

## SPEECH

### Policy that Counts: Assessing Election Commitments in 2007

**\*\*Check against Delivery\*\***

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#### Introduction

- Thank you for joining me here today.
- This year represents a very important one for Australia.
- Sometime later this year Australians will go to the polls to choose the next federal government.
- It might sound like a cliché but the choices and decisions made in the lead-up to the election will resonate for years to come.
- We're already seeing our political leaders and parties aggressively competing with undertakings and promises they believe will most attract votes.
- As we all know, election campaigns are usually about a stream of big announcements with equally big spending tags.
- Sometimes these announcements are based on sound, longer-term thinking that places the national interest above the sectional and political.
- More often though they're highly tactical responses to day-to-day, even hour-to-hour considerations.
- In short, election campaigns represent a disconnect between sound, strategic policy making and decisions made entirely around achieving short-term political advantage.
- As any political strategist will tell you, the tried and true way to win votes during an election campaign is through compelling sound bites and impressive spending promises targeted at as many individual hip pockets as possible – particularly in marginal seats.

- However, I think there's the potential for a different dynamic in the 2007 election campaign.
- It's a dynamic which I believe will see political parties compete as much on the basis of articulating a strategic vision for the country, as tactical manoeuvring and big spending.
- This is why I'm announcing today on behalf of Australia's leading 100 companies – companies which collectively are responsible for the livelihoods of nearly 1 million Australians and indirectly for millions more – an integrated set of reform standards for the 2007 election.
- These standards have been developed by the BCA to harness what we see as an emerging desire in the community for a strategic vision for the nation.
- Importantly, we're announcing them to encourage our political parties to keep their eye fixed on a bigger picture and a bigger prize.
- For business to set standards around the rough and tumble of an election year may seem naïve.
- But the BCA and I believe there are a number of compelling reasons why our politicians should be actively encouraged to think more broadly and more strategically in this election.

### **Consensus Around Big Picture Reform**

- First, there's clearly a wide consensus across political parties, policy leaders and the media that a new round of economic reform is needed if we are to continue our current prosperity.
- There's not only a consensus on the need for change.
- There's also broad agreement on the areas of the economy that need reform to keep prosperity going and growing.
- These are the areas on which the BCA has put particular focus over the past three years – tax, federal–state relations, infrastructure, workplace relations, regulation, education and the environment.
- We probably haven't seen this level of comprehensive debate and consensus in political circles since the 1980s which was the start of Australia's reform journey.
- There is now, I think, a general recognition that Australia hasn't been good at managing prosperity in the past.
- The 1950s and 60s saw us reach a pre-eminent position among world economies, but through a combination of complacency and inertia, we fell behind – and for many years, occupied the position of also-rans.

- The low point of our recent economic history occurred in the early 1990s, at the time of the last recession.
- I attended an executive management program at the Harvard Business School in 1992 and, in the module on national economics, discussed a case study on Australia.
- This might more accurately have been called a basket-case study. The message was clear: Australia had squandered its resource-derived wealth, had failed to reform its inefficient institutional structures and was now consigned to the scrap heap of failed economies along with various similar South American examples.
- In fact, as we all know, the opposite happened: in the 15 years since, Australia has outgrown almost all other Western economies because of the program of reform we undertook – reducing trade barriers, reform in the workplace and financial sector, privatisation and competition policy.
- Those reforms enabled Australia to ride out the Asian collapse in the late 90s and the worldwide recession early this century.
- Continued reform now will allow us to continue to break from the old boom and bust cycle.
- As a competitive nation linked into the global economy and positioned on the doorstep of the fastest growing region in the world, we have the potential to access more markets and even greater prosperity than ever before.
- But the threats are equally significant.
- The fast-changing nature of the global economy means our advantage can more easily be eroded and our living standards quickly slip behind.
- Standing still is not an option – the finishing line of reform is never reached. The debate is not about whether we should continue the reform journey. It's about how we do it and at what speed.
- Obviously, there are differences among political parties in terms of emphasis and detail.
- As the election nears, the risk is that these differences will become greater as the parties seek to deliberately differentiate themselves.
- As a result, there's a real danger that the outcomes we are all seeking from reforms will become lost.
- That's why the BCA believes there's a real need for standards that cut through the political heat and rhetoric and properly assess election promises and their alternatives.

## **Cracks in the Existing Paradigm**

- The second reason why the election this year can and should be different is that there are growing cracks in our economic framework.
- The challenges Australia now faces are not the usual negatives economies face when investment dries up and jobs disappear.
- These current challenges are the result of an economy performing at full pace for an extended period of time.
- Economic activity is being limited by infrastructure bottlenecks as a result of growth outpacing the capacity of our water, transport and energy systems.
- Outside of resources, exports are slipping.
- Productivity growth has slowed at a time when our ageing population challenges us to come up with new ways to produce greater value with a shrinking workforce.
- As the BCA outlined in its federal Budget submission in February, sustaining growth as the economy operates at nearly full capacity means we need to shift our thinking to better manage the supply side of the economy.
- This in turn means more strategic thinking and decision making rather than quick fixes or policy on the run.
- For example, the solution to Australia's water crisis is not continually to crimp demand through ever-increasing water restrictions.
- Yes, demand-side management for water is important. But it won't address the fundamental problem caused by shortfalls in existing water policies and the need for more far-reaching supply-side solutions.
- In this age of prosperity, political parties rightly place a priority on highlighting their economic management credentials to the electorate.
- But the BCA believes the benchmarks around what constitutes good economic management are changing.
- Truly effective economic management requires politicians to demonstrate strategic vision and a commitment to reform action beyond the current electoral cycle.

## **The Community Wants a Strategic Vision**

- The third reason why I think politicians need to think more broadly and more strategically is the community itself.
- The BCA believes there is a potential, new mindset emerging among many Australians.

- Our focus group work over the past few years suggests that after more than a decade and a half of prosperity Australians now are focusing beyond their basic needs.
- They're looking in a more aspirational way at Australia's future prospects and potential.
- They understand the imperative of keeping our economy moving forward. They know the global economy brings both opportunity and threats.
- But as a nation we're more confident in our collective ability to meet new competition and challenges and to make the most of new opportunities.
- To our mind, this translates into a potentially new political dynamic in which the standard election offerings of pork-barrelling and ad hoc policy responses will not be enough.
- People expect politicians to raise the bar on debate and discussion about Australia's future and frame their policies accordingly.

### **The BCA's Reform Standards**

- So we see the 2007 federal election as an opportunity.
- I believe we can emerge from this election with a new pathway to prosperity.
- That's why the BCA is outlining clear reform standards to guide election thinking on what is needed to pass on Australia's current level of prosperity rather than erode it.
- Our standards are based around a single, compelling objective – that Australia should aim to be in the top five OECD countries, measured by standard of living, by 2012.
- In 1990, we were 17th – today, we're 7th. Moving into the top five is an achievable goal.
- The standards are based on reform roadmaps that have been subject to independent research and whose general direction has been largely agreed upon by political parties and policy leaders.
- The purpose of the standards is to enable the different parties' policies to be assessed against what is needed if we are to achieve this national goal.
- Let me now outline what the Business Council sees as the important outcomes from this election.

### ***Infrastructure***

- Infrastructure quality and capacity plays an important role in determining the structure and strength of economic growth and activity.
- The BCA believes that Australia remains at a crossroads in terms of infrastructure development as a result of poor institutional arrangements – in terms of governance and planning – and policy choices.
- Reform is needed to alleviate current constraints and to provide the capacity to sustain strong economic and population growth into the future.
- The reform standards set out a number of priorities with respect to the infrastructure policies of the political parties, including:
  - the development of national markets for electricity, water and transport;
  - effective infrastructure coordination, planning and auditing across the states and Commonwealth;
  - minimising regulatory impediments to infrastructure investment; and
  - a focus on the development of a quality, high-speed broadband system

### ***Federal–State Relations/Tax/Regulation***

- One of the most critical reforms required right now is around federal–state relations.
- This isn't a single reform issue.
- It includes how we are taxed, the way in which business regulation is made and administered, how our workplace relations systems operate and how our schools and other educational institutions perform.
- Last week, the BCA released a major report on Australia's business tax system.
- It highlighted the costs and complexities arising from business having to deal with nine separate federal, state and local government tax systems.
- Australian businesses now pay up to 56 different taxes to federal, state and local authorities.
- This compares to just 22 in the United Kingdom – an economy three times the size of Australia's. Many of taxes in Australia raise relatively little revenue.
- But together they contribute to a major tax take and tax compliance burden for business.
- At a time when economies around the world are aggressively streamlining and structuring their tax systems to attract more jobs and investment, this system is not sustainable.
- As part of our reform standards, we're calling on the major parties to commit to a comprehensive review of the whole business tax system.

- This review needs to focus on how we untangle our current business tax mess and give business, government and the community certainty around the sustainability of tax arrangements into the future.
- But tax is just one area of federal–state relations requiring significant attention.
- The BCA’s reform standards make it clear we need urgent action around the creation of a common market for business.
- More broadly, the BCA believes there needs to a review of roles and responsibilities of federal and state governments across the board. This involves a number of fundamental decisions about which tier of government takes responsibility for what area.
- If the states aren’t prepared to take regulatory reform seriously, it makes sense for the Commonwealth to take over responsibility for business rules and regulations that are inefficient and inconsistent.
- These inconsistencies have made it cumbersome and costly for people, goods and services to move between states.
- In contrast, Europe with over 300 million people has created a common market for its collective economy. There’s no reason why a nation of 20 million can’t as well.
- We also need to see an overhaul of the current COAG model in order to break the cycle of lacklustre or non-performance in tackling issues of national importance.
- For a start, COAG needs to meet more than once a year, and when it does there needs to be clear timelines set for agreed reform progress so that the performance of our governments can be clearly matched against their rhetoric.
- And secondly, there should be much better reporting to the community about the progress of reform action so our governments are held more accountable for their performance and any slip in meeting their reform timelines.
- We can’t afford a system of federal–state relations managed by COAG which meets only occasionally, decides erratically and follows through irregularly.
- Again last Friday, we saw COAG make some major announcements around reform.
- But business has stopped believing in the effectiveness in COAG as it currently stands. It seems the longer the communiqué, the less reform substance it contains.
- Business and the community generally are tired of the theatrics of COAG. We want to see outcomes. We deserve so much more from our political leaders but COAG sadly has conditioned us to expect so much less.

- Despite steps to set up a body to oversight COAG and give it ongoing direction, the result of intense pressure from business, COAG's accountability and transparency mechanisms remain deeply flawed.
- Its relies on a kind of reform amnesia in which announcements and commitments are made, referred to other ministerial councils and secretariats, then forgotten or not followed through, then announced again some way down the track as if they're brand new.
- What we're looking for is the substance rather than form of reform.
- Some have described COAG as a politicians' club. It is hard to disagree when its main performance indicator seems to be the quantity of political rhetoric rather than the quality of reform action.
- This flawed structure is simply not capable of addressing the big national issues of our time. As the reform standards outline, now is the time to commit to serious steps to instil much greater accountability and urgency around COAG outcomes.

### ***Workplace Relations***

- On workplace relations, much has already been said about its importance to productivity and future prosperity.
- Through these reform standards, the BCA again makes its position clear. You cannot support productivity growth in the 21st century while turning back the clock to a 1990s or 1980s workplace relations system.
- That's why our standards send an unambiguous message to politicians that backsliding on this fundamental issue isn't credible.
- As the BCA's research has demonstrated, our current low unemployment and long-term productivity improvements are the direct result of decisions taken by both political parties over the past 20 years to free up the labour market.
- WorkChoices has been a further important and necessary step to keep our economy competitive, retain low unemployment and create jobs, opportunity and prosperity into the future.
- Reversing this basic building block of prosperity management is not just untenable – it's economically irresponsible no matter how much time and energy is spent talking up the importance to productivity of other reforms areas.
- Flexibility and choice, productivity and prosperity, and job creation are the benchmarks against which the BCA believes workplace relations policies should be judged, not the effectiveness of scare campaigns or misinformation.

### ***Education***

- Education is another important area whose outcomes are being compromised by the federal–state divide.

- Across the country, students and parents as well as business are confronted by differing and often conflicting sets of educational standards and curricula.
- In many cases, it's been left to business to work out whether the qualifications achieved in one state are consistent with another. We still have too many young Australians not developing the skills that will enable their ongoing participation in work.
- Education is too fundamental a factor in our future prosperity to be exposed to these basic shortcomings.
- In a global knowledge economy, education and skills will increasingly be the driver of economic success. We not only need to sort out the problems resulting from conflicting standards.
- We also need to agree on clear benchmarks around national outcomes for education. For its part, the BCA has outlined a number of standards that will we believe help elevate the debate around education in this election.

### ***Climate Change***

- Finally, a few words on climate change.
- There's probably no bigger issue in the community at the moment and it will no doubt be a major focus in this election.
- We all want to see action. But at the same time, we must realise there is no quick fix and a long term strategic focus will be necessary.
- Addressing climate change effectively means a transition from a high emission global economy to a low emission economy.
- That's a huge undertaking which requires considered policy planning and action and it's essential political parties in this election get the fundamentals right.
- This means working toward a linked global response which provides the opportunity for all countries to contribute to a global solution in line with the structures of their economies and stages of development.
- It means Australia planning and implementing a four-pronged approach which includes emissions trading, investment in R&D, improved energy efficiency and long term adaptation measures.
- Emissions trading will require clear targets for Australia's total emissions and the trading of emissions permits. These targets will need to be set in light of thorough economic evaluation of what is possible.
- They will need to be reviewed continually to take into account changes in scientific understanding on greenhouse issues, further international agreements on greenhouse reductions or technology breakthroughs.

- This will allow Australia's greenhouse response to be adapted – and made as responsive and effective as possible – as information and scientific knowledge improves and technology develops.
- Calling for or setting fixed targets to be achieved over the course of 40 years without doing the research and without a comprehensive strategic policy framework would be irresponsible and put Australia at risk of signing up for the unachievable.
- To support a blanket target for a country without taking into account varying impacts on sectors and the need to review and adjust targets on a continual basis is not a credible response.
- Australia's response to emissions reduction above all requires sensible debate and considered thinking.
- It doesn't warrant politically driven pronouncements or the setting of targets that ignore the full policy context or are stated in the absence of the research needed to inform them.

## **Conclusion**

- Let me conclude.
- The BCA presents these standards as an integrated reform package – one that supports economic growth as well as social and environmental sustainability in the long term.
- As our research demonstrates, each and every reform outlined in our reform benchmarks needs to be undertaken if we are to achieve a place among the top five countries in the OECD.
- We need both promises and implementation – promises alone are not enough.
- I want to stress that the reforms standards cannot be cherry picked for political advantage – it's a whole package.
- Economic growth is not an either/or proposition in terms of addressing the other social and environmental challenges we face.
- Prosperity gives us the scope and ability to meet these challenges in more effective, far-reaching ways.
- This is the business vision for Australia. In a globally competitive world standing still is not tenable. We have no option but to set new goals and move purposely toward them.
- Policy and spending commitments made in the 2007 election will bind future governments to critical policy paths.

- As such they will play a large part in determining whether we pass on current prosperity to future Australians or dissipate it.

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