

## TRANSCRIPT

Address to the BCA 2006 Annual Dinner  
Monday 13 November 2006  
Sydney

The Hon. John Howard MP  
Prime Minister of Australia

Business  
Council of  
Australia



---

Note: transcript reproduced verbatim from [www.pm.gov.au](http://www.pm.gov.au).

E&OE...

Thank you very much Michael for that very generous introduction, your Excellencies, the Ambassadors of the United States and Indonesia, my ministerial colleagues, ladies and gentlemen. I want to thank the Business Council for again giving me the opportunity of addressing its annual dinner, to share some thoughts with you about the state of the economy, the business outlook, and the important ongoing relationship between the Government and the major business organisations of this country and in particular the Business Council.

And I say, Michael, there was much in your speech with which I very readily identified. I was fascinated to note that you have discovered focus groups. I must take some account of that and pay some regard to myself. But what really excited me about your reference, and I say this very seriously, was that you indicated that they were suggesting that there was a willingness on the part of the Australian community to embrace some more difficult change in the long-term national interest and perhaps therefore a little less short-termism than perhaps have been the case in the past. And I do think that you are right on the money in saying that, that there is a sense of optimistic opportunity, if I can put it that way, abroad in the Australian community at the present time. There is a feeling because of whatever combination of circumstances our economic fortune and economic success of recent years gives us an opportunity to chance our arm for further longer term reforms. And I do want to thank the Business Council for the great support it has given to two of the major reforms that we have undertaken over the last 10 years and you mentioned both of them in your remarks and that is taxation reform and workplace relations reform.

By far the most difficult in an immediate political sense, and I say with the latest tranche, if I can use that expression, of workplace relations reforms. I think the experience of those changes has confounded some of the critics. The continued strong growth in employment, the even lower level of industrial disputes, and the continued strong growth in wages, I hastily say, based on productivity and therefore lacking any inflationary impact of any (inaudible). I think those things, ladies and gentlemen, have confounded many of the critics although having said that if the Business Council ever feels minded to rerun in an up to date amended form some of

those quite magnificent advertisements that have been shown on the screen tonight the Government will not be in any way critical. Because there is a major, you may have noticed this, there is quite a major television advertising campaign being run by other, I hesitate to call them stakeholders, in the process of industrial relations reform.

But the reform process as both of us acknowledge is never complete and the Business Council has a role of polite harassment of all governments to make sure that they continue that process of reform. It is an old cliché but today's prosperity is the product of yesterday's reform and tomorrow's prosperity can only be delivered by today's reform.

We face some different problems in 2006 than we faced in 1996. In 1996 I doubt if you spoke about reform but anybody would have uttered the water. Yet without any argument water is the great conservation environmental challenge of our age. It is not unrelated to climate change, a subject to which I will return in a moment, but in its immediate impact it resonates more directly and more urgently with the Australian people than any other aspect of the environmental debate. I share Michael Chaney's view that market base solutions to water trading are fundamental to water policy rather are quite fundamental to dealing with the issue in an effective fashion. And the good thing that came out of the meeting last Tuesday in Canberra was a recommitment by the States to a commencement of an interstate water trading system by the 1st of January 2007.

I fear, and I hope I don't sound in any way partisan in saying this, but it nonetheless ought to be observed, I fear that the cause of international trade reform may have been somewhat damaged by the outcome of the congressional election in the United States with the election of a significant number of protectionist democrats and whilst the republicans in the American Congress were not total paragons of free and open international trade, and I have to say no group of legislators ever are no matter what country they may be in including in Australia. I think there is nonetheless a somewhat more protectionist hue to the new American Congress than the old American Congress.

As I speak to you tonight I think it is fair to say that the Australian economy remains fundamentally very strong. We do have what I hope is still regarded as the best claim of all that can be made and that is the lowest unemployment rate in more than 30 years. In the end the cumulative result of good economic policy ought to be the maintenance of as many Australians as possible in work of a well remunerated secure kind. And if that can be regarded in a mixed economic social sense as being the proper measure of the quality of economic policy I feel well pleased at the state of the Australian economy at present. Business confidence remains very strong although there are some areas of caution and perhaps less than total optimism particularly here in New South Wales. And consumers, I think it's fair to say, still remain fairly optimistic.

I do want to pick up one other thing that Michael said in his remarks and that is about the importance of the social dividend of good economic policy. One of the things that we have strived to do over the last 10 years in social policy is to strike a balance between the rather more insensitive aspects of a (inaudible) fair approach to the outcomes for individuals of the operation of the market system and on the other hand a rather paternalistic interventionist approach so typical of many countries in Europe. And I think over the last 10 years the maintenance of a strong social security safety

net sometimes in its features and aspects criticised by some writers and some people who don't think our feet have been kept too firmly to the free enterprise fire, I think the result of that has been that we have had a sense of cohesion and a belief that there has been a reasonably fair sharing of the dividends of strong economic activity and strong economic growth over the past 10 years. Striking that balance is always difficult because there are cost in terms of lost incentives but there are gains in terms of greater social cohesion and social stability.

Having said all of those things I think there are a number of challenges emerging to economic management over the next year or two which are worth spending a moment on. I think economic policy in Australia is entering a rather more difficult phase that has been the case over the past few years. We have a drought which is daily causing misery and concern to many of our fellow Australians and casting a rather pessimistic pool not only over rural Australia but over the entire country.

We have the ongoing impact of fluctuating fuel prices and although a random prediction that I made and was suitably chastised for immediately after I made it that petrol might fall to \$1.15 in the near term, it is fair to say that although the price has come down we still nonetheless live in a world of volatile fuel prices with all the impacts that has for our cost of living and inflation.

We have the I won't call it a phenomenon because we have probably had it before but perhaps not in such an acute form we do have the challenge of varied rates of economic growth in different parts of the country most starkly illustrated of course by the differentials between Western Australia and New South Wales. And we also have the emergence of, or the re-emergence rather, of something that had disappeared over the last 10 years and that is of State budget deficits. We used to have an expression, well a long time ago when I was treasurer of the public sector borrowing requirement which embraced the deficits, and most of them were in deficit and the commonwealth budget was certainly in deficit then, the deficits of all governments and that was an aggregate expression which described the accumulation and the demand being made by governments on money markets to fund deficits. And we do, and the Treasurer has spoken of this even more sharply than I am tonight, we do have the re-emergence of budget deficits at a State level that do have implications for monetary policy and it puts an even greater obligation on us at a Commonwealth level to maintain a very healthy surplus which we intend to do in the Commonwealth Budget in the coming year.

So all of those things represent some of the challenges that the Government faces and some of the challenges of economic management. And it is very important that the dialogue that we have been able to have over the last 10 years, and it is something that I have appreciated and I know all of my senior ministers have appreciated that the dialogue continues because the intricacies and the complexity of economic management, I suspect, will grow over the next 12 months rather than diminish.

I do want to say something about the related issues of climate change and energy security. And I very deliberately link the two of them because you can't think of the reaction of relevant countries to climate change without understanding the importance to them of energy security. And some of the heightened concern about climate change issues in recent months – indeed in recent years – are very directly related to energy security. And we need to understand some fundamentals about the two of them, put bluntly, there is no way that a country is going to embrace climate

change measures or responses to the growth of greenhouse gas emissions, which in anyway imperils the energy security of that country. And this is particularly so of countries such as China and India, countries which are for the first time in four or five hundred years reclaiming, particularly in the case of China, reclaiming their position in the world economy, enjoying extraordinarily rapid economic growth – economic growth which is very largely fuelled and supported and facilitated by cheap suppliers of energy from countries such as Australia, but also from their own and from other sources – and to expect a country like China to embrace change in relation to the climate, which in some way imperils the energy security, just at a time when it is beginning to enjoy the fruits of economic growth and remarkable rates of economic growth, is to expect the unachievable and the unrealistic.

I think it is important to keep the challenge of climate change in perspective. I share your President's view that it is happening and although I have been accused and continue to be accused of being somewhat of a sceptic on the issue, the truth is I'm not that sceptical, I think the weight of scientific evidence suggests that there are significant and damaging growths in the levels of greenhouse gas emissions and that unless we lay the foundation over the years immediately ahead of us to deal with the problem, future generations will face significant penalties and will have cause to criticise our failure to do something substantial in response.

The debate of course is about the intensity and the pace of the damage being done by climate change and there will continue to be very intense debate about that. We've made it very clear that we won't ratify the Kyoto agreement – we took that decision some years ago because we feared that ratifying that agreement in the form in which it then and still largely exists, could have damaged the comparative advantage this country enjoyed as a result of our abundance of fossil fuels and the importance of that abundance to Australia's export and general performance – and nothing has happened to alter that fact. In the meantime, however, we have committed ourselves to achieve the target of 108 that was given to us at the Kyoto meeting in 1997 and we are on track to achieve, or as near as dam it, achieve that outcome within the time stipulated.

I think it's very obvious, both from what Michael Chanay said, and from what others have said in recent weeks, that we do need to find, call it what you may, a new Kyoto. We do need, as a world community, to try and find a new global solution and that global solution must include all of the major emitters. And we have to understand some of the fundamentals that drove the original Kyoto. The original Kyoto was largely fashioned, I don't say this critically, I hope I say it objectively, it was largely fashioned to accommodate the environmental goals and position of European countries. It was built with not sufficient regard to the position of a country such as Australia, a highly developed country which was a net exporter of energy, and therefore I think the formation of AP6, which includes in aggregate, almost 50 per cent of the world's emitters, also close to 50 per cent of the world's population and also close to 50 per cent of the world's GDP, that particular grouping can provide an extremely sure foundation for the development of a new international covenant or new international understanding on this issue.

It is imperative from our point of view that as we look at such issues as an emissions trading system that we fashion here in Australia, and see fashioned globally, a trading system that protects the natural advantages that this country has. This country does have enormous natural advantages of our resource industries, not only coal and gas, but importantly uranium as well. And let me say that, something I've

said on a number of occasions in recent weeks, and that is that there is no one single solution to the global challenge. We need to maintain the profitability that our great abundance of fossil fuels has given us, we need to accelerate the development of clean coal technologies, and the like, that were identified two and a half years ago in the Energy White Paper, we need to recognise that at the purifier, but not as a contributor to base power load generation, renewables, such as solar and wind can make a valuable contribution and we also need to recognise the capacity, particularly as we develop clean coal technologies with the inevitable consequences they have for pricing, we need to examine and keep on the table the nuclear option. It is some years off but in a couple of weeks time Dr Ziggy Switkowski's committee will report and it, will I hope make available in a very objective fashion, the analysis of nuclear power, both in terms of safety availability, supply and the economic of it in the whole climate change equation.

I've indicated in the past that I do not intend to preside over policy changes in this area that are going to rob Australia of her competitive advantage in the industries that are so important to us and I repeat that commitment tonight. I do welcome the contribution that the Business Council has made and many other people in the business community have made to tackling this issue. Many of you will know that over the past few weeks the Government has reiterated its broad approach and later this week I will meet some significant business figures, some of them are in the room tonight, who are involved in the resource sector to discuss aspects of the Government's response to the climate change challenge.

I want to indicate to you tonight that the Government will establish a joint government business task group to examine in some detail the form that an emissions trading system, both here in Australia and globally, might take in the years ahead. I think it is important to involve the business community in an analysis of this issue because decisions taken by the Government in this area will have lasting ramifications for Australia's business community. I think we all recognise that we have to examine in the time ahead how we might devise an emissions trading system which properly cares for and accommodates the legitimate interests, and therefore maintains, the competitive advantage that this country enjoys in the industries that are familiar to you.

We do not want a new Kyoto that damages Australia. We need a new Kyoto that includes Australia but includes Australia on a basis which is appropriate to our interests and our needs. So therefore I indicate to you tonight that we will be establishing, in discussion with the Business Council of Australia and other business groups and individual business leaders, a joint government business task group that will examine, against the background of our clearly identified national interests and priorities, what form an emissions trading system, both here in Australia and globally, might take to make a lasting contribution to a response to the greenhouse gas challenge, but in a way that does not do disproportionate or unfair damage to the Australian economy and the industries which have been so enormously important to the generation of our wealth and the development of our living standards over the last 10 or 20 years.

Can I conclude ladies and gentlemen by again thanking all of you for the contribution that you have made as men and women in business to the great economic success of Australia over the last 15 to 20 years. I deliberately say 15 to 20 years because, as a lot of you will know, I have never been reluctant to acknowledge the reform efforts of the former government in a number of important areas. What's been

achieved over the last 15 or 20 years and the prosperity we now enjoy is the cumulative affect of a series of reforms carried out by both sides of politics. We do have our partisan differences and we're a little bit disappointed that some of the bipartisanship we extended in opposition in areas such as financial deregulation and tariff reform, which were the two areas where I believe the former government deserves significant credit, have not been reciprocated in areas such as taxation reform and industrial relations reform – I can't for the life of me understand why we didn't get support in relation to industrial reform – but perhaps in the years ahead I'll sort of understand more appropriately.

But can I say that the experience of the last 10 to 20 years has been certainly the most rewarding one can imagine in public life because we have seen the great transformation of this economy, and in the process we have seen an uplift in the sense of enthusiasm and optimism of the Australian people. There is a sense of achievement and a sense of a capacity to concur future challenges that I don't think was present in Australian society 25 years ago. Now the men and women in this room, in so many different ways, have played a huge role in bringing that about. The wealth and success of this country is largely the product of the efforts of its employers and employees and all of you are entitled to a proper share of the credit for what this country has achieved, but quite properly, you are entitled to continue, as I know you will, to require of this Government and any future government of Australia a constant commitment to pursuing that ever receding finishing line in a sure and certain acknowledge that if we relent, those with whom we might compete will sail past us and the consequences of that, for the living standards of future generations of Australians, will be very significant indeed.

Thank you very much.

[ends]