

ACCI CHIEF EXECUTIVE PETER ANDERSON ON SKY BUSINESS 'ON THE RECORD' PROGRAM

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BUSINESS PRIORITIES FOR 2012; ASIAN CENTURY

JOURNALIST

In the week where Europe's leaders continue to muddle over any kind of solution to the crisis that's now entered its third anniversary, former Victorian Premier Jeff Kennett has condemned modern government for getting larger, less relevant and further away from the people they're elected to serve. Today we get you up to speed with some key calls from the heart of Australian business to the Gillard government, its wish list for what needs to be done in 2012. And coming up later in the show in the absence of government action, what practical steps can and should business be taking to drive the change agenda. Well here to join the discussion Alex Malley, CEO of global accounting membership body, CPA Australia, and from Melbourne, Peter Anderson, CEO of the Australian Chamber of Commerce and Industry, the governing body for Australian business associations. Welcome to you both, and Peter if I might start with you in Melbourne. That call from the former Victorian Premier essentially saying nothing has changed over years, the relevance of our politicians gets ever further away from the people they're elected to serve. When you have to confront that reality, how do you confidently persuade yourself and your members that there's any likelihood of traction of what you're pushing for?

PETER ANDERSON

Good morning Carson and Happy New Year, or hopefully it will be. There's no doubt that in the business community there is frustration with governments generally across the industrialised world. Governments need to undertake the necessary reforms to support the private sector and to help build the capacity of the private sector. At the same time the business community has a responsibility to work with the governments they are handed with. We have to make sure that every post is a winner in Australia in 2012 because there are going to be some choppy waters, particularly from overseas.

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Well this is the thing, and how to navigate those waters and still remain mindful of your key priorities which, if you were to compile a list, what currently would be sitting at the top of it?

PETER ANDERSON

Well there's no doubt that at the top of the list would be jobs and growth. That has to be the overriding priority, not just for the private sector but for governments. Governments themselves are not going to be able to create that growth or create those jobs, it's going to come from the private sector. Our own Australian government is going to struggle this year just to bring its budget back into balance, so we need to make sure that domestic policy settings give every chance for the growth in the jobs that's needed. Just before Christmas the Federal Treasurer Wayne Swan revised downwards the growth expectations, revised upwards the unemployment forecasts, and they were concerning signals. The fact the Reserve Bank has reduced rates at the end of last year also suggests that there are going to be some difficult waters for the private sector.

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Alex Malley if we just think of that private sector, what is actually amounts to practically, you've got a plethora of small businesses that really are the life blood of this economy. We're two years on from the talk of reform. How do they find themselves or are they just banging their heads against a brick wall?

ALEX MALLEY

Look I think roles that Peter and I have is about influencing policy development and I agree that we want growth and we want employment, but we now need to get very practical about it. Our view, very vociferously has been that reaching a budget surplus is a political outcome, it's a political competition that's irrelevant. We really do think it's about revising the regulatory scenario that business has to deal with. We're also framing our submission around the Asian century, because 25% of our members live internationally particularly Asia, and what we're discovering is that small to medium business is driving those economies very strongly as it has traditionally in Australia, so are very keen to see those relationships built.

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That Asian century though, I'm not sure what you both make of it, but it kind of, for the benefit of the doubt for those who may not be familiar with it, has been instituted as a white paper now by the Prime Minister. Ken Henry, former Treasury chief is tasked with running it, but you might well say that was a job for a disgruntled former top mandarin and if they had really been minded to do anything they wouldn't have needed a white paper to show them the way?

ALEX MALLEY

Look to be fair I think you need a framing paper so I believe the Ken Henry paper and the submission is an outstanding one, it's about what you do with it.

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Well they said that about tax did they not? They said that was going to be the blueprint for reform, and hello hello, that was cherry-picked and discarded.

ALEX MALLEY

Well the fact is, it is actually a blueprint for reform, what we need to do is get people onto the reform agenda, it did talk about having 125 taxes of which only seven accounted for 98% of tax revenues so even that is a wonderful highlight. The issue though around the Asian century is we're not going to wait for a white paper, we respect that it's coming along,

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But you're putting a submission forward, so in a sense you are signing up to it, you're playing the game, that is submissions and then deliberations..

ALEX MALLEY

We're doing it because our organisation 50 years ago made a decision to build relationships with Asia, and that's why we have the global positioning we have now. We want to see that happening across the country and across business.

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Peter to you, with experience of plenty of these forums, and these white papers in decades gone by, what actually is your view, taking the long view on them all, are they just an exercise in polite posturing?

PETER ANDERSON

I don't think they're posturing, but I think the point about the tax review is a good one. If some of the sensible framework set by this sort of analysis is not actually implemented, then they do end up being a waste of time and add to the cynicism and we saw that last year when the Henry tax review told the Government not to increase the superannuation levy because of its potential impact on the employment creating part of the economy, and yet the Government did the very opposite under pressure from the super industry and the union movement and then told the public it was going to be paid by the mining tax, when in fact that was not true. And now we find there will be seven increases legislated over the next seven years paid for by the SME sector so more cost, more regulation.

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Peter, you did touch earlier on jobs as well, being the watch word, and yet no mention made alongside that of the Fair Work legislation and the new battle ground that's only set to become more contentious through this year. What at the heart of it, do your members say needs to change?

PETER ANDERSON

There's no doubt that the government's over reached with the reregulation of the labour market. Whilst we need to have a proper framework of regulation in Australia to govern employment, the current rules we have are definitely a drain on efficiency and productivity in many businesses. There are new cost increases in areas which the government promised they would not increase and there's also been, unfortunately, towards the end of last year, an increase in the level of industrial action. We need to

make sure that Australia is efficient and productive, because if we are going to engage more deeply in Asia and certainly its growth areas, then Asia won't come to us, we have to make sure that we're well situated to do that, and to do that we need to have efficient industries and competitive industries.

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Alex, your thought on that?

ALEX MALLEY

Absolutely, and what we're talking about here is that with the Asian sector, we both cooperate and compete. Part of what we're putting forward to government is to say that we need a definitive exchange program between small business SMEs with their Asian counterparts, we're talking about an exchange program between schools and universities across Asia, we're talking 15,000 students for a two year live-in, in both countries, because if we're going to build business in Asia, we're talking about compulsory Asian language in Australian schools..

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We're not bilingual; we're away from that.

ALEX MALLEY

If you look at the impact during the election campaign when Kevin Rudd became Prime Minister, his capacity to be able to speak both languages was a seriously great comparative advantage. We want our country to be able to cooperate and compete with Asia on the basis of all of our capabilities including both being able to speak two languages.

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We're still teaching the old romantic European languages, and you can order a croissant or a croquet-monsieur, that's about it isn't it?

ALEX MALLEY

The fact is that we keep comparing ourselves with the OECD. We should be looking at ourselves in comparison with Asian growth.

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A final thought with you Peter if I can, as we come into 2012, have you actually got a spring in your step, a will to actually push harder on this? Or are you battle weary?

PETER ANDERSON

Oh no, industry is not battle weary at all. We need to make sure our governments don't give free kicks to our competitor economies - that's a good start. Do no damage. We saw last year with the carbon tax introduced through the parliament, that's going to give a free kick to our manufacturing competitors in Asia. We overreacted when we saw inhumane killing practices of live animals in Indonesia. The

industry was closed down for a number of months. We lost some of our education services sector because we over reacted in respect of some of the issues associated with foreign students studying in Australia. Now those types of policy mistakes are what we can't afford to do, particularly as the global economy tightens up.

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Peter, I guess he's raising the bar there and starting the challenge. Thank you for your input, we will hopefully return to you in the months to come.

PETER ANDERSON

Thank you, Carson.