonal language where the pitch is integrated with the pronunciation of the word being used. The Chinese language often features indirectness and non-expressive words to project humility and to show awareness and sensitivity to social power. As a culture, China is collectively oriented and values harmony, tending to avoid direct confrontation.

Although subtle, the importance of words in political spaces requires greater focus on translating contextually and within cultural frameworks. The Bishop-Wang meeting coverage demonstrates how common mistranslation by the media is in global affairs. As we move closer to the next election and a potential change of government, a renewed focus on Australia's bilateral relationship with China will be required alongside more accurate depictions of what each country is communicating to one another. The challenge lies in media coverage conveying subtle cultural meaning despite the complexity and nuance of language.

*Emily Clifford*





## Managing tourism externalities – a tax or a promise?

To manage the growth of tourism, countries must consider how to balance the positive economic effects of tourism while managing the externalities of large tourist influxes. In many cases these externalities come as a result of tourists using public goods such as parks, roads and museums or contributing to the need for additional services such as waste management and policing without having contributed to their cost. This has been exacerbated in recent times by the relative reduction in airfare costs fuelling a growth in 'budget' travel (such as freedom camping which relies more on the public goods and services at local destinations), and cruise tourism (which offshores much of the economic benefits with accommodation and

meal costs that reduces contributions to local economies).

To manage these externalities many countries have looked towards tourism taxes which are implemented in a number of forms including airport or arrival taxes or through corporation taxes for tourism related activities. Venice for instance has implemented a tourist tax from some time through rates at hotels. The tax is scaled based on a number of factors such as the season and is bringing in upwards of 30 million Euros a year. These types of taxes are often criticised for unfairly burdening businesses within the tourism sector, reducing competitiveness with comparable holiday destinations and for not adequately

considering tourism benefits such as revenue for maintaining public goods, exposure to other cultures and economic support.

Another key argument against many of these taxes, particularly those based on accommodation is their tangential connection to the desired outcomes. Taxing accommodation does not reduce congestion or reduce the use of public goods and services in key areas. Those who are price sensitive can often stay in suburban or nearby areas and instead take a day trip into peak areas which still contributes to asset use. Many taxes are also distorted, such as hotel taxes not applying to top cruise ship visitors. While cruise ships will provide a contribution through docking fees or taxes, the strong competition between ports and ability to dock at cheaper ports and transport guests into key areas means these taxes are often artificially low. The Venice accommodation tax was estimated to only apply to around one in five tourists due to factors such as day trips (which amount to more than half of the tourists entering Venice) cruise ships and non-commercial accommodation. To combat this, a new charge of up to 10 Euros per person will be implemented in Venice this year which aims to ensure more comprehensive tax collection and to reduce over-tourism. However, this charge still fails to change tourist behaviour or address many of the key externalities of tourism.

In early 2018, the small island nation of Palau took a new approach in changing their immigration laws to introduce a [passport pledge](#). Visitors were required to sign a commitment to protect Palau before they were allowed to enter:

*"Children of Palau, I take this pledge, as your guest, to preserve and protect your beautiful and unique island home. I vow to tread lightly, act kindly and explore mindfully. I shall not take what is not given. I shall not harm what does not harm me. The only footprints I shall leave are those that will wash away."*

The pledge requires visitors to follow a checklist such as 'Don't litter', 'Don't touch or chase wildlife', 'Do learn about the people and culture' and 'Do support local businesses and the community'. Those breaking the pledge face fines of up to \$1 million USD. In addition to changing tourists' behaviour, the pledge aims to draw attention to global environmental challenges and the need for individuals to take responsibility for safeguarding environmental assets into the future. For Palau, the pledge presented a relatively low tourism risk as the island continues to seek responsible tourists. Many of the visitors are attracted to the diving opportunities and so are likely to follow such a pledge and be further encouraged or attracted by this measure. But while it was considered a highly successful communications campaign, winning numerous awards and recognition, evidence of a change in tourist behaviour remains anecdotal.

Prior to the Palau pledge, Iceland introduced 'The Icelandic' Pledge in June 2017 and following it in late 2018, the 'Pono (*righteous*) Pledge' was introduced in Hawaii and the 'Tiaki (*care*) Promise' was introduced in New Zealand. The key difference with these pledges is that they are opt-in and focus more on promotional activities such as asking visitors to share posts with hashtags. Interestingly, a key difference between these promises and the tax approach is in the direct connection to the behaviour change desired. For instance, the Tiaki Promise includes key messages about travelling safety, which to some extent aims to address the number of visitor related crashes on New Zealand's roads. They also take a more positive approach, encouraging and identifying good behaviour and recognising that in some cases the externalities are driven by cultural differences, for instance an expectation that someone will be employed to pick up litter in national parks. As with Palau there is little evidence of significant behaviour change from visitors as a result of the promises.

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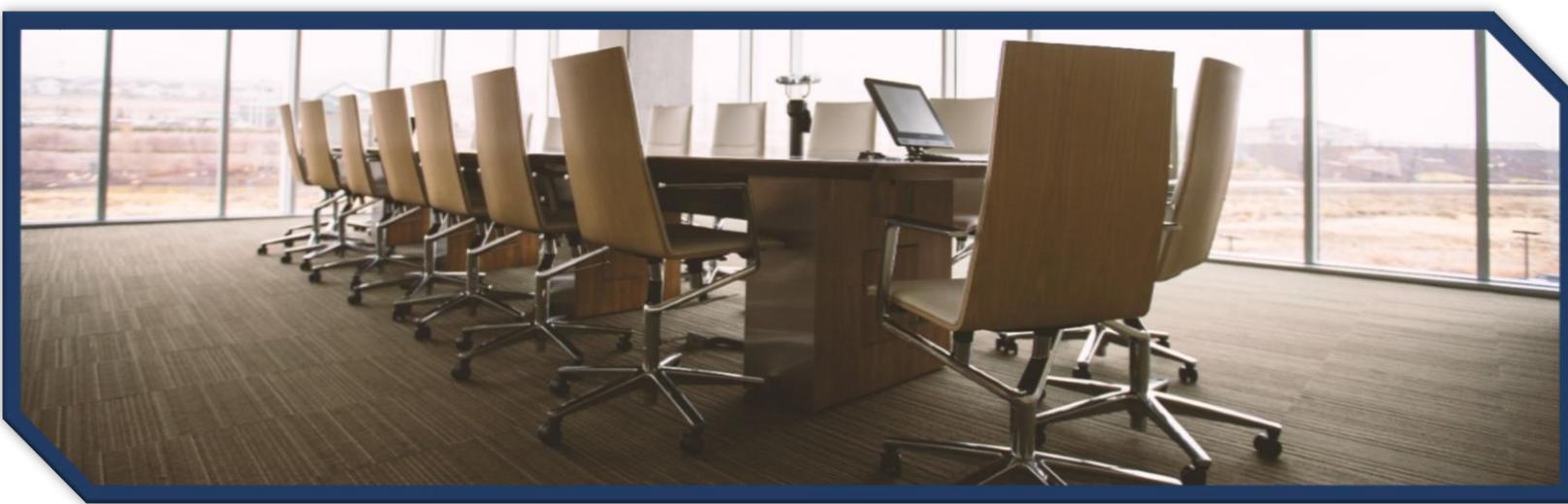
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This could be due to the infancy of these approaches and real change will ultimately take many years to clearly identify.

One clear behaviour change associated with the Tiaki Promise is the extent of commercial backing. While tourism operators are usually opposed to tourism related taxes due to their potential impact on future revenue, the promise has been backed by New Zealand's commercial tourism heavy-weights including New Zealand's Tourism Industry Association which represents more than 80 percent of the sector in terms of revenue. This may be to some extent a response to growing calls for local governments in New Zealand to impose visitor taxes that manage growing costs particularly of high-profile public issues like freedom camping and to growing calls for the industry to provide a greater contribution to maintaining and developing the public infrastructure tourists use. The sector, which was once seen as vital to supporting New Zealand's ongoing development, is facing new challenges in its licence to operate and must act quickly to get ahead of growing public pressure to reduce tourism impacts.

It will be years before we see the influence such promises have on reducing the externalities of tourism. What is clear is that those destinations advancing such initiatives are those that depend upon their environment as a key attractor and are therefore those most susceptible to environmental degradation. With such a significant proportion of natural and fragile tourism assets including the exceptional geological and marine environments epitomised by Uluru and the Great Barrier Reef, is it time Australia starts to consider what we expect from our visitors, and how to balance their economic contribution with protecting our assets for future generations?

**Catrina McNaughton**



## Heed the Warning on Risk Management - ASX Principles Updated

With the release in February of the updated ASX Guidelines on Corporate Governance Principles and Recommendations, risk management and appropriate oversight by Boards has again come back into the spotlight.

The Fourth Edition of the Guidelines come hot on the heels of the 'Banking Royal Commission' that exposed varying levels of poor behaviour and non-compliance and corporate Australia (not just the big banks) is busy assessing the damage and what they need to do – both to repair their reputations and to fix the underlying problems.

The new edition is more of an update as opposed to a major rewrite of the existing Guidelines but there are some key elements that have been called out, namely that listed entities should pay greater heed of their reputation in order to protect long term value for shareholders, embrace comprehensive reporting beyond financial statements and

take a more proactive stance and offer guidance to the market on exposure to environmental and social risks.

Reputation comes from both a statement of values and delivery against those values. Empty rhetoric will please no one and in fact elevates reputational risk over time – yet stating nothing sets an artificially low bar and broadcasts that there may be something to hide. This could spill over into further regulator scrutiny and where failure to act could see direct intervention into an industry or even an individual firm with potentially catastrophic reputation and compliance impacts.

Comprehensive reporting carries its own risks as it becomes a benchmark to measure against – but sunlight is a great cleanser and listed entities should not be afraid of scrutiny if they are committed to the objectives of good governance.

Perhaps the most controversial of the updates, the requirement for greater

disclosure around environmental and social risks may suggest an element of looking for all the possible areas that could negatively impact on an organisation and reporting against them. This is a worst-case approach and instead, with the appropriate tools and methodologies to impartially assess the types of risks that an entity may be exposed, the Board or the Risk Committee can then make an informed decision of what is material and should be declared.

Importantly, the updated Guidelines should be considered an opportunity for listed entities to improve their visibility of all risks and ensure they are on a proactive risk management footing. Even if they choose to ignore the recommendations, the rest of the community – politicians, regulators, media, customers - will hold them to account.

**Steve Cusworth**

# Childcare cost barriers and the effects on working mothers

With high living costs, unaffordable housing prices and stagnant wages in Australia there is continued pressure for dual incomes within a household and increasing dependence on paid care so that both parents can participate meaningfully in the workforce. However, the high cost of childcare creates significant barriers to employment, especially for women who statistically earn less than men and remain the primary care-givers.

According to the World Economic Forum, Australians spend 15% of their income on care, ranking amongst the most expensive in the world. In both Victoria and New South Wales, the average weekly cost of care is \$490 per child. Childcare in the Australian Capital Territory continues to hold the nation's highest weekly rate at \$560 per child.

The expense of having children in high cost care is a particularly important issue for women as, due to the national (full-time) gender pay gap remaining at 14.1%, with women on average earning \$239.80 per week less than men, more women are likely to sacrifice work for childcare responsibilities. According to the Australian Government Workplace Gender Equality Agency, women on average earn approximately \$1455.80 per week, or the equivalent cost of having three children in care. The expense of having children in high cost care highlights the tension between professional and family life for working mothers. Legacy social norms and expectations in heterosexual households that the mother will be the primary care giver whilst the father remains at work have compounded the likelihood of women staying at home.

In July last year, the Australian Federal Government amalgamated the existing Child Care Benefit and Child Care Rebate to create a

streamlined 'Child Care Subsidy' with the promise to make the growing cost of care more affordable to Australian families. The Child Care Subsidy ('CCS') is a single, mean-tested salary, targeted in favour of low-middle income earners (and single parent families) designed to streamline payments that go directly to child care providers, with parents paying a 'gap' between the fee charged and their entitled subsidy amount. The \$1.6 billion-dollar package was designed to create significant savings per household, ensuring that families earning a combined amount of \$186,958 or less per year would not be subject to an annual cap on the amount of CCS they can access. To further support low income earners, according to the combined family income test, families earning under \$66,958 per year are entitled to a subsidy rate of 85%.

The Australian Labor Party has, in the lead up to the Federal Election this year, announced a \$4 billion child care package to reduce fees, particularly for those on lower incomes with families earning up to \$69,000 likely to receive their childcare for free.

While progress has been made, Australia needs to continue to focus on creating greater access and affordability for working mothers, particularly low-income earners, who want to work and who feel the financial burden of this care the most. In addition, policy makers must continue to bridge the gender pay gap, challenge the current status quo and develop innovative ways in which workplaces can become more flexible, progressive and inclusive spaces so that the choice for women between work and family can be more easily made in absence of significant cost barriers.

*Emily Clifford*



# In my backyard - The role of local government in diversifying rural communities

The agricultural sector is facing new and ongoing challenges that continue to put pressure on incomes and farm viability. In particular, competing land uses, limitations on resources such as water, changing areas of agricultural production driven by climate variations and increasingly unpredictable growing seasons are shifting the way farms operate. Strategies to manage this uncertainty and pressure tend to focus on high-level broad policy or strategy at a state or Federal level and are often reactive to emotive issues rather than ongoing community needs.

This creates a complex policy space, segregated by portfolio areas that try to solve the 'whole' problem rather than specific local issues and do not necessarily translate to sustainable profits at the farm level. This is largely as a result of different areas facing different combinations of challenges. City fringe farms may have better access to water, infrastructure and other services but comparatively higher land costs and competition coupled with greater restrictions on diversification. These areas need different resources and support than remote farms which instead are more susceptible to infrastructure and supply challenges, particularly in extreme events such as the drought we are currently seeing in central and northern NSW and Victoria. Greater emphasis in addressing these specific combinations of challenges in the agricultural sector should be considered at the local government level, where local needs and requirements can be better understood, leveraged or supported.

For example, councils covering peri-urban areas around major cities could look at ways to

encourage diversification such as through agritourism that can mitigate many of the income stresses common to the sector and maximise the benefits of being close to urban areas. While there is growing interest in Australia in agritourism opportunities and ongoing regional and agricultural support activity at a state level industry, advocates have tended to focus on the development of a Federal strategy aligned with brand Australia which will take time and political will that may not be available. Broadly promoting Australia's wine, food and produce, rural landscapes and

historical communities will help in attracting international tourists here, but the opportunities for domestic tourism and particularly for dispersing metropolitan dollars into the regions regularly may be missed. Local governments have a role to play in both the promotion needed to draw domestic markets and in reducing barriers to farm diversification such as through planning regulation change in appropriate areas.

Councils able to take an innovative approach to planning will see benefits as their regional communities diversify and become collectively stronger through their adaptability. The current general approach of zoning to allow a single specific use, with some additional alternatives allowed by exception, dampens the ability of business savvy entrepreneurs in regional communities to quickly adapt to growing opportunities. In many cases, activities that would be appropriate in these

areas are not permitted largely because they didn't exist when the planning overlays were developed. For instance, small scale quasi-commercial battery-supported solar farming which can both support a farmer to protect themselves against grid instability in regional areas and to provide back to the market presents a new opportunity that has only become viable at such as small scale in recent years as the technology has advanced.

Planning for technology advancements that have not yet even been conceptualised is a big ask. However, a new approach of flexibility with boundaries around the desired outcomes for a community rather than a focus on activities may present new scope to encourage growth, sustainability and vitality of regional and rural communities.

*Catrina McNaughton*





## The Year of Repair - a closer focus on the Sino-Australia Relationship

In recent months, the Australian Government has been struggling to maintain and cultivate a positive political relationship with China, who remains economically important as our largest trading partner. Having been returned to power, Australian Prime Minister Scott Morrison will be tasked with carefully considering how he can repair Australia's relationship with China, after several decisions that have negatively impacted the Sino-Australia pact. In particular, Australia's newly implemented foreign interference laws coupled with the widely publicized ban on China's Huawei 5G network due to national

security concerns. The move was reinforced by United States (US) President Donald Trump, adding Huawei Technologies Co Ltd to the US Trade Blacklist and barring the company from supplying 5G due to the national security risk, demonstrating the lengths Trump will go to ensure 'American's [are] able to trust that our data and infrastructure are secure'.

The fragile relationship between China and the United States and growing tensions with Australia in recent years exacerbates a tri-lateral political quagmire where interests are intertwined, and diplomatic protocol is

paramount. Before his election win, Morrison made headlines in May for describing the US as a 'friend' and China as a 'customer', a move perceived by China as Australia siding with its Western ally.

China's complex relationship with the West is deeply rooted in history, tying back to the Opium Wars and Century of Humiliation under Western occupation. The Sino-US history has been characterized by mutual distrust and competition for power, which, in part carries over into the Sino-Australia relationship, compounded by the historic White Australia Policy and the continued perception of closeness in the Australian-American allegiance. Since Trump has come into power, diplomatic faux pas have further tarnished the relationship during political negotiations such as for the South China Sea, public support for Taiwan and when China's impact on the American economy was [described as 'rape'](#). In 2018 Trump announced his intention to fix China's 'longtime abuse of the broken international system and unfair practices', sparking a bilateral trade war. When Trump increased the tariff rates on \$200 billion worth of Chinese exports, Chinese President Xi Jinping retaliated by raising its tariff on \$60 billion worth of U.S. goods. Tensions between the powers continue to escalate. One of the key underlying issues with Trump's relationship with Xi, is that Trump seems to be despondent to the importance of long-established diplomatic protocol, which is paramount in cultivating meaningful and lasting relations with China.

Morrison's announcement of the \$44 million into the National Foundation for Australia-China Relations to strengthen the Sino-Australia relationship and the appointment of a China specialist as Australian's ambassador to increase engagement in Beijing is a good step towards improving this relationship.

Moving forward, it will be increasingly important for Morrison to acknowledge the importance of the traditions and follow traditional protocols. Such diplomacy is governed by conventions that ensure etiquette and common sense which fosters effective communication between world leaders. The Chinese government is also strongly influenced by Confucian tradition, still prevalent in contemporary Chinese politics and society, which links traditions of ceremony to virtue and humility. These long-standing ideals are perceived as being of upmost importance in China, as such customs encourage respect and honour that are crucial to the maintenance and enhancement of strong social relationships 'guanxi'. Following these protocols will be of paramount importance in maintaining relationships with both China and the US forging diplomatic relations based on mutual trust and respect instead of mutual distrust and uncertainty.

*Emily Clifford*

# Polycymaking and the creative services industry - what's next for Australia?



The workforce in the creative services industry (think advertising, architecture, design and creative digital content) is [transforming](#). While many sectors will be shedding jobs from automation in the future, creatives skills are among the mostly likely to grow with the industry currently expanding almost 3 times faster than the overall workforce. That's not to say that performing artists, musicians and visual artists are earning above the Australian mean income (because they aren't), but rather that the digital creative economy is continuing to thrive despite disruption; in fact creative services workers who have software and digital content skills are earning 30% higher than the average national income. Are creative industries the answer to robot-proofing jobs of the future? And what does this mean for policymakers?

Universities like QUT have been tackling this subject since 2001 when it established the world's first [Creative Industries Faculty](#) in order to combine education, research and development, creative business enterprise development and performance venue. Economist strategists have predicted that in the 'rise of the machines' era, a degree in the creative industry is an intelligent choice. This came to fruition in the recent [Victorian Budget](#) which revealed that one of Victoria's fastest

growing sectors under the Labor government is creative industries employment.

From a more general business perspective, in 2016 Australia's Chief Scientist Dr Alan Finkel AO released the [Skills and Capabilities for Australian enterprise innovation](#) report that outlined how creative skills can make a business (including those outside of the creative industry) innovative and productive. The report argued that while technical and scientific capabilities are imperative, business also needs people who understand culture, systems and ideas that society accepts while being able to come up with new ideas not yet considered. But in order to grow an innovative, flexible and creative workforce, Dr Finkel proposed that we need to entwine the technical and non-technical rather than develop one or the other. This was not to devalue concepts like STEM but highlight the importance of having a sustainable creative industry through non-technical skill development for the broader Australian economy.

Economic rationales for public policy intervention in the arts historically focus on either market failure or systems failure. The [Oxford Handbook of Creative Industries](#) argues that this has shifted over the past 30 years in the context of industrial policies for traditional

goals such as job growth or exports, and the need for investment in knowledge exchange and intangibles, and domino effects in other sectors. But this shift still reinforces the importance of implementing policy focused on sustaining our growing creative industry also reflected in Dr Finkel's reports. His research outlines the creative skills businesses need for innovation through training and skills development (and why universities need to work toward creating a sophisticated and technically advanced creative education space in Australia).

*Dr Finkel's main research results found that*

- 1. Innovation requires a diverse mix of skills and capabilities (the current focus on science and technology skills does not sufficiently address Australia's shortcomings in innovation)*
- 2. Australian can become a more efficient innovator (Australia generally has the relevant skills and lacks the capacity to manage and use these skills and other inputs for innovation)*
- 3. Australia's innovative enterprises thoroughly mix technical and non-technical skills for innovation (successful innovation relies on Australian enterprises, education practice and government policy)*
- 4. Innovation requires skills mixing in individuals (highly innovative organisations recognise that attitudes,*

- cultural fit, 'cleverness' or 'emotional intelligence' are as important, if not more than technical skill requirements)*
- 5. Innovation requires skills mixing across teams and across organisations (leading organisations hire staff from outside their own sector)*
  - 6. Meeting innovation challenges overtime (government policy can support dynamism and flow within the innovation system by facilitating collaboration and cooperation)*

We do not have to dive too deep to find the plethora of arguments, intrinsic and economic, for valuing our creative industries sector. According to the report, we have entered the third generation of innovation thinking and policy: a more holistic picture of how businesses can be innovative driven by a series of ideas in which economics, organisations, work and skills can interrelate. This means that for policymakers, education and training focused on fostering creativity and developing non-technical skills can generate a thriving creative sector while in turn providing a platform for businesses to increase their innovation. Are creative industries the key to robot-proofing the future?

**Allana Ferguson**

# Why the Coalition should be our next Climate Crusaders

While the Federal Election result last month may have left many climate crusaders feeling as though their dreams have gone up in flames, it may instead represent opportunities for real progress towards climate change outcomes in Australia.

In February, Prime Minister Scott Morrison delivered his '[Climate Solutions](#)' speech highlighting that "as Liberals and Nationals we don't believe we have to choose between our environment and our economy". The Coalition's position on climate change action centres on a 'do no harm' approach with respect to the current economy. In the same speech, Morrison says "Our Government, my Government, acknowledges that we must accept the facts of climate change, address it, and we do so with cool heads, not just impassioned hearts. Because it takes both".

And he's right. It is no longer only about love for the environment and the belief in the importance of preserving it; it is about the facts of the economy. Two recent reports have highlighted the real economic risk we are carrying in terms of inaction over climate change. In November last year, [a report](#) co-authored by climate scientists within United States (US) Federal agencies estimated that in the US "annual losses in some economic sectors are projected to reach hundreds of billions of dollars by the end of the century". The Australian Climate Council's report '[Compound Costs: How Climate Change is Damaging Australia's Economy](#)', released in May just ahead of the election, found that:

1. *Climate change is a major threat to Australia's financial stability, and poses substantial systemic economic risks.*
2. *Detailed new modelling, based on the Federal Government's current approach to climate change, finds that the economic damage to Australia's property and agricultural sectors will be very significant*
3. *The property market is expected to lose \$571 billion in value by 2030 due to climate change and extreme weather, and will continue to lose value in the coming decades if emissions remain high.*
4. *Extreme events like droughts, heatwaves, cyclones and floods have an impact on agriculture and food production; this is already affecting Australia's economy and will cost us much more in the future.*
5. *The severe costs of climate change outlined in this report are not inevitable. To avoid the costs of climate change increasing exponentially, greenhouse gas emissions must decline to net zero emissions before 2050. Investments in resilience and adaptation will be essential to reduce or prevent losses in the coming decades.*

The economic impacts arise from a number of varied scenarios such as ongoing drought causing food or commodity shortages or increased price and competition for water resources as well as the significant change to property insurance arising from market reactions to extreme weather and fire events

or floods blocking transport and impacting inner-city productivity.

Action on climate change is no longer just a high-level 'greenie' policy agenda when it is good economic management, and Morrison is in a unique position to act.

The Coalition's support of the Adani mine through the election campaign was largely based on the economic drivers associated with the estimated 10,000 jobs the mine will create. The number has been referenced in various places, particularly by politicians, but is likely overexaggerated compared to the 6,400 jobs referenced in the project documents [submitted](#) to the Queensland Government for approval or the less than 1500 jobs [referenced](#) to the Queensland Land Court. This creates a stark comparison to the 64,000 jobs that Deloitte [estimates](#) the Great Barrier Reef contributes to the Australian economy and the real threat to their existence given projections that the reef will completely die with a global temperature rise of more than 2 degrees.

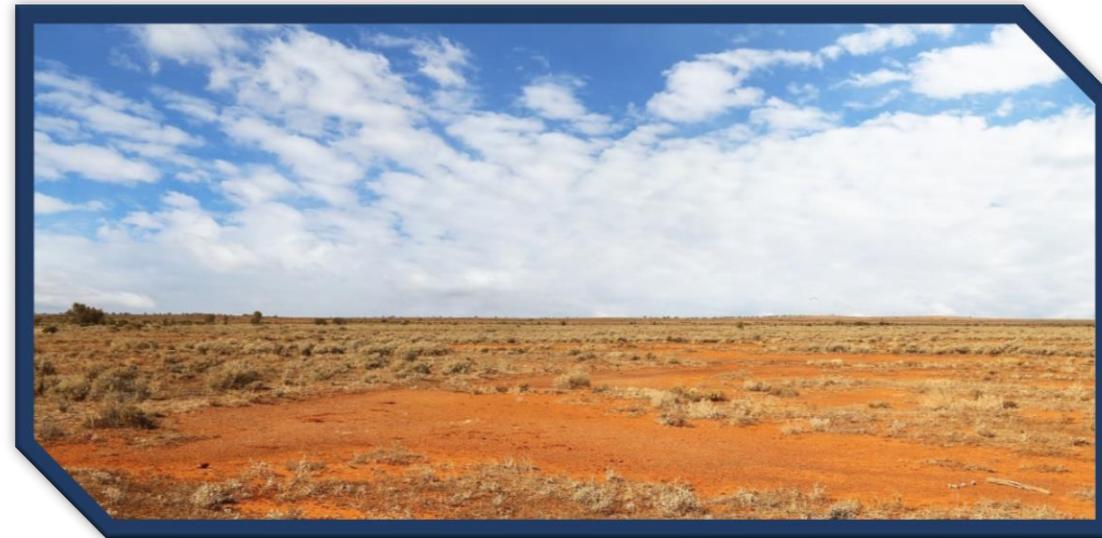
Beyond the future economic costs of climate change there are also a growing number of ways climate change actions make economic sense. [GenCost 2018](#), the first annual report

on the cost to generate energy from new power plants, found that solar and wind technologies represent the lowest cost new build power plant. Construction activity in the renewable sector is also [driving jobs growth](#) (up 28% in 2017-2018 from 2016-2017) with the only government and non-profit categories within the sector recording a fall in employment.

On the basis of economic management and job protection and growth, Morrison's Coalition could become Climate Crusaders. And if they do, they are in a position to meaningfully act because they will have a largely supportive opposition government to support the passage of new laws and listed climate change as an issue on importance on their own political campaign agenda. While progress crafted by the Coalition is unlikely to go as far as Labor may like, we would expect that Labor will support progress in a number of forms.

As Morrison says, it is not about a choice between environment or economy; it is now a choice between economy today and economy tomorrow.

**Catrina McNaughton**



# Case studies



## Financial Sustainability Review

A member-based federated body in Victoria was facing a challenging future with their longer-term financial sustainability under question. With a significant portion of revenue from government sources, there appeared to be a disconnect to the cost base and expectations on the accompanying service delivery for that government funding and the associated funding levels. FPL Advisory was commissioned to conduct a financial sustainability review of the organisation

**Read more:**  
<http://www.fpladvisory.com.au/blog/case-study-financial-sustainability-review>



## Assessing Stakeholder Outcomes

FPL Advisory assisted a statutory authority facing the dual challenge of being accountable to Executive Government whilst also being responsible to customers. They were looking to understand how best to manage relationships to meet both obligations. The review identified key senior level stakeholders in Victorian Government Departments, Agencies and Regulators; highlighted their interests, priorities and influence in the industry; and evaluated their existing relationships with the statutory authority. Building on the review, an action plan was developed with strategies to improve relationships.

**Read more:**  
<http://www.fpladvisory.com.au/blog/case-study-assessing-stakeholder-outcomes>



## Stakeholder Engagement Plan

A social change organisation that had long standing relationships with government partners developed a new strategic plan following several Board member changes and the appointment of a new CEO. FPL Advisory was engaged to undertake a review of the organisation's current and potential partnership arrangements with the Victorian Government in line with their new strategic priorities. This assessment provided a foundation to develop a renewed program for engagement with the goal of raising the organisation's profile and position them to expand core service delivery.

**Read more:**  
<http://www.fpladvisory.com.au/blog/case-study-stakeholder-engagement-plan>



## Legislative Reform to Secure New Industry

The chemicals division of a global pharmaceutical firm identified an operational risk to their supply chain driven by climate change and were looking to expand their growing areas. FPL Advisory was engaged to understand that appetite for legislative reform required to permit poppy growing in Victoria. At the time, poppy growing had been restricted to Tasmania for around 40 years.

**Read more:**  
<http://www.fpladvisory.com.au/blog/case-study-legislative-reform-to-secure-new-agricultural-industry>



## Communications Strategy Review

A statutory authority engaged FPL Advisory to review its communications strategy during its establishment phase following the introduction of a new state government regulatory scheme. With many dependencies and a looming election, the Implementation Team required a sweeping engagement approach that included all necessary types of communication activities and potential stakeholder concerns to be considered.

**Read more:**  
<http://www.fpladvisory.com.au/blog/case-study-communications-strategy-review>

# About Us

FPL Advisory is a team of specialists resolving risks and creating opportunities with respect to government. We work with public sector and corporate clients to execute strategies for owning and managing change.

We help organisations in uncertain or changing environments identify strategic goals and potential risks, and undertake analysis to develop robust policy positions. We also assist in engaging with key stakeholders including government decision makers, communicating policy positions and securing project and policy outcomes.

As trusted advisors, we work closely with the senior level of organisations to deeply understand the issues, provide subject matter expertise and advice and to both lead and support reform programs.

Our expert team has an intuitive understanding of both private and public sector processes and priorities, and a reputation for working with the right people to get things done on time, within budget and with integrity.

Our experience includes project managing complex policy initiatives, delivering and leading long term stakeholder engagement programs, providing advice on emerging issues and preparing detailed policy submissions. Importantly, we invest in building deep corporate knowledge about client dynamics and issues which ensures we provide proactive and value-added advice and client support and develop long term client relationships.

Our case studies demonstrate what we do and how we go about our business.

Facts. Policy. Leadership. FPL. Trusted Advisors.



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# The Team

**Steve Cusworth** leads the range of activities and advisory services undertaken by FPL Advisory for clients in the private, government and not-for-profit sectors. Steve has a comprehensive understanding of the tensions and demands across the government, business and not-for-profit divide. With deep knowledge and experience across a range of public policy goals and commercial drivers, Steve provides strategic leadership, advice, risk management and execution support for government and non-government clients.

<http://www.fpladvisory.com.au/blog/5-minutes-with-steve-cusworth>



**Catriona McNaughton** is a communications professional, supporting the broad range of stakeholder engagement activity at FPL Advisory. Building on her interests in economics, environmental management, tourism and urban planning, Catriona understands the need for communications to support policy outcomes.

<http://www.fpladvisory.com.au/blog/5-minutes-with-catriona-mcnaughton>



**Allana Ferguson** is a specialist in the processes and practices of contemporary public policy in Australia. Allana has experience in research and analysis in the design, delivery and evaluation of effective public policy to enhance the capability of each clients' network so that it is agile, modern and sustainable. She utilises a strategic methodology to identify emerging problems and recommend options for practical solutions.

<http://www.fpladvisory.com.au/blog/5-minutes-with-allana-ferguson>



**Emily Clifford** is a client relationship specialist with an interest in Australian and international foreign policy. Emily has experience working with major international stakeholders, liaising with both large and small scale organisations and consulting for corporate businesses.

<http://www.fpladvisory.com.au/blog/5-minutes-with-emily-clifford>



