



Victoria: A National Business Perspective

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Speech given at the Victorian Economic Summit, Melbourne

Mr Chairman, Ladies and Gentlemen

Rod has just now emphasised the global realities and possibilities facing Victoria. In the few minutes available to me, let me underline a few key facts and, perhaps a little provocatively, offer a number of suggestions.

First, Victoria's economic health is vital to Australia's national economic performance. It is an inescapable fact that Victoria is and has been a critical driver of the national economy. This represents both a challenge and a responsibility: a challenge to get things right and a responsibility to act with a clear-sighted appreciation of the consequences of action taken – or not taken - here in Victoria.

At one level, we have every reason to be confident. The experts are by and large still predicting a rosy future for the State. The Melbourne Institute, for example, is still predicting rising investment and strong growth reducing unemployment to just over 6% by December.

That said, confidence is indisputably taking a battering. Strikes, union militancy, rising interest rates and a messy transition to the GST are putting at risk the strong national economic performance of recent years.

We all need to recognise and appreciate that strong growth performance has

underpinned a dramatic reduction in national unemployment levels, historically low interest rate and inflation levels and the virtual elimination of public debt.

It is, therefore, in the interests of everyone that we sustain the conditions of strong economic growth. In this regard there is nothing more important than sustaining the high productivity performance that in recent years has set Australia apart from all our OECD counterparts, but now a performance which – on the latest figures – would appear to be faltering.

Victoria has been at the forefront in delivering the conditions necessary to achievement of high productivity outcomes. The flexibility, efficiencies and competitive advantages that have flown from the embrace of new paradigms in industrial relations, from the embrace of the new technologies and from the radical shaking out of State infrastructure costs – have been critical and must now be sustained.

Let me single out the workplace reform agenda and try to put recent concerns into perspective. And make no mistake, business concerns about the 36 hour week campaign and the anticipated pattern bargaining campaign are not tactical but go to the heart of business's need for cost competitive condition which in turn is vital to national economic performance.

Let me be more specific: the 1990's has seen a marked shift in the industrial relations paradigm in Australia, with arbitrated settlements gradually being replaced by negotiated settlements as the cornerstone for the determination of wages and conditions. A recent survey puts coverage of employees by registered collective agreements at 42% and by over-awards and unregistered agreements at 22%. With a further 14% covered by individual agreements or common law contracts, this leaves only 22% of Australian employees who now rely on arbitrated awards as the main mechanism for obtaining variations in their wages and conditions.

Enterprise bargaining is thus today the dominant industrial relations paradigm. It is

within this framework that the key indicators of IR success such as wages growth, male/female wage differentials, earnings inequality, productivity indicators etc are now established.

The key requirement of any IR system is that it should enable high performing workplaces to grow. The real test should not be the manner of agreement but the delivery of greater productivity and greater labour flexibility. If the experience of recent years is any guide, reversion from an enterprise based approach to industrial relations to an exclusive collective bargaining approach will put at risk the economic vitality our recent survival of the Asian economic crisis only served to underline.

Equally there are very real benefits to be had from a unitary national system of industrial relations. The existing hodgepodge mix of a federal and five state system is too costly to administer, too confusing for both employers and employees and is the product of an historical period long since past.

The Victorian 1996 reference of its industrial relations powers was precisely the right course of action and should not – whatever the measure of frustration born of day-to-day political interest – be set aside. Instead, all concerned should recognise the possibilities such referrals offer to secure, by way of inter-governmental agreement, a new and much needed legislative framework for industrial relations in this country.

Mr Chairman, a great deal of what we are about at this Summit is seeking to underpin and establish a basis for investment confidence in Victoria. Could I suggest a few "circuit-breakers" that could make a big difference.

First: Manufacturing is still a major part of the Victorian economy. Together with retailing, this sector accounts for the great bulk of Victorian employment. A huge boost would be provided to both these sectors and to the economy at large should a way be found to waive payroll tax. I would note Queensland is reportedly now doing this on a selective basis. The fact is payroll tax is a major cost and a major source of government revenue that was not included in tax reform. If this Summit could advance

the ability to have dialogue on how this huge input cost of employment could be adjusted to get positive outcomes it would be a most useful result.

Second: Victoria, enjoying as it does some 36% of Australian business expenditure on research and development, is at particular risk should recent declines in business R & D expenditure not be reversed. No single measure is probably more important for such an outcome than restoration by the Commonwealth by whatever means of the real value of the assistance represented by the 150% R & D tax concession. Collective pressure by the States – drawing on imaginative options identified at the recent National Innovation Summit – would seem timely.

Third: Victoria's embrace in recent years of the national energy reform agenda has delivered it large operating and capital cost savings. More, however, needs to be done. Regrettably, price reductions have in part been offset by new taxes and by inflated transmission and distribution charges. Energy-specific revenue raising taxes such as the Victorian Smelter levy should be abolished, and Victoria should take the lead in pushing for clear interconnection policy, a uniform national gas trading arrangement and a rationalisation of the existing, needlessly cumbersome, energy regulatory regime. A new impetus to full retail contestability in a coordinated way amongst the States should also be pursued.

Finally, Mr Chairman, there are other points I could emphasise – the need to exploit to the hilt the strength of Victoria's skill base, the quality of the education and research system we possess and the timeliness of the push in recent years into multimedia and associated internet service delivery options. I could also underline the critical inter-relationship between population levels and economic performance as well as the competitive edge Victoria enjoys from its culturally diverse, linguistically proficient community. Such considerations should figure prominently in any consideration of Victoria's future and strategies designed to advance that future.

But, Mr Chairman, can I finish on another note. Any State that is going to thrive in this day and age needs to be driven by a vision. We see Premier Beattie projecting

Queensland as a socially tolerant and intellect-fuelled powerhouse. "What we are working towards here", he said recently, "is being the brains of Australia"

What then for Victoria? Like any good modern organisation, this State should articulate for itself a mission statement . . . a clear, simple aspirational commitment with which all Victorians can identify.

The manner in which we go about this will be important . . . Not only do we need to build on the image of Victoria in recent years as being a State going places, knowing what it is doing . . . we need also to do it in a way which reflects an inclusive, transparent approach to Governance.

What is needed is a deliberate move to involve business, community groups, the unions, State and local government . . . leaders of all persuasions . . . in the purpose and development of public policy.

Commitment now to such an approach would do a great deal to inspire confidence and trust. I can think of no better or more timely way in which to set a new direction . . . to move collectively to grasp the future – reaching out for that future together with optimism rather than shrinking from it in fear.