

MEDIA MONITORS

Transcript (EXCERPT) QUESTIONS FROM MEDIA

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Item: **ADDRESS BY PETER ANDERSON, AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY: SWIMMING AGAINST THE TIDE: THE BLUNT REALITIES OF BUSINESS LEADERSHIP DURING AN ECONOMIC TSUNAMI.**

[Applause]

CONVENOR: Thank you, Peter Anderson. As usual we have a period of questions from our media members, starting today with David Uren.

QUESTION: David Uren from The Australian.

Professor Peter Dixon from Monash University commented last week that to deal with the collapse in business investment and business employment, not only do we need a revival in demand but business costs need to be lowered. And he was referring, particularly, to wages costs. You touched on that with your reference to the need to reduce payroll tax.

Professor Dixon also was suggesting that there was scope for policy in terms of some -the kinds of things we saw with the Hawke Government, with the Accord. Some kind of tax/wage trade off. Or there were steps the Government could do to alleviate the pressure on wages.

So, I'm wondering whether you think there's, first, whether you think the Fair Pay Commission should be taking account of the need to reduce wage costs and deliver less than cpr wage increases. But, secondly, whether you think there's scope for Government to, through tax trade offs or other means, to lower business wage costs.

PETER ANDERSON: Thanks very much, David. Look, the issue for business is not just wage costs, it's labour costs. And that includes both your direct wage costs and all of the oncosts associated with employing people. And what I've had to say about payroll tax is a very good example.

For those businesses above the thresholds, payroll tax is a very serious oncost and it's not -it's not a tax, which is grounded in any other rationality other than reaping in billions of dollars of money for governments on the back of those businesses that do what is right for our community and employ people. So, priority needs to be given to the issue of payroll tax and other oncosts, as much as it needs to be given to the issue of the rate of wages growth.

On wages, specifically, there's no question that there needs to be a moderation in wage claims in the current environment. That moderation is a challenge not just for trade unions and for the business community, but it is also a challenge for the regulators that set minimum wages.

What needs to occur here is a focus on any wage movements being funded and paid for by increased efficiency or productivity in enterprises. That is the way to provide for any increased wages in a way that minimises the potential for a wage increase to come at the expense of a person's job.

The Fair Pay Commission, unquestionably when it sets minimum wages, must take into account what is the most serious economic circumstances facing businesspeople in their business life and since the Fair Pay Commission has been in operation. That's not just taking into account what's occurring in the real economy, but also factoring in what governments have done to increase the incomes of working people through the tax system and through the family payments, and the like, which have occurred over recent months.

There also has to be consideration given to the fact that the rate of inflation is reducing, so the cost of living is coming back somewhat. And also, the fact that it was only in October last year when a record dollar increase to minimum wages occurred. Right at the state of the global economic crisis we increased minimum wages in Australia by a record amount.

Now in that context, there is a very weak case for the Fair Pay Commission to do anything other than maintain the level of wages as they currently are and to work with industry and unions on wage movements through the operation of both the market and an enterprise-based bargaining system. That's the priority for business. That's the priority for the Chamber. As -as the Deputy Prime Minister said recently, you know, in any discussion about wages, or wage claims, the first issue has to be a consideration about what it means for jobs.

CONVENOR: Thank you. The next question's from Sandra O'Malley.

QUESTION: Sandra O'Malley from AAP.

You've made reference to the size of the economic contraction in Japan. Given this new scenario, does that make the figures -the forecast contained in the UFO really overly optimistic, do you think?

PETER ANDERSON: Well, we're seeing a continuing series of data and forecasts from overseas, which are increasing our level of concern, not in any sense abating the levels of concern. The -as the forecasts come in that requires Australia to adjust its own forecasts. And I think we see with the size of the Government's response, and the timing of the Government's response with its second stimulus package, to be an indication that there is a recognition in government, as there is in the business community, that what we are facing is longer and deeper than had been anticipated even two months ago.

It had, two months ago, still been in the mind of businesspeople that our trade with China, our trade into north Asia, was some form of insulating factor or moderating factor on how Australia would deal with the global economic crisis and be affected by it as it hit the real economy. The capacity for that to occur now is diminishing. China's growth rates forecast to be half of what they were. The news from Japan and all the signs in the United States that this is both long and deep.

So, our forecasts will need to be revised and everything is pointing in the direction of having to adapt our policy not just in the short term, but in the medium term, for very difficult times. And I think when -when we saw the Treasury forecast a rise in the unemployment rate to seven per cent, I mean, that should stiffen our back right up. That really is a jolt. And Treasury forecasts in that regard may even be on the conservative side.

CONVENOR: The next question's from David Denham.

QUESTION: David Denham from Preview magazine, Peter.

Whenever I look in the papers the mainstream economists and the mainstream politicians still see growth as the holy grail, even though we know that we're on a finite planet that cannot grow forever and probably the huge growth before the recent downturn probably contributed to the downturn. So, it's first of all very pleasing to see that in your policy statement that word, growth, does not appear as one of the key aims.

So my question is, how can we -what can we do to the mindsets of the movers and shakers, if you like, like yourself, although you're not included because you don't have growth in there [laughter], to have an -to have an economy where we have prosperity but no growth?

PETER ANDERSON: Well. ..

QUESTION: Because I think this is important in the long run.

PETER ANDERSON: I'll -I'll be very, very keen to -to tell you it was no deliberate act that the word growth is not in the policy statement. Because economic growth, sustainable economic growth, is necessary. I don't agree with the proposition that we just say our economies have grown big enormous and now we just need to try and keep a neutral level of activity and deal with prosperity. It is -it is growth that has provided prosperity.

But where I would share the message that you communicate in your question is that we need to ensure that growth is sustainable. There is no question that the sustainability agenda has to become a mainstream industry agenda. And not just for industry, but for governments.

But the way one goes about sustainable growth isn't going to be able to be decided, you know, in the -in the rooms of the bureaucracy or in the corridors of Parliament House. Ultimately, it's going to be a product of practical decisions being made by businesspeople and by their employees as to the way they go about their work and their business. And government's role is a combination of carrots and, if necessary, some sticks.

But, economic growth boils down to this -it boils down to the idea that a small bit of investment in a small business can produce a larger business. That is what we have to aspire to. We have to have a conducive framework so that people who employ one or two people could have a vision that in two or three years, I will be able to employ 10 or 12 people.

That is growth, and if that growth is sustainable it is very sound for our community and is what we should be aspiring to.

KEN RANDALL: Thank you. And the next question is from Tim Colebatch.

QUESTION: Tim Colebatch of The Age Mr Anderson.

I've got a number of questions, and I'll ask as many as our, our beloved chairman will allow me.

First, following from what you've been saying about payroll tax -it is the main source of State Government revenue -independent state taxation. And the states have seen what's happened when taxes have been taken away from them in the past; they were not actually compensated for adequately by the GST package; and I think would be reluctant to give up any taxes in future unless they have a, a more secure source of replacement revenue.

Have you got any suggestions as to how the states would make up the revenue that they need for essential services?

PETER ANDERSON: Well, that is a, a critical component of any proposition to work towards the elimination of payroll tax.

I mean, we're not blind at all to the fact that states have come to rely very heavily on payroll tax as a source of state revenue. They also rely very heavily on property taxes; they also rely very heavily on property taxes; they also rely very heavily, in some states, on, on taxes from gambling and the like.

But, what we need to do here is to apply our national mind to how the objective can be achieved. I think states left to their own devices will not be able to do this.

But, a national approach, which combines both the capacity for the national government as the primary public revenue raiser in Australia; to supplement some of the state losses; together with the states themselves attracting investment through the forces of competitive federalism, holds some prospect for structures and arrangements to be put in place.

It may not be able to happen in one hit. But, you know, we have just spent large amounts of money, very large amounts of money, on a range of measures; all of which can be individually debated.

And there's a perfectly proper case to say that would you have achieved a stronger economic return by say the elimination of payroll tax or a contribution of part of a stimulus package to the elimination of payroll tax, rather than this measure or that measure?

We have to take a long-term view. We have to recognise it is difficult, but, the Goods and Services Tax has become a critical source of revenue flows into the Commonwealth, and through the Commonwealth into the states.

And, you know, the states have even been slow to eliminate some of the taxes that they said they would under the terms of that tax agreement between the Commonwealth and the States.

So I think the states have to have a good deal of pressure put on them.

The immediate reaction will unquestionably be, well what are the services that are going to be ripped out if we have to get rid of payroll tax? That's, that's what will be ringing in the ears of Treasurers and Treasury departments.

But I think we have to get beyond, beyond that simple blocking device and say, let us apply some national forte to this, because it will payoff in the longer term if as a nation we are not taxing employment.

KEN RANDALL: Tim's next.

QUESTION: All right, I'll pass up the temptation to ask a follow-up question on that one, because there are other things I wanted to ask you about, one of which is, you've referred a number of times to the forecast growth in unemployment, and some people mused when Treasury's forecast came out in the updated economic outlook as to whether or not they implied a recession.

A lot of dissatisfaction with the mechanical idea that two quarters of negative growth equals recession. How do you define a recession, and, do you think we're going to have one?

PETER ANDERSON: I love being a bush economist.

When things get tough that it's so intolerable; when businesses have to start laying off people in large numbers, that's, that's the bush economists view.

Obviously the economic view is, you know, two consecutive quarters of negative economic growth, and, and that will be debated amongst the economic, the economic class. And, so it should be. Obviously there's formal definitions that need to be applied.

But, whilst the, the fact of going or not going into recession has some importance - at least to confidence and confidence in the current context is important and can become both sustaining or self-defeating -there is also a sense where it, from a business point of view, doesn't make a great deal of difference if growth is tracking, you know, one or two tenths above zero, or one or two tenths below zero. The reality is that businesses in that environment are not being able to prosper in a way that leads them to sustain activity and employment levels and contribute as they currently are to the community.

So, we must do all that we can to avoid recession, but, in saying that, what we really are saying is that we must do all we can to try and minimise the worst aspects of the global economic crisis hitting Australian industry.

And, if we make poor policy decisions, as a nation, then we are going to have lower rates of economic activity, both in the short-term, and the medium term; and if that means that we move into recession or don't move into recession, then that will affect confidence. But the primary consideration from the business community will be whether or not the right policy steps are taken in our nation to give businesses the best chance of keeping their head above water, maintaining enough economic activity to keep employment levels at a reasonable, at a reasonable rate, and to ultimately build confidence.

And, a number of measures such as the investment allowance, are directed specifically towards that end.

Public investment in a measure that will incentive to the private sector to invest, and that investment in plant and equipment and capital has the pot. .. has some potential flow on benefits through the economy.

QUESTION: I note that you didn't answer the second part of the question, which was whether you thought we would have a recession...

PETER ANDERSON: Oh.

QUESTION: Was that deliberate?

PETER ANDERSON: No. Look, it's, it's a complete speculation, it really is. I mean you can only speculate about whether we will or we won't.

What looks pretty obvious is that the position will deteriorate, not just from where it is, but even deteriorate from what the official forecast might be. And that moves us much closer to a recessionary environment.

We may well tip over the edge, but, we will do everything we can in the business community, both within our areas of control and capacity, but also in our representation to government, to prevent that from occurring, because, the last thing that Australia needs and our business community needs is a recession. It causes not just damage in the immediate term, but as I said, it leaves a lag effect throughout business and throughout the labour market, which we never recover from.

QUESTION: ..ask the third, Ken, or not?

KEN RANDALL: Go on. Go on.

QUESTION: All right, make this the last one. You referred in your speech to ordinary people asking about the global financial crisis; well the first thing is, what went wrong? What were the mistakes that were made?

You also referred in your speech to the problems that ACCI had had itself coming to terms with the new government in 2008, and the extent to which you had to work to build up trust.

I think some of us would like to, your perspective on that issue too -what went wrong? What were the mistakes made that saw ACCI start so far behind when the new Labor Government came into power? And of the lessons that ACCI ought to learn from its loss of influence last year as to how to do its job in future?

PETER ANDERSON: Well I think with any new government coming into power, it is a new environment in which business organisations need to operate. And the Rudd Government came into power in the context of the most public and the most intense debate about industrial relations that we've had in Australia certainly since the early '90s.

Now III those circumstances the business community had a responsibility and ACCI itself had a responsibility to ensure that the voice of employers was heard in that debate, and in the context of that debate there was some strong disagreement with what the then Opposition was proposing in the industrial relations area.

And as a result of advocacy across -at a number of levels what was being proposed in April of 2007 was then moderated by the then Opposition by August of 2007, and it's that which is now sought to be implemented. Now it's not right at all to say that our relationship with the government was not effective during the course of 2008.

It certainly needed to be built, because a government coming into power in that context probably looked at ACCI and said, well, how is the organisation going to conduct itself?

And I think that the Government has seen how we've conducted ourselves over the course of the past 12 months, but more particularly, the Government has recognised - as it should - that the organisation is a truly representative organisation of hundreds of thousands of Australian businesses which are a constituency that the Government is also genuinely interested in making policy decisions about which advance their interests.

So there is no natural barrier between business advocacy and working with a Labor Government.

But it is right to say that Government was entitled to have a look at the way we go about our business, and we've gone about our business in the way that I've outlined, and I'm very pleased with the way in which the relationship has been effective during 2008; the way in which that relationship has been able to have influence in the development of the December and the February stimulus packages, and the way in which in a whole host of other areas, we have worked with ministers and their advisers.

But relations with government are not an end in themselves. Relations with government for business organisations are a means to an end. Our objective is to advance the interests of the business community and the private sector, not to be close or distant from any particular government.

We will work with governments of all political persuasions because it's a responsibility of the business organisations of Australia to do that, but the relationship between business organisations and governments needs to be carefully worked through. There's institutional as well as personal relationships that affect the quality of that relationship, but overall you need to be close enough to governments to be able to be listened to and your constituency properly represented.

But not too close so that you are compromised in that representation and advocacy. And that's the type of relationship that I think needs to be had with governments of all political persuasions by business organisations and the sort of relationship that we are working on with the Rudd Government and as we face the early months of 2009, I am pleased with that progress; and particularly, since the global economic crisis has hit, I think the business community of Australia and the broader community would expect its governments and its business organisations to work closely together on what is a matter of significant national importance. And that is trying to charter ourselves through these unprecedented economic times.

KEN RANDALL: The next question's from Steven Scott.

QUESTION: Steven Scott from The Financial Review.

You mentioned that you wanted to build your relationship with the union movement. And you also mentioned that the impact of the Fair Work Bill will depend very much on how unions use the new laws. Do you think there's much chance of the members of the IR club getting together and striking some kind of

deal about collective bargaining or how you use those laws, particularly in the short term?

And secondly, can you think of any areas where the interests of your members and the union movement might coincide on things that you want the government to do to further stimulate the economy?

PETER ANDERSON: The trade union movement in Australia has to be recognised and respected by the business community of Australia. My constituency reflects businesses that include union members as employees, and union officials who are active in those businesses. But overwhelmingly it doesn't as well.

We know that only about 14 per cent of the private sector workforce in Australia is unionised, and well below one in 10 businesses have union members.

And that means that a business organisation of the diversified nature such as ACCI has to have a relationship with the union movement that is effective but not a relationship where we at a national level strike arrangements which are going to be imposed across the economy.

The concept of freedom of association I believe very strongly in -the right of people to join, but it also carries with it the right of people not to associate. And so from a business point of view, it's not an ideological issue at all, it's a practical issue; it's about people who are members of unions in workplaces, and people who are not in members of unions in workplaces being provided with the type of workplace relationship that is beneficial both for the business and for themselves - unions and non-union members.

My background is working actively with Unions over the years in a number of areas, and I have no difficulty in that. We have to always keep in mind the fact that we have moved well beyond, in Australia, the time when we would have national agreements imposing outcomes across the economy.

That's not in the interests of the Australian economy. But what is in the interests of the conduct of industrial relations is for there to be a respectful and respected working relationship with the union movement. I would expect that from businesses that have union members and deal with unions, and therefore, we will set that example in the way we go about working with the Australian union movement.

Ultimately, there will be differences about the institutional powers that should be given to unions through legislation.

There will be some differences between the business community and unions on that question, but there is also a strong view in the business community, supported by ACCI, that a proper safety net of wages and conditions needs to be provided for in our industrial relations system, and that's obviously an area where the union movement fights very hard for.

And whilst we will have differences about content at certain points in time there is no difference about the basic principle that there needs to be an appropriate level of regulation in the Australian labour market to maintain not just economic activity but a sense of fairness that the community would expect.

In terms of areas of common interest, well, I've mentioned -you know, there should be some common issues in the industrial relations area, per se, where we can agree. But workplace policy is much more about industrial relations.

It goes into the whole education and training system. It goes into the whole area about skills and the productive skills that Australia needs. And on those sorts of issues, there is very fertile ground for common work to be conducted between industry and the union movement on areas dealing with health and safety, particularly some of the practical areas dealing with health and safety in Australian workplaces, we can provide leadership, both in the business community and in the -and amongst trade union leaders in that area, provided we also recognise there will be some differences about the way in which we might construct rights and responsibilities.

But I think there is the prospect for the right sort of relationship with the trade union movement over the coming years.

But it's not going to be a relationship of the immediate past, and it won't be a relationship of the deep long past either.

KEN RANDALL: Next question's from David Spears.

QUESTION: David Spears from Sky News, Peter.

You mentioned your concerns about the carbon pollution reduction scheme. There seems to be growing support for a carbon tax as an alternative. Do you have similar concerns about that? Do you prefer that sort of model? Or would you rather no action altogether?

PETER ANDERSON: Well the idea of a carbon tax is a very blunt instrument. We wouldn't be going down that path. A carbon pollution reduction scheme for all of its risks, particularly, as I said, the substantial risk of going

unilaterally as a nation, it is a market-based approach. It is trying to use market-based principles to provide a combination of carrots and sticks to achieve a lower carbon footprint by industry.

A carbon tax is a much blunter instrument. It applies much more arbitrarily. And I would have thought that the last thing that Australia needs at the moment is any new taxes imposed on its business community in an arbitrary way -not withstanding what the nature of the justification may be.

It would be damaging to business confidence, it would operate indiscriminately across businesses. We will look to market-based mechanisms to the extent there needs to be regulatory structures put in place. But we will also expect our politicians to look at the ways in which they can work with the business community to put in place the sort of practical measures that can reduce the carbon footprint of industry short of imposing costs, particularly costs which have the risk of making our industry uncompetitive.

KEN RANDALL: Peter Anderson, thank you.

[Applause]

Thank you, Peter Anderson, it's been a big couple of weeks for news, but the topics you covered today are among those that will keep going for a long time yet, and no doubt we'll have you back to talk about them again soon.

PETER ANDERSON: Good, thanks again Ken.

KEN RANDALL: Thank you.

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