

## SPEECH

### **Passing on Prosperity: Raising the High Bar on Reform**

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#### **Introduction**

The National Press Club has always been an important forum for generating ideas and discussion on issues facing Australia. So thank you for the opportunity to speak today in my role as President of the Business Council of Australia.

I'm here to talk about business and the economy – but from a different perspective. I want to highlight what I believe is a significant change occurring in Australia. I especially want to highlight how this presents a major opportunity for the nation.

The change I'm referring to has not been the subject of much public commentary or debate.

And while others have described it from time to time in political commentary, I believe it is bigger than politics.

I'm referring to an emerging shift in the mindset of the Australian community – a shift which brings with it the potential to lift the nation to a new trajectory of economic growth and community achievement – providing it's recognised and nurtured.

I'll talk about this in more detail in this address, but in summary it's a shift I believe is occurring from the 'battler' mindset to one of the 'aspirant'.

As business leaders responsible for companies employing one million Australians and producing much of the nation's prosperity, we're excited by this change because it speaks directly to the challenges and opportunities our companies face on a daily basis. So we not only want to recognise it. We also want to see it develop and encouraged so it can be harnessed – not just to the benefit of the economy, but for the benefit of the nation.

## **Where We've Come From**

Let me go back a step to give you some context.

As you know, the Business Council has been deeply involved in Australia's reform journey since the organisation was established more than 20 years ago. It represents the Chief Executives of Australia's leading 100 companies and its role was, and remains, the development and advocacy of public policy so that Australia is the best place to live, to learn, to work and to do business.

In 1983, Australia was not traveling at all well as an economy – or as a society. We were in dire need of new thinking and new ideas and the Council was formed by business leaders to help fill that gap.

As we lost our competitiveness in key industries in the 1970s, jobless numbers rose sharply. Inflation was above 10 per cent, eroding savings and financial security. The stability we'd taken for granted for many decades was disappearing fast.

Australia's economic predicament was brought home to me rather starkly when I attended the Harvard Business School in 1992. In the international part of the course we examined a case study on Australia – which might have been described more accurately as a 'basket-case study'.

The message of the Harvard faculty was that Australia had squandered its opportunities, relying on its natural resources for growth rather than its innovation capacity; and had progressively seen its productivity and competitiveness fall through institutional rigidities. In their opinion, Australia was doomed economically. This was not an unreasonable conclusion given the huge and growing debt burden Australia found itself with in the early 1990s, as the BCA itself highlighted at its Debt Summit at the time.

Well, as we all know, in the 14 years since those gloomy words were spoken, Australia has recorded – bar Ireland and Luxembourg – the highest growth rate of any Western economy.

The reason for that is simple: people on both sides of politics recognised we were at the crossroads and set about changing our economy in a number of fundamental ways. We undertook microeconomic reform.

Through these difficult times, Australians began to acknowledge some different realities and perspectives. We realised we were no longer the 'lucky country' – one that didn't have to work too hard or think too much to maintain its material advantage.

Likewise, that other core Australian attitude – 'she'll be right' – couldn't survive the next two decades intact. The 1970s and 80s sent us a clear message that nothing would be right if we remained carefree about our present circumstances – or about our future.

The upheaval caused by lost jobs and industrial transformation was enormous. Many social commentators at the time noted how those two decades of change and upheaval left their mark on our national psyche.

Hugh McKay for example, in his book *Reinventing Australia: The Mind and Mood of Australia in the 90s*, published in 1993, contended Australians were increasingly feeling victimised by the rate and character of the changes which were having such an enormous emotional, cultural and financial impact on their lives.

For good reason, people started to talk about the Anxious Eighties and the Nervous Nineties.

### **Now We Are Prosperous**

Certainly over the last decade we've lost some of the simplicity and security associated with pre-reform Australia. Some look back with sentimentality and ask if the sacrifice was worth it. I'm in no doubt that it was. The Australian economy has prospered and our ability to continue to provide the social support we take for granted, greatly enhanced.

Over the past decade, our economy has grown by 40 per cent in real terms. The days of 10-plus per cent unemployment now seem very distant. The BCA's own research shows that there are now 315,000 more people in employment than would have been the case without labour market reform.

These aren't just numbers on a spreadsheet. To many thousands of Australian families it has meant real changes – for the better – to their lives.

But the continuous economic growth of 15 years has resulted in one other equally significant outcome. I believe it has also given us greater clarity and confidence about our role and responsibilities as a nation. We're now able to look beyond our basic needs and focus on new challenges and opportunities.

### **Examples of the New Mindset**

There's no better example of this than our response to the Boxing Day tsunami of 2005. Within days, the Australian community – through the government – pledged \$1 billion to help Indonesia start that country's rebuilding process.

This was on top of the millions of dollars in donations from individual Australians – in addition to the tens of millions in money and other forms of support given by Australian business large and small. Quite simply, it represented an incredible outpouring of generosity from 20 million people to a far larger nation.

We've seen a similar spirit of leadership in our military and peacekeeping commitments in East Timor and the Solomon Islands as well as farther afield.

In making them, a number of roles and responsibilities have crystallised – mentor, guardian, helper. We've assumed these challenges and responsibilities because I believe Australians have developed a new maturity and confidence of their place in the world.

Even if I were not representing the Business Council today, I'd feel compelled to highlight the performance of the business sector as one of those star turns. There are few other countries where the corporate sector has improved its efficiency and

profitability so dramatically in recent years. This success is reflected in the fact that company tax payments have increased from \$27 billion to \$57 billion over the last five years – providing much of the funding for social programs and personal tax cuts.

### **Change in the Mindset**

I started this address by asserting that a major shift is emerging in the Australian mindset – a shift that potentially positions this country for even greater achievement. Let me explain why I and the BCA believe this to be the case.

The Council places a high priority on staying in touch with the views and concerns of the community. For some time, we've been asking Australians about their opinions, concerns and aspirations for Australia and its place in the world through focus group work across the spectrum of the community.

Recently, we've detected attitudes and beliefs that point to a mindset among Australians that is becoming more aspirational, more confident and more capable.

I'm not saying these attributes are predominant in the minds of all Australians at all times. Clearly, our focus group work also highlighted concerns and fears that reflect continuing uncertainties about our world – particularly in an age of resource depletion and global terrorism.

And for many disadvantaged Australians, an aspirational view of the world is not a current reality.

But what I am saying is that positive attributes are being expressed by most Australians about Australia with much greater clarity and more focus than before – and as viewpoints, they should be given greater recognition and encouragement.

Let me summarise some of these shifts.

Instead of being focused on basic needs, Australians are increasingly more focused on how they might go about locking in wealth and the prosperity they've worked hard for.

Instead of being risk-averse and inward looking, we are more accepting of risk and more confident we can meet the challenges of competition.

Rather than waiting for others to provide, Australians see themselves shaping their present and future proactively – as one member of the community put it to us in our research, we're now good at 'going out and knocking on the door'.

Instead of seeing ourselves as reliant on traditional manufacturing and resources, we look upon Australia as a sophisticated, modern economy shaped by services and technology.

As I suggested earlier, all these attributes can be best summarised in terms of a transition from 'battlers' to 'aspirants'.

But again – this shift is bigger and potentially more profound than what is usually alluded to in political debates.

A robust and prosperous economy has played a big part in this change and I can't help feeling that an important factor has been the dramatic shift to the Australian as shareholder.

Twenty years ago, when the Australian economy was really struggling, it would have been hard to believe that in 2006 more Australians would own shares directly and indirectly than in any other country except the United States where the number is comparable, at over 50 per cent.

Every morning, millions of Australians turn on the television or radio to listen to the latest market reports. The quantity and quality of business information has exploded in recent years. It all reflects a growing understanding and appreciation of what it actually takes to achieve success and prosperity.

People often asked me how we managed at Wesfarmers to achieve a strong shareholder focus at levels well below management ranks. I'm convinced that it was because almost all our employees were shareholders as a result of our universal share scheme. They shared in the benefit of their own productivity improvements and clearly understood the linkages.

At the University of Western Australia, where I am involved as Chancellor, we have witnessed a further piece of evidence of this aspirational change. There, the proportion of students enrolling from designated low socio-economic backgrounds has been steadily increasing. Nationally this proportion has risen from 8 per cent to 15 per cent over the last five years.

### **The Leadership Gap (1)**

Now others may hold different views of Australia and Australians.

That's certainly been apparent I think in the continuing debate on workplace reform. Both the union movement and the Labor party are seeking to make mileage around claims the new WorkChoices legislation will hurt workers. At the heart of these claims and rhetoric is a view that Australians are 'victims'. This is a view that would have Australians being incapable of meeting new challenges, scared of competition and generally inward-looking.

The BCA is not usually in the business of making advertisements or running mass communication programs. But toward the end of last year we believed that in view of all the misinformation about WorkChoices, it was vital a more balanced perspective was injected into the debate. So we went ahead with our own ads.

These advertisements highlighted the importance of workplace relations reform – along with other reforms in red tape, tax and infrastructure renewal – in keeping Australia prosperous. We reminded Australians we had done well in the past because we had met challenges head on, not shirked them. The ads concluded with this statement: *We can face the competition posed by other nations by doing nothing – or we can face our competition with confidence and work smarter.*

That was a very important and deliberate message. Our choice in using it was to highlight that this was not an Australia that doubted its abilities to meet new

challenges and sought protection from change. Rather, we were speaking to a nation of confident and capable individuals that saw change as an opportunity – rather than a threat. Our own research showed our advertisements resonated strongly for this very reason.

### **The Leadership Gap (2)**

As business, political and community leaders, we spend a lot of time talking up the big picture of continuing economic reform.

But I believe what is missing from this economic debate is an equally big-picture discussion about how Australians now see themselves and their place in the world.

As I said, there will be those in the community who won't agree with my assessment of a changing mindset. Some might claim I'm too optimistic. But after a decade and a half of continuous growth, clearly something is going on in the collective psyche of the nation – and we need to do a much better job, as leaders, of recognising and harnessing its potential.

In our reform advertisements last year, the BCA stressed the four steps needed to lock in prosperity, including new ways of working.

But making the most of reform opportunities also requires new ways of thinking.

Australians tell us they want to go and knock on the door of opportunity. Yet they're told their jobs and living standards are at risk because of workplace reforms.

Australians are crying out for solutions to infrastructure bottlenecks and water shortages. Yet much of the policy and political debate revolves around blame-shifting and finger-pointing between governments, rather than innovative thinking and solutions.

Australians recognise the importance of wealth creation and entrepreneurship and the link between risk and reward.

Yet they are repeatedly told that legitimate business activity needs constant oversight and regulation.

I don't have any doubt the aspirations of individual Australians – and the inherent potential of this nation – will not be unlocked if we allow the debate about our current and future opportunities and challenges to be framed around 'battler' or negative, inward looking ways of thinking.

We need to tap into this national energy and find ways to support, not block, the aspirational views of a more confident and capable Australia.

### **BCA's New Reform Agenda**

Business wants to play a role in harnessing this potential. It is our responsibility to do so because we know a lot about the mindset now emerging in the community. Every day, businesses and their employees are knocking on the door, seeking out

new markets and developing new products and services to operate successfully in a highly competitive global economy.

One important way the BCA can play a leading role in harnessing this change is by reshaping its thinking around a more aspirational, longer-term agenda. Over the last couple of years our focus has been on four areas of required reform - tax, red tape, workplace relations and infrastructure renewal – and I think you'd agree that we've achieved progress in all four areas.

But developing these policies was always a response to fill an immediate reform vacuum which existed two years ago, and we'll continue to pressure governments to respond to these core reform issues but we now have the opportunity to set our sights higher.

Over the course of researching and preparing our action plans in each of the four policy areas, one thing has been abundantly clear. As a nation, we'll be condemned to confront the same reform barriers and economic imbalances every 10 or 20 years if we fail to address a number of key underlying issues.

In the past, these challenges were seen as too hard or too complex. But there's no better time than now to address them, particularly when Australians are clearly wanting to keep this country moving forward.

### **Fixing Federalism**

First and foremost, we need to fix our dysfunctional system of federal–state relations. Major economic and social challenges, now and in the future, cannot be solved by one government alone. Recent advances at COAG point to a good deal of co-operation between Canberra and the states – and what's possible when there is a real willingness to jointly progress reform.

But we can't be sure this will always be the case. Too often issues of fundamental importance to the nation are given lip service or side-tracked because of parochial interests or political theatre and we see the same old blame shifting and finger pointing. We urgently need more collaborative structures that allow our governments to work together as a rule, not an exception.

To this end the BCA has been working on practical solutions on how Australian governments might respond better to 21st-century challenges. We shall be releasing a major paper on federalism shortly.

### **Expanding our Services Economy**

The second area involves improving our services sector. This sector represents many things – retail, tourism, banking through to science and technology and higher value customer support.

Services are now a driver of growth in the global economy and will increasingly dictate Australia's future growth prospects. Yet it's clear from even the most cursory examination of Australia's developing two-tiered economy we need to broaden and deepen the contribution of services.

We hear a lot about the poor performance of Australia's manufacturing exports. But our services exports have underperformed to an even greater extent:

For example, during the five years to 2004–05, the volume of Australian services exports grew just 0.6 per cent per annum compared with 1.1 per cent by manufacturing exports.

We can't rely indefinitely on our minerals and resources sectors to drive prosperity. We have to make a much bigger effort to take maximum advantage of growing global demand for services. For our part, the BCA will shortly focus its research and advocacy around getting governments and business to rethink how Australia can lift its performance in this area.

### **Business Investment in the Community**

The third area is promoting deeper awareness of business investment in the community, through corporate social involvement. Despite strong growth and prosperity, it's fair to say that business reputation remains low.

In the wake of HIH and Enron, Boards everywhere were tarred by a similar brush. What followed was a good deal of knee-jerk regulation and proposals for very restrictive and often unworkable corporate governance rules.

These were, in effect, blanket responses to isolated instances of bad business behavior. Yes, we need regulation to protect investors from unscrupulous behaviour and maintain confidence in our markets. But we need to depart from an outdated mindset that business activity is somehow removed from the public interest and must be policed constantly.

Responsibility for this 'regulate first, ask questions later' mindset is not entirely governments'. Business clearly needs to do more to inform the community and government about the scope of its contribution not just to the economy but also to the wider society.

Over the next 12 months, the BCA aims to generate a greater understanding of the level and scope of corporate social involvement. Better understanding of those activities will help to build a deeper appreciation of business's value to the nation. In turn, this should result in more considered business policy – policy that recognises that the business of business is also the business of the community.

### **Participation in Prosperity**

The final emerging policy area for the BCA focuses on ways to increase participation in prosperity. The vast majority of Australians have fared well financially and materially over the past decade. But over 500,000 people remain unemployed – a significant amount of those for more than 12 months. Many more are under-employed. These groups include Indigenous Australians, the mature-aged, individuals with disabilities, young Australians, individuals with family or caring responsibilities, and the low-skilled more generally.

The challenge now for government and business is to deepen and extend direct participation in the economy. The WorkChoices legislation and welfare-to-work provisions are a good start. But we need to bring together more ambitious solutions to improve rates of participation and labour market outcomes for people who would otherwise be left outside the mainstream.

To this end the BCA will highlight new areas of policy action needed to make sure that as many Australians as possible can participate in prosperity in an ongoing way.

The imperative here is not just to offset a decline in workforce numbers as our population ages. Extending participation is the best and most sustainable way to ensure that Australia remains a fair and equitable society.

### **Passing on Prosperity – Our Challenge and Opportunity**

Let me conclude. Australia is in the fortunate position to have the financial resources to fund real solutions to long-term barriers. Just as important, I believe an aspirational mindset is emerging in the Australian community that gives us the ability to see old problems in new ways and the confidence to tackle them.

The BCA and business wants to see this powerful combination harnessed by articulating new and bigger reform challenges. We want to lift the bar on reform – not just to lock in Australia's current prosperity but to pass it on well beyond the current growth cycle – onto future generations of Australians.

The biggest legacy we can leave these generations is not just material wealth and prosperity. It's also embedding a mindset in which confidence and security in ourselves and our place in the world has become a quintessential part of the Australian character.

Ends