

Address by Hugh Morgan

BCA Annual Dinner
Sydney, 19 October 2004

Mr Hugh Morgan AC
President
Business Council of Australia

Business
Council of
Australia



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- Thank you Premier Carr for your address.
 - As one of Australia's most experienced politicians from the largest State in the Commonwealth, you will not be surprised to learn that business listens closely to what you say.
 - There are clear parallels between the issues facing New South Wales and those facing Australia more broadly.
 - From a business perspective, the key challenge is to sustain long-term growth and competitiveness fundamental to Australia's future prosperity.
 - While some might see this as a narrow focus, it actually encompasses a far broader range of issues fundamental to Australia's future prosperity.
 - In the midst of strong economic growth, Australia continues to face major challenges. These include:
 - ensuring national infrastructure integrity and sufficiency
 - making sure our education & training systems are compatible with domestic and international challenges for a competitive economy

- having a business workplace and taxation regime that encourages both co-operation and working harmony and an appropriate contribution to the community's revenue needs without damaging Australia's competitive attractiveness for investment.
- The Business Council of Australia, representing Australia's leading companies, is driving an agenda focused on addressing these challenges.
- These issues go to the heart of our future competitiveness as a nation, and as individual businesses.
- To this end, the BCA has taken on over the past twelve months five specific areas.
- First, education, skills & innovation – one of the top priorities for our nation's future.
- The BCA continues to promote – through comprehensive research – the need to improve the quality and performance of our key educational institutions.
- A key focus has been on reforms to ensure better incentives, long-term financing and strengthened governance to enable our tertiary sector to respond better to the needs of a knowledge economy.
- In terms of business reform, the two most critical issues of concern to our Members are taxation and regulation.
- On taxation, I am pleased that the BCA played an instrumental role in securing major reforms to international tax. These measures will provide major structural tax reform and continue the momentum of improving Australia's commercial competitiveness in the global economy.

- But much more remains to be done.

- Our federal and state taxes are too complicated and too high. Corporate tax payments are at record highs and are levied at rates at the very top end in the region in which we compete for investment.

- And then there is regulation, regulation and more regulation. The Council's biggest challenge is to resist the rush to regulation as a panacea. The flood of regulation is sapping entrepreneurial spirit at all levels of enterprise – not just that of big business.

- Specifically, the BCA has worked hard to combat those areas of corporate regulation that might respond to short-term community angst but in fact does little to enhance corporate performance in the long run.

- This is unfinished business in the sense that we are waiting to see if the Dawson recommendations will be implemented.

- On a more constructive note, over the past year the BCA has led business support for the free trade agreement with the United States.

- This Agreement offers significant opportunities for Australian businesses of all sizes in the long term through deeper integration with the world's most dynamic economy.

- The BCA has also been instrumental in highlighting the importance of a flexible workplace relations system to our economic successes.

- This issue was politically sensitive during the Election campaign. But increasing, rather than reducing workplace flexibility remains an abiding issue for our Members.

- With the Federal Election now over, the BCA will contribute a clear long-term reform agenda for Australia.
- This reform agenda will be based on three key elements. They are:
 - First, making sure we have a simpler and more competitive tax system
 - Second, making sure that there is for more accountability for the need and efficiency of business regulation
 - Third, continued workplace reform
 - And finally, highlighting the need for co-ordinated planning and provision of infrastructure in Australia.
- These are serious issues that are of consistent concern to our Members – therefore they deserve to be at the top of our agenda.
- Our initial analysis of the problems associated with addressing each of these issues suggests the quality of political governance in Australia is of fundamental importance.
- By political governance I mean transparency, accountability and efficiency of decision-making – at all levels of Government.
- Transparency, accountability and efficiency that leads to optimal outcomes for the community.
- Governance is a concept that business can speak of from a position of experience and expertise.
- The principles of transparency, accountability and efficiency have been the cornerstones of corporate reform in recent years

- They has contributed greatly to Australia's strong corporate and economic performance.
- This has been shown with record taxation payments to Governments both in absolute and proportionate total tax receipts a steady and growing recognition of corporate performance through the stock market that has benefits millions of Australia shareholders and investors and achieved with restrained levels of balance sheet exposure to debt.
- Australia's corporate contribution to sound growth has never been better.
- At the same time, the complexity and opaqueness of Government regulations and decision-making seems to have reached new levels.
- Taxation is an obvious example where the complexity of the current system produces layered impacts and market distortions that waste valuable productivity and impact on everyday Australians.
- CLERP 9 will shortly beget CLERP 10, while every other sector of business activity appears to be increasingly swamped by new layers of red tape.
- At a broader level, the quality and delivery of our education and health systems appears to come a poor second to continued wrangling between Canberra and the States.
- Our energy system appears increasingly unable to meet demands.
- Little thought appears to be given to planning our long-term energy requirements.

- Our natural assets which play a major part in our economic well-being – including water and land quality – are suffering from a lack of co-ordinated policy and programs that only an integrated approach between Federal and State Governments can deliver.
- All these issues point to a systemic failure in our political governance systems to address the issues that are fundamental to our sustainable growth.
- Business decision-makers and leaders have accepted accountability and transparency as major indicators of their performance
- Our political systems are clearly way behind on these relatively straightforward benchmarks. Our legislated performance and compliance agenda, required of the corporate sector and the community in general, is replete with exemptions for Government compliance – which is hypocritical and destructive of respect for our institutional framework.
- As the BCA continues to scrutinise the obstacles to future growth, improving standards of political governance in Australia seems unavoidable.
- The BCA recognises that historically, reforming political structures has been difficult.
- Until there is recognition that many elements of the next wave of reforms are tied to improving accountability and transparency at a Government level, any solutions will be at best piecemeal.
- I leave you with the thought that 20 years ago, the solutions to our economic and social challenges seemed difficult and in some cases insurmountable.

- In the early 1980s, many would have believed that dismantling protection and opening our economy to the world would see us struggle to compete and would result in lower wages and high unemployment for years to come.
- Few would have believed then these and other measures would see us two decade later outperforming most of our economic peers.
- We should acknowledge the wisdom and courage of those responsible for implementing those fundamental reforms.
- But the size of the challenge is just as great today. The solution is different but the role of business in national reform has never been more important.
- The BCA will continue to work with its Members to develop policy and vigorously promote the interests of business
- Our Members are very important to the function of the BCA – it is their first-hand experiences that contribute the most to our policy development.
- On that note, can I extend particular thanks to some of our longest-serving BCA Board Members who have stepped down since our last annual dinner.
- Overseeing such a broad policy agenda is no easy task and Richard Hein, Richard Humphry and Terry Campbell have all contributed significantly. Your efforts are greatly appreciated and I have personally benefited from your counsel and advice.
- I would also like to thank Tony D'Aloisio for the huge contribution he has made as Chair of the Business Reform Task Force.

- He steps down from that leadership role as he takes on leadership of the Australian Stock Exchange but has agreed to remain on our Business Reform Task Force. By coincidental but helpful chance, Richard Humphry has agreed to Chair this Task Force.
- To all our other Members here tonight, thank you for your contribution and to everyone else I hope this has been an enjoyable evening and thank you for joining us.