



# POLICY THAT COUNTS

REFORM STANDARDS FOR  
THE 2007 FEDERAL ELECTION





## Passing on prosperity: Australia's unique opportunity

Australians want a strong economy. We have grown accustomed to the opportunities and prosperity a strong economy provides: jobs and wealth creation; access to goods and services; and new business and investment opportunities.

But our current position hasn't come about by accident. It is the result of governments thinking beyond the short term and taking difficult reform decisions over the past 25 years.

The benefits of past reforms are clear. What is unclear is how much longer those benefits can be sustained in the absence of a reinvigorated reform agenda.

Reforms are vital if we are to consolidate our position, effectively address new challenges – like increased global competition, population ageing and climate change – and lay the foundations for sustained growth. Only through reform will we be able to pass on our current high levels of prosperity to future generations of Australians.

The 2007 federal election is one of the most important in many years in determining the direction of the country's future. Australia is at a crossroads in terms of its economic future. How will we respond to competition and change? How will we define our place in the global economy?

The 2007 federal election will determine whether we will continue moving forward, or whether as a nation we will opt for complacency and let our hard-won gains slip away.

## Pathways to future prosperity

The path to keeping our economy growing strongly into the future is well understood. A comprehensive agenda of reforms to tax, workplace relations, education, business regulation, infrastructure and federal–state relations is vital to renewing our economy and avoiding the prospect of slipping backwards.



We are already seeing some of the shine of our economic performance diminish. Productivity growth has slowed, there are shortfalls in skills and important infrastructure, and our export performance has languished.

Over the past two years, political leaders have acknowledged the need for a new round of economic reforms to sustain prosperity, and they have committed to acting in a number of areas. But we have yet to see a sufficient level of concerted action that will allow us to advance our economy. We need to see concerted action in many areas.

## The business vision for Australia

In the past, after periods of success, Australia has allowed its competitiveness to be eroded and its living standards to decline. The BCA believes Australia's recent economic performance should be a platform for the future and not be seen merely as a high-water mark.

In the fast-paced global economy of the 21st century, the rewards of staying ahead of the competition are great, as are the risks of falling behind. In such a world, standing still is the equivalent of going backwards.

Policies that enable strong growth cannot be neglected or wound back. This will lead to an economic slowdown and the erosion of hard-won prosperity.

The Business Council has set an aspirational goal for Australia to move into the top-five band of those countries with the world's highest living standards by 2012.

This is an achievable objective.

Previous economic reforms have elevated Australia from 17th among OECD nations in 1990, to 7th in 2005. But as our research demonstrates, Australia will only achieve this higher ranking through a new round of reforms that build on current economic strengths and support sustained prosperity into the future.



## Australia's living standards on the rise

Ranking – GDP per capita

1990	
1	Luxembourg
2	Switzerland
3	US
4	Norway
5	Iceland
6	Japan
7	Netherlands
8	Denmark
9	France
10	Belgium
11	Canada
12	Austria
13	Finland
14	Sweden
15	Italy
16	Germany
<b>17</b>	<b>Australia</b>
18	UK
19	NZ
20	Spain

2005	
1	Luxembourg
2	US
3	Norway
4	Ireland
5	Iceland
6	Switzerland
<b>7</b>	<b>Australia</b>
8	Netherlands
9	Denmark
10	Austria
11	Canada
12	Belgium
13	UK
14	Sweden
15	Finland
16	France
17	Japan
18	Germany
19	Italy
20	Spain

Source: *BCA Budget Submission 2007–08*.



## Passing on or losing prosperity: Australia's choice

Elections provide the opportunity for political leaders to outline their visions for the future. Australia potentially faces two very different futures with the 2007 federal election.

We could emerge from the election with new pathways to prosperity supported by an elected government committed to acting on important reforms.

Alternatively, we could see an election campaign in which political parties focus entirely on luring voters with quick fixes and instant rewards.

The last three years have seen a broad consensus built around the need for a new round of economic reform. Organisations like the BCA have laid out carefully considered, fully researched proposals for reform in key areas.

Despite growing public support for reform, the business community remains concerned that the pace of reform might be sidetracked or that large financial and policy commitments made for short-term reasons will limit Australia's ability to plan and invest strategically for sustained growth.



## Policy that counts: the BCA's reform standards

To frame election thinking around a single, basic objective – elevating the country's living standards into the world's top-five band by 2012 – the BCA is outlining a set of reform standards for the 2007 federal election. These standards will be used by the BCA to assess whether the economic policies of the political parties contribute to passing on prosperity or eroding it. Important elements of the reform standards include:

### Workplace relations

Workplace reform by both major political parties over the past 20 years has been fundamental to jobs growth, productivity and increased prosperity across the community. There can be no backsliding or winding back of the core elements of workplace deregulation.

### Education & innovation

In a global knowledge economy, the quality of Australia's education, training and innovation systems are vital to its future.


Political parties need to review and update these systems across a number of fronts to achieve better outcomes. We need to:

- Reduce the number of young people not completing 12 years of education or training and increase participation in post-Year 12 education and training.
- Raise the quality of teaching and the nationwide consistency of curricula and achieve uniformly high standards of literacy and numeracy.
- Strengthen the focus on employability skills and ongoing skill development.
- Ensure the longer-term financial sustainability of higher education systems.

We also need a new, national approach to innovation policy and a greater focus on the skills needed to foster and manage innovation.

### Climate change

Developing a long-term strategy for reducing greenhouse gas emissions is one of the most complex challenges facing Australia's economy. The solution requires achieving a balance between protecting Australia's economic strengths while achieving sustainable cuts in greenhouse gas emissions at both industry and community levels.



As the BCA has argued, the most effective approach will be built on a global, market-based mechanism which puts a price on carbon in parallel with incentives for R&D, improved energy efficiency and adaptation measures. As part of a broader global response, Australia should implement strategies nationally that:

- Reduce emissions relative to a business-as-usual outlook.
- Ensure the abatement is that which is lowest cost.
- Protect trade-exposed enterprises, as well as other enterprises adversely affected in the absence of a global carbon price.
- Increase investment certainty to enterprises and investors.

### **Business tax**

Despite welcome reforms in recent years, an unwieldy system of federal and state business taxes means Australia's business tax and compliance costs are still too high. This is creating an uncompetitive business tax system that puts at risk Australia's ability to attract jobs and investment. We need a comprehensive review of Australia's business tax system in terms of how it operates across state and federal jurisdictions so that the system remains competitive while also providing revenue security.

### **Federal–state relations**

Many of the challenges and opportunities faced by Australia require better cooperation and coordination between federal and state governments. Duplication, overlap and inconsistencies are creating too many barriers for both large and small businesses. In particular, Australia needs:

- A genuine common market and consistency in core business regulation.
- Intergovernmental systems and processes to be strengthened so that business and the community are confident that future challenges and opportunities are dealt with efficiently and effectively.
- A new, long-term approach to federal–state relations that commits to a clearer set of accountabilities and responsibilities across different levels of government.

The BCA's reform standards also cover areas such as infrastructure renewal, business regulation, workplace participation and maintaining an open economy.

