

SPEECH

CHECK AGAINST DELIVERY

Common Ground: Seizing the Opportunity

Address to the National Press Club
15 September 2010
Canberra

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Let me begin by thanking the National Press Club and the National Australia Bank that supports this important forum for policy debate.

I've spoken here once before. As it happened, my address that day coincided with Julia Gillard being sworn in as Prime Minister first time round, so there were rather fewer of you in the room on that occasion.

My main message today is, as it was then, that Australians are ready for a new style of leadership. I think we all sense this.

People are looking for the kind of leadership that has its sights firmly set on the national interest and that goes about the job of keeping our economy strong in a determined, business-like way.

They are also looking for leadership that reflects the values of the Australian people in being socially and environmentally responsible.

Like many Australians, we at the Business Council of Australia felt short-changed by the recent election campaign, both by the policies put forward and by the quality of debate. Along with other sections of the community, we have signalled our readiness for thoughtful, national discussion about the policy choices Australia needs to make.

The Business Council of Australia wants to be part of that kind of discussion and to support that kind of leadership.

The BCA represents the views of the 120 people who lead the nation's biggest businesses. The CEOs are our only members. They directly shape our policy agenda. They do so because our CEOs recognise that to be a successful business leader today, you have to take a leadership role in the broader community.

Not all BCA presidents have the responsibility of presenting an agenda for the national interest to a new federal government. Let alone a minority government faced with the challenges of an unprecedented level of power sharing.

Rather than dwelling on those challenges, however, the view of the Business Council of Australia is that we should get on with the job at hand – the job of providing good government based on sound policies.

And a good place to start, we believe, is to refocus on goals where there is already broad agreement.

Parliamentary reform is one example; improving the life opportunities for Indigenous Australians is another.

There is also a good deal of common ground on the need for tax reform, and I doubt there's too much disagreement that Australia needs better infrastructure.

What I'm saying today is let's not put off progressing national interest objectives on which we agree just because there are others on which we do not.

This is the kind of leadership I think Australians are looking for from our political leaders and from business leaders.

Research that the BCA 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 the BCA CEOs and, post-election, it seems to reflect the balance Australians want from their political leaders.

Our opportunity as a nation

We have 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.

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

Not change for change's sake, but whatever is required to keep us in a strong position.

The Business Council of Australia expects Australia to be well managed.

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.

We made our luck – and we need to keep doing so.

How we might do that is what I am talking about this afternoon.

I believe Australians are 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.

For the BCA, 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, and I'd like to comment on three examples of this: population, infrastructure and tax reform.

1. Population

Despite the recent election rhetoric, I believe there has been broad agreement on population in Australia. Most people recognise that we need to talk sensibly about population policy, and to consider the implications of the choices we have to make.

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?"

To address these questions, we need to better understand the underlying trends – two in particular strike a chord with me.

First, when we look at population figures, we need to differentiate between migration that results in permanent residents and migration that is temporary.

In the latest annual data available, net permanent migration from settler arrivals has been just over 80,000 per year, with another 60,000 temporary migrants already in Australia granted permanent residence.

In combination these two groups add only two-thirds of one per cent each year to Australia's permanent population.

At the same time, we have seen large numbers of temporary migrants coming to Australia, reflecting a growing propensity for people to travel for work and study. Overseas students are the largest group and they directly contribute to Australia's \$18 billion education export sector, now our fourth largest export.

The second trend is the ratio of working-age Australians to people aged over 65.

Based on Treasury's projection, by 2050 the ratio of working-age Australians to people aged over 65 will have fallen from 5:1 to 2.7:1. Moreover, a high proportion of those people of working age may well be employed caring for an older Australian. And this projection factors in net overseas migration of 180,000 per year.

The implications of this demographic reality are profound.

2. Infrastructure

We need to reassure Australians that their understandable concerns around the size of the population are being addressed.

To do this, we must address our infrastructure backlog. And our track record on that isn't good.

Many of the concerns raised by people today – clogged roads, strained services, pollution and risks to community cohesion – all result from poor planning, and under-investment in infrastructure and services over the last 35 years.

Governments across the country need to do a better job explaining growth but even more importantly, planning for it.

It was a concern to the Business Council of Australia that during the election campaign fundamental issues of infrastructure planning, regulation and price reform, and how Australia might finance the investment in infrastructure we need, were considered so superficially.

3. Taxation

The capacity to build a stronger economy is heavily dependent on rates of investment, a growing workforce and taking up technologies that allow us to do more with less – that is, improving our languishing productivity growth rate.

Tax settings are critical. A well-designed tax system should provide clear incentives that reward productivity. It should also provide governments with a stable and reliable source of revenue to fund essential services like health and education.

The report prepared by the Henry review panel provided a generally sensible articulation of what needs to be done to improve our tax and transfer system.

I suspect there would be common ground on many of the panel's central propositions, for example:

- that revenue should be raised by taxes that are least detrimental to economic growth
- that a range of small and inefficient taxes which don't raise much revenue should be abolished, and
- that we should strive for a tax system with greater simplicity and transparency.

Further common ground can be built upon the review's findings around how the structure of the tax system can support a strong economy. The review found that company income tax has the largest adverse effects on economic growth, followed by personal income tax. Consumption and land taxes, on the other hand, have the least adverse effect.

While the GST was wrongly excluded from the review, the panel nonetheless acknowledged that consumption spending can provide an efficient and robust tax base.

The review also made valuable observations about how Australia's welfare system interacts with the tax system. Again, there is much agreement that we can and should improve incentives for people deterred from work by our tax system.

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

Lessons from past achievements in tax reform demonstrate that good process will include widespread consultation and discussion.

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.

My sense is that carefully considered tax reform, honestly explained and refined through an open consultation process, will win the support of most Australians.

The first 100 days

Many of you would be aware of the reform priorities the Business Council of Australia put to the party leaders and independent members of parliament in recent weeks.

The suite of actions we have recommended to the new government for its first 100 days were chosen because they would send a strong signal to the community, including business, that this government will do what's necessary to be good managers.

They address issues about which there is considerable common ground, if not on actual policy detail, then certainly on the need for action.

These five priorities are:

1. Infrastructure

Australia needs a national infrastructure plan that establishes our economic and quality-of-life infrastructure requirements across the country.

Poor freight and transport infrastructure reduces the efficiency and productivity of Australian businesses, hampers Australia's export earnings and frustrates commuters.

These concerns are not new. They are the result of poor planning and inadequate regulation that distorts infrastructure markets and pricing, and limits financing opportunities.

There have been many reviews by governments in recent years, federal and state. New organisations have been created to focus on infrastructure matters. We know what we need to do.

But what is required from the new government is a clearly articulated plan for providing the high-priority infrastructure we need.

The plan should do two things:

1. Set out reforms needed to improve regulatory and pricing policies to encourage better use of existing infrastructure, and to provide opportunities for private sector investment.
2. Identify priority projects that will drive national productivity. A comprehensive and transparent cost-benefit analysis of these projects should be undertaken as well as clear assessment as to how projects should be funded.

As a matter of course, where major projects involve federal government investment, as is the case with the proposed National Broadband Network, a comprehensive cost-benefit analysis and justification for public investment should be released.

Infrastructure Australia, with an increased level of independence and sufficient resourcing, is well-placed to provide all this advice.

In parallel, the Productivity Commission is the right body to conduct regular audits on progress and identify emerging infrastructure gaps.

This kind of plan cannot be delivered in the first 100 days of government. 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.

2. Tax reform

The government should provide details of how it will progress taxation reform in this current term.

The agreement to convene a tax summit before the end of June next year presents a positive opportunity to engage with the community on this critical area.

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

We look forward to more details and to taking part in the summit.

In the meantime, the new commitment to transparency should mean that business and community stakeholders are given the information they need to fully contribute to the tax summit.

The BCA calls on the government, in the next one hundred days, to release all modelling and revenue estimates associated with the Henry review to show good faith and to ensure the best quality debate.

On the issue of the mining tax and how it might fit within the tax summit, there is a process underway, with the Argus group developing advice in consultation with the directly affected companies and stakeholders.

While none can applaud how the Mining Resource Rent Tax proposal came about, the Business Council of Australia supports the Argus process, provided that consultations are undertaken in an open fashion and all relevant stakeholders are given the opportunity to participate. We would expect the findings from the Argus group to inform the tax summit.

3. Energy

Energy security is essential to economic growth and to our quality of life. In the first 100 days a commitment to develop a national energy security policy should be announced.

It's time we faced the prospect that Australia may not continue to benefit from our low cost energy sources – coal and gas - and asked ourselves what policies are needed to ensure our economy and standards of living don't suffer as a consequence.

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.

All these issues need to be brought together so that long-term policy can be developed and explained. Real political leadership would encourage the community to consider nuclear power as part of this process.

Much valuable work has been done through the Intergenerational Report, as well as papers prepared for the previous government's promised energy white paper, various reports by the Productivity Commission and climate change policy reviews.

Taking a long-term view on energy security is critical to future living standards, employment and the economy. It is also a sensible, common ground starting point in assessing how we can best respond to climate change risk.

4. Federal reform focus

Our next priority is for the federal government to convene a meeting of the Council of Australian Government to reset the COAG agenda, with a sharper focus on a smaller number of reform areas with the greatest potential to drive productivity growth in the near term.

At a time of falling unemployment and rising capacity constraints, policymakers need to bring forward structural reforms that will expand Australia's productive capacity over time. These reforms increasingly depend on the states and territories.

The Business Council of Australia has drawn on our own work and other research to identify high-priority reform areas for COAG. We put these priorities to the then Prime Minister in a letter back in April, hoping to see COAG focus on a subset of the 80 so-called "priorities" it currently has before it.

The priority reform areas we have identified sit largely within the seamless national economy agenda, and provide COAG with some meaningful and achievable near-term goals with benefits flowing quickly to the Australian economy.

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 agreement reached with the independents on parliamentary reform includes a proposal to establish a Parliamentary Budget Office to provide independent costings and research to members of parliament.

This will be a useful first step, but there is a case to go further.

Over the past three years, the BCA has promoted the need for all federal budget expenditure and revenue policies to be reviewed on a five yearly cycle.

The establishment of a beefed-up and permanent Commission of Budget Integrity would allow for government activities and public sector performance to be assessed independently and objectively.

It would allow us to consider whether programs are meeting their objectives and delivering value for money, and whether ongoing government involvement in particular areas is even appropriate.

These are the five priorities we have put forward to key people in the new parliament.

They don't cover the Business Council of Australia's whole policy agenda but they would provide a positive, early signal of what is possible from this new model of government.

Conclusion

Our democracy is a great strength, but only if our national leaders use it to lead, to pursue what's important to our nation's prosperity and to take citizens with them on that journey. This is, surely, the lesson from the recent extraordinary election.

Our leaders need to find and build common ground with each other and with the community and its various, interconnected sectors, including business.

We need to promote and back a more self-assured vision of ourselves or we will end up settling for a whole lot less than Australia can achieve.

This month marks the 10th anniversary of the Sydney Olympic Games – an event that generated such high hopes for what we could achieve as a nation.

It is timely to ask just how well we capitalised on that moment of unity and optimism.

I 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.

That we are failing to capitalise on our strengths and opportunities.

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.

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