



EXECUTIVE SUMMARY

Australia continues to experience an unparalleled run of economic growth and prosperity. But while this unprecedented run of growth shows Australia has become better at managing the good times as well as the bad, there are important challenges ahead.

Australia continues to run a significant current account deficit; exports outside of resources are performing poorly; infrastructure bottlenecks are limiting activity; we are failing to manage key resources such as water; and significant pockets of entrenched community disadvantage remain.

Add to these challenges the impact of an ageing population and slower productivity growth as the benefits of past reforms fade, and many conclude that slower growth in the future is inevitable for Australia.

This is not how the BCA sees Australia's economic future.

Instead, Australia has a unique opportunity to set its sights higher as a nation and strive to depart from past economic cycles that have seen the nation's fortunes decline because of a failure to manage prosperity effectively.

This submission outlines why Australia must avoid the backsliding that traditionally follows periods of strong growth, and set its sights even higher in line with the aspirations of Australians.

The BCA argues Australia should commit to a national goal of lifting its living standards into the 'top five' band of the world's developed economies by 2012.

In order to achieve this objective, a number of important economic reforms need to be implemented that not only build on the changes of the last 20 years, but also recognise that the issues that the Australian economy now faces are different in nature to past challenges.

Sustaining growth as the economy operates at close to full capacity means governments need to shift their thinking to better manage the supply side of the economy.

These challenges are long-term, or intergenerational, in nature and require governments and policymakers to depart from the paradigm of short-term approaches and 'just-in-time' fixes and adopt a mindset that involves more strategic decision making.

To its credit, the federal government initiated just such an approach with its Intergenerational Report. That report clearly focused debate and created a longer-term policy discipline.

The BCA is calling on governments across the board to use the Intergenerational Report as a template to set out strategic frameworks for our nation to invest in far-ranging policy reforms.

This submission outlines a comprehensive reform agenda for Australia consistent with sustained growth and prosperity. Effective implementation of this agenda will require a long-term strategic vision, commitment and policy framework across all levels of government.

During 2007, the BCA will outline a clear set of reform 'standards' consistent with its broader reform agenda. These standards play a fundamental role in sustaining growth and improved living standards and must be supported if Australia is to achieve entry to the top band of global living standards by 2012.

The reform standards will articulate the quality, competitiveness and outcomes required of our:

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- + Tax system;
 - + Regulatory frameworks;
 - + Infrastructure renewal;
 - + Environmental management;
 - + Productivity performance; and
 - + Workforce participation.
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While many of the issues identified fall outside of the realm of federal fiscal policy, budget decisions and settings must be anchored in a long-term strategy for growth and must complement and support this broader reform agenda.

In the near term, the BCA is calling on the federal government to commit to two key priorities for 2007:

- + **A commitment to comprehensive business tax reform consistent with the need to arrest Australia's declining business tax competitiveness, as well as providing a secure revenue source to meet the growing demands of an ageing population.**
- + **A major improvement in federal–state relations and the establishment of new policy infrastructure that provides the capacity for governments to anticipate and respond to current and future challenges to the economy and business in a strategic and cooperative way.**

- In terms of necessary outcomes for 2007, the BCA is calling on the federal government to drive the implementation of truly national reform of business red tape, initiate the renewal of critical infrastructure, and actively collaborate with the states to resolve the current crisis in water management.

These are two vital elements of a broader reform agenda that currently function as blocks to improved competitiveness and productivity. Both priorities reflect the need to sustain a world-class business environment, not only to continue to provide the prosperity and economic security many Australians are now accustomed to – as investors and private sector employees – but to lay the foundations for passing on prosperity to future generations.

With 81 per cent of all employed Australians working in the private sector, 55 per cent of people owning shares directly or indirectly, and strong corporate tax revenues underpinning the federal budget surplus, never before has economic prosperity in Australia been more closely linked to the business sector and its performance.

The BCA acknowledges that state and federal electoral cycles can truncate the timeframes for decision making. But if we are to tackle long-term challenges, Australia cannot allow elections to be yet another reason for not taking the hard decisions and for inaction. Strategic vision cannot apply in only two out of three years at the federal level. Nor does the BCA believe that is what the Australian public expects or wants.

Australians are ready
for a strategic vision

The BCA's community research shows many Australians have a more aspirational outlook in terms of the challenges and opportunities we face. Economic success in the face of significant challenges has underpinned greater confidence in the community about Australia's responsibilities and potential to realise more ambitious goals.

Australians are ready for a strategic vision. The question remains as to whether governments can play their part in delivering on these aspirations and commit to a vision of even greater economic achievement and prosperity for Australia.