

## SPEECH

**Address to the ANU Crawford School  
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Let me begin by thanking Tom and the Crawford School for inviting to me to take part in this year's annual gathering of LAFIA alumni.

One of the reasons I was pleased to accept the invitation in 2009 to join school's inaugural advisory board was that I saw the important contribution it could make by giving senior public servants greater awareness of business management issues, as well as regional politics and economics.

Under the leadership of Dean MacIntyre and Dean Kompas, I could see many opportunities for the school to contribute to improving the quality of public policy making here in Canberra by facilitating engagement of the business sector and Canberra-based policymakers to foster better mutual understanding

I was grateful to Tom for suggesting a title for my remarks when we had contact about it some months ago. It goes without saying that neither of us imagined at the time the political context in which this function would be taking place.

So the title stands as: 'What the Business Council of Australia desires of the Australian Government'.

What I'd say up-front is that while the detail of the BCA's policy agenda has not changed in recent weeks, our messages to the new government have been influenced by the unprecedented power-sharing arrangement, and also by the disappointing election campaign.

Like many Australians, we were disappointed that both of the main parties offered up simplistic, silver bullet policy solutions that underestimated the electorate's intelligence and common sense, and pitched to perceived short-term self-interest rather than long-term national interest.

We felt short-changed by the campaign, both by the policies put forward and by the quality of debate. And we are concerned that promises made during the election period should not set the tone for government. Nor can they be asserted as iron-clad 'mandates' (always a dubious claim) in this least decisive of recent elections.

I'm certain that the Australian Public Service would share that concern.

If government does not embrace a bigger agenda, if political leaders don't adopt a new style of leadership, and recognise and nurture common ground among sectors of the community, Australia will not achieve all that we can at this moment of real national opportunity.

Rather than dwelling on the challenges of the new model, the Business Council of Australia wants us to start working together as a community to support the provision of good government based on sound policies.

Along with other sectors, we have signalled our readiness for thoughtful, national discussion about the policy choices Australia needs to make. We in business, like you in the public service, will play an important role in helping to make this new model work in the national interest.

So tonight I want to cover three broad areas:

- the BCA's message to the new government
- what the implications of that message are for the Australia Public Service, and
- how I see these fresh challenges fitting in with Terry Moran's APS reform blueprint – in other words, how they fit in with the bureaucracy's own vision for itself.

### ***Our opportunity as a nation***

Firstly, by way of context ...

Australia has right now a great opportunity. Our economy is on the mend and poised for expansion. Our opportunity to be part of the Asian success story is enormous.

But there are risks associated with Australia's current economic strength – complacency is at the top of the list. With strong terms of trade, falling unemployment and rising workforce participation, it's tempting for governments to ride on the short term rather than doing the hard work of explaining what reforms we need for the longer term.

People sometimes balk at the term 'reform' because they associate it with change or uncertainty. I suspect a fair few public servants would be among them.

What I mean by reform is what governments have to do to be good managers.

Not change for change's sake, but whatever policies and adaptations are required to keep us in a strong position.

We should not mislead ourselves: we are not preordained to be the lucky country.

Neither the good fortune of our geography nor our natural resources would have delivered our current prosperity if Australians hadn't found the common ground that emboldened successive governments over 25 years to put the right policies in place.

This process has inevitably involved the advice and support of both the Australian Public Service and the Australian business community.

Together, we made our luck— and we need to keep doing so.

This is the backdrop for my remarks tonight.

I believe Australians are once again ready to be convinced of the merits of a broad reform agenda, so long as it is shaped and pursued through community education, consultation, and genuine effort by all parties to find and build common ground in the interests of the nation.

### ***A new style of leadership***

For the Business Council of Australia, the policy benchmarks we released ahead of the federal election campaign were developed as a contribution to this kind of process.

Very few of our benchmarks were prominent during the election campaign. Those few were not afforded the mature consideration they warranted.

Population policy was an example of this, and I believe the time is right to have a better-informed national discussion about sustainable population growth than we have had in recent months.

This discussion would promote a better understanding of the interconnection between population policy and Australia's economic stability, our living standards and our place in the region.

It would involve us seriously asking the question: 'What would the alternative to population growth trend look like for our kids' job opportunities, the cost of living, the provision of public services, the financial security of Australians in retirement and our national security?'

While the BCA's vision is designed to secure economic growth as the building block of better quality of life, we are not an organisation of people who view the world through a narrow prism of economic self-interest.

Our policy benchmarks promote a different mindset, a more interconnected approach to economic reform and social policies, and a different relationship between politicians and the communities they serve.

A more open, honest and consultative style of leadership.

Research that the Business Council of Australia commissioned late last year found many areas where the community wants business leaders to be more involved in

influencing public policy. They want us to work alongside government to pursue a vision for Australia that is both economically successful, and socially and environmentally responsible.

This research finding resonated strongly with BCA CEOs and, post-election, it seems to reflect the balance Australians want from their political leaders.

### ***First 100 days***

Last week, with this in mind, we released a list of priorities for the government's first 100 days. The suite of actions was chosen because it would send a strong signal to the community, including business, that this government will do what's necessary to be good managers.

It addresses issues about which there is considerable common ground, if not on actual policy detail, then certainly on the need for action. Each would require the public service to apply the kind of openness, creativity and heard-headed discipline outlined in the APS blueprint [*Ahead of the Game: Blueprint for the Reform of Australian Government Administration*].

The skills and approaches business leaders specialise in.

A dinner speech is not the occasion to go into these priorities in detail – you can find it all on our website. I will just run through them quickly, starting with:

#### 1. A national infrastructure plan

We don't expect this to be delivered in the first 100 days, but what can be delivered is a firm statement by the government as to how it will develop the plan and who would be responsible for its various elements.

Infrastructure Australia, with an increased level of independence and sufficient resourcing, is well-placed to provide all this advice. The Productivity Commission is the right body to conduct regular audits on progress and identify emerging infrastructure gaps.

#### 2. Tax reform

We have asked the government to provide details of how it will progress taxation reform in this current term. The proposed tax summit is an opportunity to engage the community in this policy debate, provided it is well designed and comprehensive.

The BCA has called for the Goods and Services Tax to be on the table, as well as Don Argus's advice on the Minerals Resource Rent Tax.

We have also asked that all modelling and revenue estimates associated with the Henry review be released as a show of good faith and to ensure the best-quality debate.

#### 3. Energy security policy

Energy security is essential to economic growth and to our quality of life, and we want the government to commit to developing a policy on this. To date, we have had little integrated consideration of Australia's long-term energy needs, Australia's future economic structure, the various technological options available, and how all of this would be affected by alternative emissions reduction options.

A white paper approach, which engages business leaders and bureaucrats with relevant expertise, would be appropriate. It is also a sensible, common-ground foundation for assessing how we can best respond to climate change risk.

#### 4. Federal reform process

The COAG process is crucial to achieving much-needed regulatory reforms including competition reform, infrastructure regulatory reform and the seamless national economy.

The BCA would like to see the federal government leading the Council of Australian Governments (COAG) in resetting its agenda, with a sharper focus on a smaller number of reform areas with the greatest potential to drive productivity growth in the near term.

The release this week of the COAG Reform Council's 2010 Progress Report reinforces our concern that COAG has become weighed down by an overloaded agenda and a complex set of processes and agreements.

#### 5. Commonwealth spending

Our final suggestion for the first 100 days is the establishment of a permanent independent Commission of Budget Integrity to assess federal spending programs.

The proposed Parliamentary Budget Office is a useful first step, but there is a case to go further by providing independent, objective assessment of both government activities and public sector performance. Many countries such as Holland, the UK and the USA have created such an institution in recent years and the benefits have been proven.

### ***Opportunities for the APS***

This last point is a good segue for me to offer some remarks about the public sector's role in encouraging and facilitating a new style of leadership.

In listening to each of the BCA's recommended priorities, I feel that many of you here tonight would be thinking, as we do, of the opportunities they present for talented, visionary people in the APS to do what they are trained to do.

They also challenge different levels of the public service to work together more efficiently and cooperatively. The 'blame game' between federal and state governments too easily spills over into the respective bureaucracies.

But I can't help thinking that if politicians allowed public servants to nut out problems, they would find ways of breaking habits of rivalry or mistrust, and finding common ground on the best way forward.

If we in the business community are conscious of the challenges associated with a minority government, I imagine that the federal public service, particularly its senior ranks, must be wondering where you fit in this unchartered territory.

As I said in my introduction, I believe there is a great deal of common ground between what the Business Council of Australia is looking for from the public sector and how it sees itself.

This comes through loud and clear in Terry Moran's reform blueprint.

On face value, many of the review's recommendations might come across as simple common sense, particularly to a reader from the business sector. But the BCA recognises that, in reality, the blueprint advances a very different approach to what most public servants are accustomed to.

The reform that underpins many of the review's recommendations relates to the relationship between the public sector and the citizen (including business).

It is largely premised on the emerging international concept of 'co-production' in service delivery, which encourages government to share the design and delivery of services in equal partnership with citizens.

Post-election, the 'co-production' model has many the hallmarks of the more consultative style of government and leadership I've been speaking about, and that Australia's political leaders have been speaking about.

It resonates with me as a businessman because in my world I use all kinds of mechanisms, including much-maligned focus groups, to tailor services in more a sophisticated manner to meet the needs of customer segments.

Without the support of the government, of course, the blueprint will go nowhere. But if government sees it as a meaningful way to demonstrate a more consultative leadership style, I can reassure you that business has the expertise to help you make the change – you just need to be prepared to reach out and take it.

After a year in the role of BCA President, what I hear consistently from members is that they would like to have greater and better engagement with the federal bureaucracy. They would like to cultivate a deeper understanding between the two sectors so that we have a better feel for what you do, and you have a better feel for what we do.

This cross-fertilisation of perspective, expertise and experience, we believe, can only lead to better policy outcomes in the national interest.

It would support better policy development processes, more result-driven implementation, and better informed engagement of the community in issues of national importance as per Terry Moran's blueprint.

Tax reform is a good example.

While the Henry review contained many worthwhile ideas, a breakdown of good process saw government deliver a narrow, disappointing response to the report.

Lessons from past achievements in tax reform demonstrate that good process includes widespread consultation and discussion, much of it coordinated by the federal public service.

It was the lack of an open policy development approach and insufficient consultation that led, I believe, to the highly damaging consequences of the original Resource Super Profits Tax proposal. These included heightened perceptions of sovereign risk that continue to harm our national interests.

Some 10 years ago, John Ralph delivered a report on reforming business tax to a different Treasurer in which he noted that the review process had been an open and transparent one. He explicitly acknowledged the input of business and the wider community in the development of recommendations.

Consultation is important for a number of reasons, not just because it's an opportunity for policymakers to understand how policies affect stakeholders, but because government is not always aware of all the potential consequences of policy changes.

Comprehensive consultation allows for options to be fully tested, back and forth. It can be a valuable source of information for the policy development process and help deliver better policy outcomes.

The announcement in last year's Budget of proposed changes to the tax treatment of employee share plans highlighted the pitfalls when government is not sufficiently mindful of practicalities.

Treasury isn't expected to fully understand the entire range of employee share plans. It was only through consultation with business that better understanding emerged.

The government's plan to hold a tax summit before the end of June presents a positive opportunity to engage with a whole range of people on tax reform.

But the value of the summit will depend on the extent to which its potential is embraced, across the political divide and across the community, with a full exchange of views and options.

Our hope is that those who shape the summit format will give the public and private sectors license to sit down together, roll up our sleeves and create some visionary, long-term, common ground solutions that will serve our nation well.

### ***Conclusion***

Australia's democracy is a great strength, but only if our leaders use it to pursue economic strength and community prosperity, and to take citizens with them on that journey.

Across the political spectrum, today's leaders need to find and build common ground with each other and with the community and its various, interconnected sectors, including the bureaucracy and business.

Implementing the APS blueprint would help facilitate this evolution and it is unfortunate that funding for the process was withdrawn during the election campaign.

But this should not deter senior people like you from continuing to move in the direction Terry has outlined. I believe that the new environment will require it of you.

Nor should it deter business leaders from being open to working with you in a way that builds the capacity on both sides to achieve mutually acceptable outcomes in the national interest.

I certainly don't want to be standing here in a year's time saying that the government isn't delivering good management because division, complacency or timidity led to inaction at this moment when our outlook is so positive.

We haven't experienced the crisis that has spurred the bold reform agenda we are seeing in the United Kingdom.

But a smart country doesn't wait for a crisis to act resolutely.

Nor should we make excuses about the difficulties posed by a different style of parliament.

I believe there's a more confident story to be told that Australians will hear and understand.

It's not about a big Australia.

It's about an ambitious and shared vision for Australia's future.

Thank you.

[ends]