



ACCI 2004 PRE-ELECTION SURVEY POINTS TO ECONOMIC MANAGEMENT AS A KEY ELECTION ISSUE FOR BUSINESS

The Australian Government is expected to call a general election during 2004. With the Australian economy performing well and the labour market relatively strong, there is a danger that our ongoing economic challenges may be overshadowed. That would be a serious misreading of the national interest. It is essential that we continue to have a visible and effective debate on economic management, the labour market and competition policy.

ACCI's 2004 Pre-Election Survey of 1685 small, medium and large companies, released last month, puts economic management, workplace and business regulation front and centre of the agenda for the next Australian government with 41.5 per cent of businesses nominating these areas as the most important for business.

An important component of Economic Management is the existence of a framework that encourages the private sector to continue to create employment.

The living standards of Australians are firmly based on jobs. Our prosperity as individuals, and as a nation, is a product of having jobs and creating more of them. Employment is the product of decisions made by employers – on whether to employ and how to employ – and of employers' capacity to make these decisions.

Governments and politicians are elected to make decisions and choices about economic management. Our unemployment rate and living standards are the product of these choices.

From employment in turn flows economic opportunity and social advantage for our community. Conversely, unemployment is the major contributor to poverty and to social disadvantage.

OUR CURRENT LABOUR MARKET

The global competitive economy – where no-one owes Australia a living - has meant that Australia has made a

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Pre-Election Survey - Social Issues

In the June Review, we released the core findings of our 2004 Pre-Election Survey of Australian firms. In this edition, we are releasing the findings of additional questions that were put to the 1685 small, medium and large firms surveyed. The survey polled the view of our rank and file constituents on the main policy based impediments to the performance of their business, giving special attention to those areas within the policy responsibility of the Federal Government.

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Business and Terrorism

On 23 June 2004 around 50 business leaders congregated in Parliament House, Canberra to attend the Business-Government Ministerial Forum on National Security. It was an important opportunity to hear first hand from the Prime Minister and other cabinet ministers, the risks facing business in the War on Terrorism.

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significant economic transformation since the 1980's. In this new reality, the need to reform the way we create and regulate jobs in Australia has been widely recognised – unfortunately its implementation has too often been heavily compromised.

The message from the recession of the early 1990's, when unemployment hit over 10%, is that unless we reform further before the economic cycle turns against us, we will suffer a heavy blow to living standards through widespread unemployment.

Both unemployment, long term unemployment and youth unemployment have been significantly reduced over the past decade – due to prudent economic management, genuine labour market reform and strong economic growth.

We now have a record number of Australians in work and a good mix of employment, contracting, permanent and temporary jobs. Impressive amongst our achievements since the recession of the early 1990's has been the growth in full time employment in Australia.

Whilst casual and temporary work has continued to increase, it has been at a slower rate than the late 1980's and early 90's (the percentage of all employees who are casual rose from 19.1 per cent to 26.4 per cent between 1988 and 1996 but since 1996 has only risen to 27.9 per cent). The June 2004 Labour Force data shows that full time jobs have been growing more strongly for a prolonged period, with 96,400 full-time jobs created over the last six months.

However the task is far from complete.

Good outcomes do not come about by chance – they are the product of policy and vision.

In June 2004 the OECD released its annual Employment Outlook. It says that “a key precondition for success is expanding the share of the working age population that participates in paid employment.” The report shows that whilst Australia's labour market has performed better than the average of OECD countries, we are still outperformed by some countries with economic, welfare and political systems that are broadly similar to ours, such as the US, the UK and New Zealand. In each of those countries there is a higher percentage of the working age population in jobs. These higher proportions are not one-offs but have existed for some time. It is no coincidence that each of these countries has a more flexible system of employment regulation than Australia.

By June 2004 our unemployment rate declined to 5.6%, based on headline ABS measures. This is the lowest sustained rate for two decades. However, the ABS now also publishes an underemployment rate, which is calculated by adding to the unemployment rate people who were working but who would like to work more hours. The combined level of unemployment and underemployment is closer to 13% - far better than it was – but still too high. This measure does not provide the full picture of underutilization of labour as it does not include those who are not actively looking for work but who say they are available to start work.

Of course, no labour market could succeed in employing all those who say they would like to work or to work more. But what is clear is that if we build on the gains made there is enormous potential to still increase the number of Australians in paid work.

EMPLOYMENT REGULATION – WHERE WE ARE AT

The Pre-Election Survey shows a high level of concern amongst business with the level of employment regulation. This is not surprising, given that Australia, in international terms, still heavily regulates employment by federal and State laws, by six industrial tribunals and by over 4,000 individual awards.

Key difficulties for employers (especially small and medium sized businesses) include:

- red-tape in making workplace agreements;
- renewed centralised and private arbitration by industrial tribunals of wages and employment conditions;
- far from simplified awards;
- burdensome unfair dismissal laws and termination procedures and costs;
- difficulties in taking action against unlawful conduct; and
- increasing complexity of discrimination law, safety law and privacy law.

~~In 2002 ACCI released the~~ *Modern Workplace: Modern Future 2002-2010* Blueprint to guide national policy on workplace relations and unlock more jobs in Australian businesses.

The audit conducted by the ACCI Blueprint concluded that we are only one decade into the reform of a nine-decade old system of centralised regulation.

Reform to workplace relations and employment regulation has been evolutionary. Progress has been piecemeal and compromised. Whenever two steps forward are taken, one invariably has been taken back through sheer complexity or inadequacy of the law, through differences between governments, through difficulties in obtaining parliamentary approval for changes,

through loopholes being exploited by some lawyers, through lack of management innovation, through union campaigns, through court or tribunal decisions that water-down the intention of reforms, or through businesses not utilising available reform opportunities that are available.

The major reason why international economic organisations such as the OECD consistently recommend reduced and reformed employment regulation in Australia is their conclusion that, based on global trends and sound economic expertise, a reduction in costs and risks to employers would increase capacity and preparedness to employ additional staff.

WHAT INDUSTRY IS LOOKING FOR

Getting and holding the unemployment rate in Australia below the current 5.6% should be an important task of the next parliamentary term.

A credible jobs strategy needs to integrate many areas of government policy. OECD Ministers have developed (and are reviewing) 10 pillars to their recommended employment policy which include:

1. Non inflationary macro-economic policy that generates growth;
2. Development and application of new technology;
3. Increased workplace flexibility;
4. Removing impediments to entrepreneurship;
5. Setting wages and employment conditions flexibly and based on local circumstances;
6. Reforming job protection and unfair dismissal laws;
7. Active and effective labour market policies;
8. Improving labour force skills through education and training;

9. Reforming unemployment and social benefits so they inter-relate with tax systems;
10. Implementing competition policy throughout the economy.

ACCI has developed wide-ranging and effective policies for reform in each of the key areas identified by the OECD.

Good economic policy generates sustainable growth and a well managed global and entrepreneurial economy. A growing economy produces more jobs. A well managed economy delivers increasing productivity, business investment, domestic and international competitiveness, low inflation and low interest rates which, in turn, improve living standards of employers and employees.

Employment policies should be directed to increasing labour force participation, increasing skills and employability, an active welfare system that moves the unemployed (including our long term unemployed) from benefits to employment, and a tax system that provides incentives to be in the workforce – not on welfare.

The ACCI *Modern Workplace: Modern Future 2002-2010* Blueprint outlines the key priorities for workplace relations reform, one of the crucial reform areas highlighted by the OECD. These include:

- more scope for workplace-based decisions and agreements on wages and employment conditions to drive productivity and reward;
- less red-tape in making and approving agreements;
- simpler minimum standards;
- expansion of individual bargaining and Australian Workplace Agreements;
- a single minimum wage;
- less burdensome and fairer unfair dismissal laws;

- better quality occupational health and safety regulation;
- clearer and simpler laws about union rights and industrial action;
- progress towards a single national system of employment regulation; and
- flexibility to facilitate workplace-based agreements that help reconcile work, family and life activities.

FLEXIBLE WAGES AND EMPLOYMENT CONDITIONS

Australia is a diverse country with a mixed economy competing in a tough global economy. Business conditions and the capacity to employ vary between regions and vary between businesses within regions. Central to increasing employment in Australia is to enact reforms that allow overall labour costs and relative wages to better reflect individual productivity, performance and local labour market conditions.

This means more flexibility, and more decentralisation of decisions affecting wages and employment conditions, based on a simpler foundation of true minimum standards.

The OECD’s June 2004 Economic Outlook specifically commented on the need for more flexibility in wage setting in Australia as a key part of an employment agenda to generate more jobs:

“Evidence from certain industries, in particular low productivity workplaces, also points to beneficial effects of workplace reforms on labour productivity growth, which improved considerably vis-à-vis previous sluggish performance in the 1970’s and 1980’s.

The OECD has welcomed the move away from highly centralized wage setting via

arbitration. However, it has proposed a further tilting of the balance in favor of bargaining and restricting tribunal powers. Although awards have become less prescriptive, enterprises are still bound by arbitration decisions from multiple (federal and state) jurisdictions....The OECD has also proposed to reflect whether...a whole ladder of minima, including for higher-paid employees – should not be replaced by a minimum wage which would, inter alia, have the effect of protecting those 15% of employees currently covered neither by awards nor collective contracts.”

As employers, we support sustained and affordable growth (not reductions) in real wages and improved working conditions that are funded by productivity and performance in individual businesses. A simpler system would include a minimum wage that underpins the income of lower wage earners but which also allows other disadvantaged low income earners to obtain employment or enter the labour market, and allows growth in wages and employment conditions above the minimum through workplace bargaining.

FAIRER DISMISSAL LAWS

Unfair dismissal and termination and redundancy laws are only one of many workplace policy issues that need attention. They are often discussed in debates between politicians, largely because the Federal Government has proposed changes over many years. The Senate has agreed to some useful changes to federal laws, but government policy for a small business exemption has been opposed by all non-government parties.

The recent test case decision by the Australian Industrial Relations Commission, hotly contested by

ACCI, to almost double national award redundancy obligations of employers, and to remove a 20-year exemption small business had from redundancy pay, has added to this controversy.

The Pre-Election Survey revealed that almost 73 per cent of small businesses are concerned about both federal and state unfair dismissal laws and consider them an impediment to their commercial performance and prospects.

Some have disputed this, but the consequences are unarguable – small businesses are concerned about being prosecuted by disgruntled ex-staff and fronting-up to tribunals or paying out legal bills or settlement monies that are not warranted.

ACCI's Blueprint sets out 17 practical unfair dismissal reforms that respond to real issues raised by employers and that will make federal and State laws fairer and more balanced. They should be implemented by federal and state parliaments.

These views of Australia's smaller employers are supported by independent research, as well as common sense.

The OECD has pointed to the social impacts of 'job protection' laws, and concluded in its June 2004 Economic Outlook that:

“Dismissal legislation and provisions regulating the use of fixed-term contracts and temporary work agencies can all be described as restrictions placed on the ability of the employer to adjust the workforce and to control labour costs...in deciding whether to hire new workers, the firm will take into account the likelihood that firing costs will be incurred in the future. Assuming that wages cannot be fully adjusted to

compensate for the fact that firms may have to incur firing costs, hiring decisions will be affected.”

Similarly, a July 2004 report by Access Economics released by the Business Council of Australia concluded that “if it is more difficult to retrench people, employers will be more reluctant to hire them.”

Both of these conclusions support earlier findings by the Melbourne Institute of Applied Economic and Social Research in 2002 that unfair dismissal laws:

- are a substantial impediment to businesses when making employment decisions;
- make businesses inefficient by having to retain underperforming staff; and
- have an inequitable effect on longer term unemployed and disadvantaged job seekers who find it harder to secure employment.

The problems that unfair dismissal laws create not just for employers but also disadvantaged or unemployed workers must be a vital part of employment policy. Unfortunately, they are too often neglected. The OECD's June 2004 Outlook concluded that “youth, as new entrants into the labour market, and women with intermittent participation spells, will primarily be affected by any reduced hiring”. If we are to increase labour force participation in Australia, young people and women should not be put at this disadvantage by unfair dismissal laws.

COMPETITION POLICY AND THE AUSTRALIAN WORKFORCE

Another important aspect of Economic Management is a recognition of the need to administer a framework that allows businesses

to effectively compete in an open marketplace.

Competition is the underlying dynamic which drives the market-based commercial and economic system creating wealth and enhancing living standards for the benefit of all.

Impediments to competition reduce the pace and the dividends of economic development and growth, at a cost to all.

National Competition Policy must work to optimise commercial and economic efficiency, acting as a stimulus to economic development and growth and job creation.

ACCI's overarching competition policy objectives include:

- prompt and effective implementation of the agreed national competition policy regime within Australia at all tiers of government; and
- the adoption under the auspices of the World Trade Organisation of effective and transparent competition policies which reinforce trade and investment liberalisation.

An effective national competition policy regime is not a discrete, stand-alone initiative, but an integral part of Australia's essential microeconomic reform imperative.

ACCI believes that national competition principles should be extended to reform the provision of vocational education and training in Australia.

VOCATIONAL EDUCATION AND TRAINING REFORM

Increasing relevant workforce skills is vital if we are to meet three major challenges – getting young people from school and tertiary study into jobs, increasing the participation rate

of an ageing workforce, and better reconciling work and family for working parents who move in and out of the workforce.

ACCI's quarterly *Survey of Investor Confidence* has been showing for a long period now the increasing concern employers have in securing skilled staff.

The July 2004 Survey reported for the first time in its 14 years that the *Availability of Suitably Qualified Employees* was the number one constraint on future investment decisions.

While this is a problem that is partly related to the recent reduction in the unemployment rate, it is also explained by a lack of appropriate competition in the vocational education and training (VET) sector. Relevant State and Territory Ministers considered the implementation of a User Choice policy in 1997 and agreed that full implementation should take effect nationally from 1 January 1998.

Under User Choice, public funding for training was to flow to an individual training provider selected by employers involved in New Apprenticeships. This shift in funding arrangements promised to:

- allow employers to select the provider of their choice;
- empower employers to negotiate about aspects of training including content, location and timing; and
- provide a greater level of contestability amongst training providers, therefore improving responsiveness and diversity between public and private providers.

However, after much fanfare, employers are still waiting for the things they were promised. This plan has not been implemented across the country and processes have been established which severely limits the

opportunities for employers and restricts the desired outcomes.

There is no doubt that the original notion of User Choice was a timely and critical element of reforms to the national training system, with the primary objective of encouraging a direct market relationship between individual training providers and their clients - employers and employees.

It is time to refresh the approach to User Choice policy in VET.

State and Territory agencies should implement these agreed arrangements and ensure a flow of information about User Choice to all stakeholders. Training providers have to be fully briefed about the purposes of User Choice and how it will work. Providers must have detailed information about training packages, customisation options and funds transfer. The State/Territory agencies also have a responsibility to inform the clients, by a variety of target marketing approaches, about User Choice in New Apprenticeships and the full opportunities for enterprises and their employees.

Commitments were also made by States and Territories to ensure adequacy of services and choice to clients in rural or remote areas, or in industry sectors where there are fewer clients. In such cases, sometimes referred to as "thin markets", there is agreement to maximise the available choices for clients by treating these cases as exceptions, and reporting on them annually. It was agreed that risk management arrangements for "thin markets" should not in themselves form any impediment to choice for employers.

With the flow of public funds to training providers reflecting the choices made by employers, a greater level of market power is released to them. This means not only does the employer have a choice of public or

private provider, but negotiations can also include specific aspects of training to suit the needs of clients. This can include the selection, content and sequencing of competency units, the timing and location of training delivery, assessment and evaluation modes. The client naturally responds more favourably to the provider that is able to deliver those kinds of flexibilities, whilst on the supply side of the coin, a competitive individual training provider will strive to match clients' needs more effectively, and tell everybody loudly about it.

Making the vocational education and training system more responsive to the genuine needs of employers would be an important step on the road to strengthening employment and the overall labour market in Australia.

CONCLUSION

ACCI advocates national policy outcomes that advance the well being of commerce and industry and the rights and responsibilities of private employers. We share the vision of all

political parties in more jobs, more opportunities and better living standards.

Employers are looking to all politicians for genuine vision, and for a coherent set of integrated economic policies, which focus on the labour market and training proposals.

The labour market issues at stake in the 2004 federal election are historically significant, and genuine differences between the approach of our parties have emerged.

Many of the pillars of traditional employment regulation still exist and are capable of being re-activated by re-regulation. Policy regression is much easier for an Australian government than it was for, say the Blair government in the UK or the Clark government in New Zealand. However, this would be entirely the wrong approach.

Australia must keep moving forwards towards a system of

labour market regulation that complements the open and competitive economy in which we trade and seek to create jobs. We cannot afford to regress.

Australia needs a continuation of the core economic reform principles encapsulated in competition policy.

We also need a more flexible and demand driven training system to provide the skills needed for the future economic prosperity of Australia.

All parties are faced with the challenge of presenting to the business community, and the public at large, an integrated long term jobs strategy.

If that vision is grasped with the right policy mix, business, jobs and living standards will prosper.

The levels and quality of employment we will have tomorrow is a product of the policy choices we make today.

PRE-ELECTION SURVEY - SOCIAL ISSUES

In the June ACCI Review, we released the core findings of our 2004 Pre-Election Survey of Australian firms. In this edition, we are releasing the findings of additional questions that were put to the 1685 small, medium and large firms surveyed.

The Survey polled the view of our rank and file constituents on the main policy based impediments to the performance of their business, giving special attention to those areas within the policy responsibility of the Federal Government. (Small firms are those employing less than 20 persons, while large firms are those with more than 100 employees.)

BUSINESS AND SOCIETY

Australian business is greatly concerned at the seeming

'outsourcing' by federal and state governments in Australia of social welfare functions onto private employers (Figure 1). In effect, business feels it is being required to bear the costs of social policy that are the proper function of government.

A sizeable 75.6 per cent of those polled strongly agreed or agreed with the proposition: *"Federal Governments are increasingly shifting responsibility for social support onto business, for example carers leave."*

This concern was fairly consistent across the main sub-categories: large firms (76.2 per cent), small firms (74.6 per cent), exporters (76 per cent), non-exporters (75.6 per cent), metropolitan based firms (75.2 per cent), and regional/rural based businesses (75.8 per cent).

ACCI Policy Response

While ACCI is proud of the important role that Australian business plays in social development through the creation of jobs and

knowledge, the supply of goods and services, the payment of taxes and wages and the means by which to levy a GST, we believe that taxation revenue should be the primary vehicle for the Australian Government's core social functions.

Governments should not offload their primary responsibility for welfare onto the business community.

As well as providing jobs and tax revenue, business already indirectly contributes to the social safety net via the payment of a generous minimum wage (which has gone up by 33% or \$118 per week over the last six years), sick leave, carer's leave, annual leave, personal leave, workers' compensation contributions, termination and redundancy payments and the compulsory nine per cent superannuation guarantee.

Every decision by a government to add another layer of social responsibility onto business directly impacts on the bottom line and affects the ability of Australian firms to compete in an increasingly globalised marketplace.

The decision by the Australian Government in May 2004 to fund increased family and maternity payments from general revenue

(contributed in part by industry) rather than by a direct impost on employers through compulsory paid maternity leave was a step in the right direction to overcoming the problem identified by employers in these survey results.

SUPERANNUATION

Employers in Australia are concerned at the impact on employment of an increase in the existing compulsory employer superannuation guarantee levy (Figure 2).

Just under 55 per cent of those polled supported the proposition "An increase above the mandatory level of 9% for superannuation payments would reduce current employment intentions."

Attitudes to the mandatory superannuation levy differ substantially between businesses when examined by firm-size. 62 per cent of small firms supported the proposition compared to 37 per cent of larger firms.

The adverse employment effect of any increase in the mandatory superannuation levy was likely to be stronger in non-exporters than exporters (with 56.7 per cent, and 50.6 per cent respectively supporting the proposition), and amongst regional/rural based firms (59.6 per

cent) than metropolitan-based enterprises (51.5 per cent).

ACCI Policy Response

The ageing of the Australian population and its effect on retirement incomes policy is one of the major issues facing Australia over the next forty years.

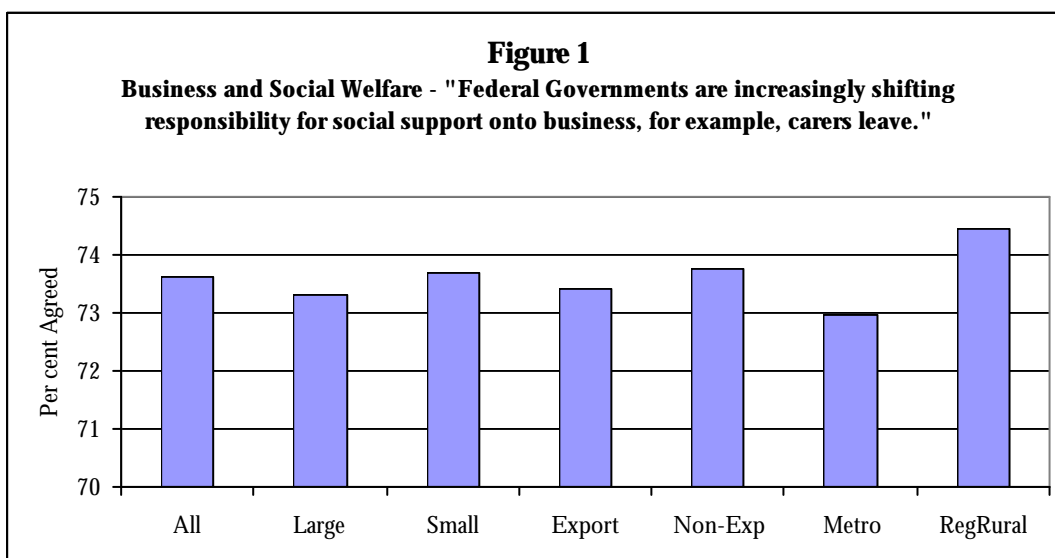
It is estimated that the proportion of the Australian population eligible to receive the Age Pension will double over this period, with those over 85 years of age tripling, and the proportion of people in the prime working age (15 to 65) category expected to fall.

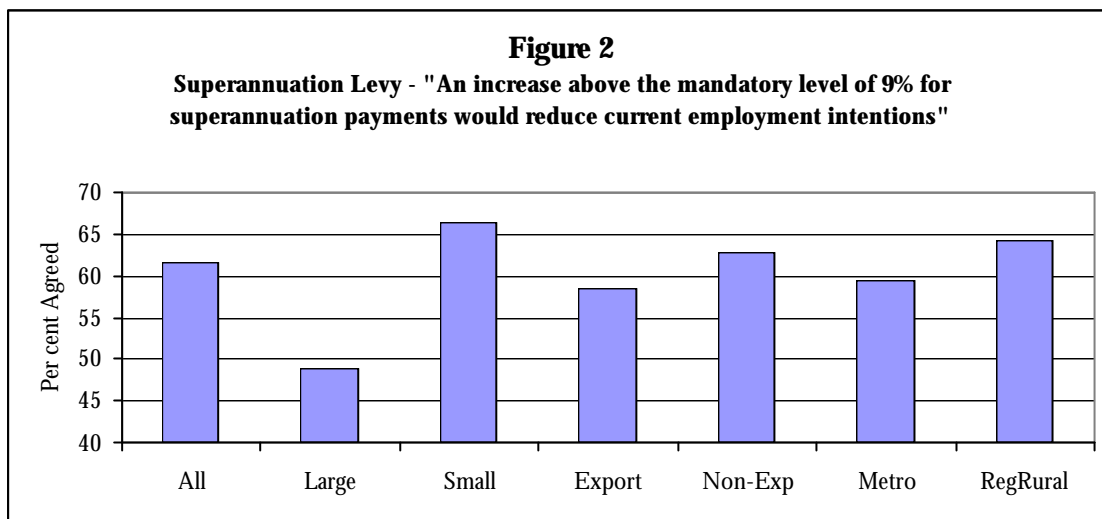
These changes will put an immense strain on the nation's tax and welfare system.

The Australian Government must encourage people to save more money for their retirement.

The last twenty years have seen employers increasingly forced to shoulder the burden of the retirement incomes problems facing the Australian population.

The Superannuation Guarantee was implemented in 1992 at a minimum rate of three per cent and been incrementally raised since then, first





to six per cent in 1996, seven per cent in 1998, eight per cent in 2000 and finally nine per cent in 2002.

The Superannuation Guarantee has been responsible for a considerable increase in the number of employees with superannuation coverage.

The proper focus of the next stage of retirement incomes policy should be on increasing the self-reliance of employees and enhancing their capacity to adequately plan for their retirement.

Future changes to the Superannuation Guarantee should be focussed on the introduction of employee contributions rather than further mandatory demands on employers.

Increasing the superannuation burden on employers would be bad policy that would be a sure-fire formula for reducing jobs. It would be, in effect, a tax on employment and business investment.

The Pre-Election Survey indicates that the impact on jobs would be particularly hard felt by small businesses in regional and rural areas – that is, where we can least afford to lose them.

These Survey findings follow the June National Press Club speech by ACTU Secretary Greg Combet in which he said that the trade union

movement would “seek the support of unions and their members for a long-term campaign to lift employer super contributions.”

Retirement incomes policy requires much more than just regarding Australian employers as a money-tree for workforce superannuation.

Employers already pay an additional 9 per cent on top of wages as a superannuation contribution whereas, unlike many other countries, Australian employees are not required to contribute to their superannuation.

Australia’s major political parties should rule out seeking an increase in the compulsory employer contribution over the course of the next Parliamentary term.

SOCIAL WELFARE

A majority of Australian businesses surveyed believe the social welfare system has a negative impact on unemployment, with 52 per cent of respondents polled endorsing the proposition “*The current welfare system inhibits recipients from moving into employment.*” (Figure 3).

A further 22 per cent of respondents were indifferent, and another 21 per cent of those polled disagreed with the proposition.

The greatest differences amongst supporters of the proposal were firms based in metropolitan areas (58 per cent) well ahead of those in regional/rural Australia (44.1 per cent) – a wedge of almost 14 per centage points.

By comparison, the gaps were narrower for exporters and non-exporters (54.4 per cent and 51.2 per cent, respectively) and for large and small firms (53.6 per cent and 49.1 per cent, respectively).

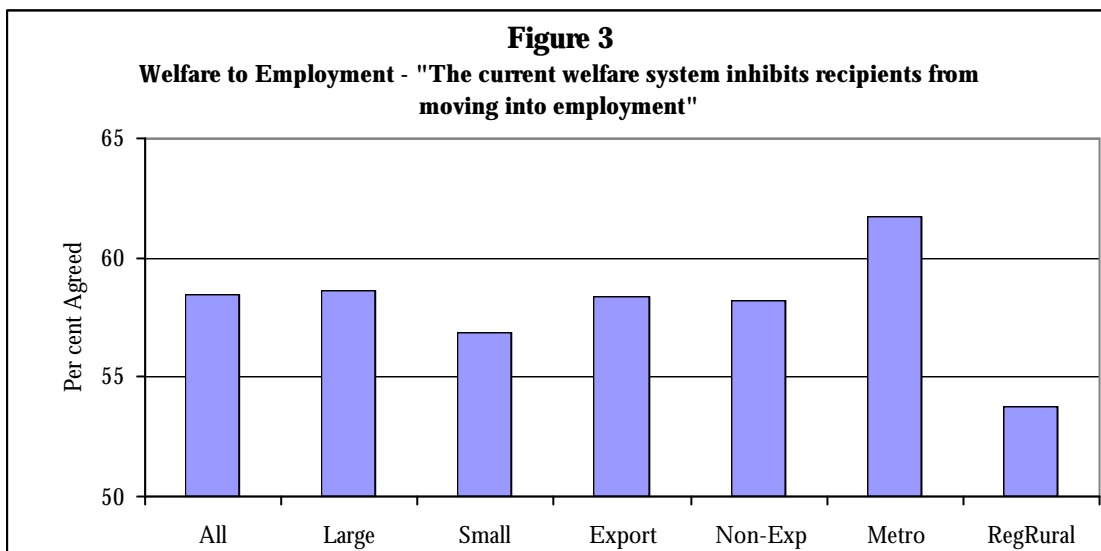
ACCI Policy Response

ACCI supports an employment system that enables all Australians to be competitive in the employment market. This means providing people with marketable skills and developing an education and training system that keeps pace with the skill needs of business.

Full employment is one of ACCI’s six long term policy aims.

However, the current interplay between the tax and welfare system discourages some people from taking up paid employment.

With an ever increasing proportion of the Australian population dependent upon welfare as their sole or major source of income, public policy debate has often focused on the capacity of the income support



system to encourage the transition from welfare dependency to paid employment.

The interaction of welfare payments criteria and the personal income tax system can give rise to high effective marginal tax rates for low-income earners, as welfare beneficiaries lose income supplements after they take up paid employment and begin to pay tax on earned income. The combined effect can severely impair incentives to participate in the workforce, especially for sole parents and families with children.

This is an issue that should be addressed.

One possible means of addressing this problem would be the introduction of some sort of Earned-Income Tax Credit (EITC) targeted at low income families. An EITC could be introduced at a certain rate over an initial range of earned family income, up to some maximum level, and then withdrawn over a higher range of income. The size of the credit could be set to vary according to the number of dependent children in the family and would be conditional on family rather than individual income.

However, ACCI is concerned that at best, an EITC would shift these effective marginal tax rates higher up

the income scale which, empirical evidence suggests, would have a detrimental effect on labour supply. Nevertheless, we believe that an EITC warrants consideration as a means of promoting workforce participation.

ACCI has also looked at the 1998 Five Economists' Proposal which sought to reduce the unemployment rate by freezing award safety net increases in exchange for the introduction of an EITC for low-income earners in low-income families but has strong reservations about it, on the basis that it is simply a variation of the 1980's *Prices and Incomes Accord*. It was only after the Hawke-Keating Government in the early 1990's moved down the road to a more decentralised enterprise-based bargaining system (accelerated by the present Howard Coalition Government) that we have seen the delivery of real wage increases, lower inflation and improved employment outcomes.

Policies to ease the transition from welfare to work and reduce unemployment should not be considered in isolation from workplace relations policies.

ACCI also believes an important component of the solution to unemployment lies in reforming the workplace relations system and in

labour market programs which re-skill the unemployed.

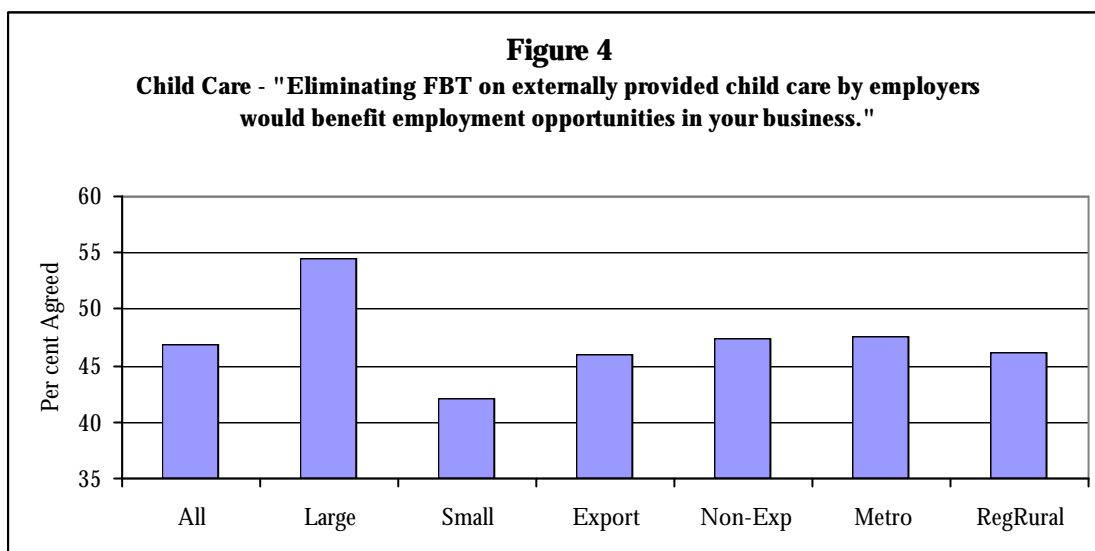
CHILD CARE

Fringe Benefits Tax relief for employers may assist some businesses to contemplate child care support, but child care support remains out of the reach of most employers (Figure 4).

36.4 per cent of firms polled by the Chamber endorsed the suggestion *"Eliminating FBT on externally provided child care by employers would benefit employment opportunities in your business."* A sizeable 26.7 per cent of respondents said it was not a relevant issue for their firm.

However, there was a noticeable difference in the level of support from larger firms (44.8 per cent), well ahead of small firms (31.2 per cent), with a narrower gap between non-exporters and exporters (37.2 per cent and 34.9 per cent, respectively).

There was no real difference between firms in metropolitan and regional/rural areas (where support for the proposal came in at around 36 per cent of each group).



ACCI Policy Response

Fringe Benefits Tax (FBT) was introduced in 1986 to bring non-salary benefits paid to workers by their employers into the income tax system.

Regrettably, the tax has been extended well beyond its original "raison d'être" of ensuring the consistent taxation of all forms of remuneration and in many cases, has added substantially to the costs of doing business.

Currently, only child care facilities provided by employers at their

business location are exempt from FBT.

This limits the flexibility of child care options for employers and employees and discriminates against employees whose employers do not provide for on-site child care.

Within our consideration of work and family issues in the workplace, a constant theme of ACCI commentary is that rather than a proscriptive "one size fits all" approach, such as employer-funded maternity leave, we argue for maximum flexibility to allow employees and employers to come

to mutual agreement on family friendly work arrangements.

A broader approach is needed to work and family issues – and this includes government leadership to meet community needs for increased access to local child care facilities. ACCI believes the government should consider extending the FBT exemption on childcare.

BUSINESS AND TERRORISM

On 23 June 2004 around 50 business leaders congregated in Parliament House, Canberra to attend the **Business-Government Ministerial Forum on National Security**. It was an important opportunity to hear first hand from the Prime Minister and other cabinet ministers of the risks facing business in the War on Terrorism.

The meeting was convened by the Prime Minister, the Hon John Howard MP, to brief senior business people on the real dangers to Australian business from terrorist threats; to advise what the Australian and state and territory governments are doing to assist business to meet those threats; and to hear the concerns and comments of business

people about the level of preparedness in Australia. The Australian Chamber of Commerce and Industry (ACCI) was represented at the meeting by the Chief Executive, Mr Peter Hendy. Also in attendance was Mr Rohan Jeffs, a board member of ACCI, who attended in his capacity as a senior executive in Woolworths Ltd.

THE WAR ON TERRORISM

We are all aware of the 11 September 2001 attacks in New York and Washington; the 12 October 2002 Bali bombing; and the March 2004 train bombings in Madrid. We are less focussed on the series of arrests of terrorist suspects both here in Australia and overseas.

Nonetheless those arrests have been accompanied by stories of potential terrorist targets in Australia.

The terrorist threat to Australia is a present danger. Tragically, a number of Australians were killed on 11 September 2001 and some 88 Australians were killed in Bali.

The Government noted that the threat is centred on "Al Qaeda", which is, in a wider sense, a loose global network of like-minded people who share an ideology that relies on an extreme and militant interpretation of Islamic doctrine and a conspiratorial view of a world which, as they see it, is dominated by Jews and Christians.

The Attorney General the Hon Philip Ruddock MP told the Forum: "Today's global terrorism threat, at its most basic, is a threat to our way of life. Terrorists are extremists who challenge our values, our society and our economy. They seek to achieve their ends through intimidation. They shamelessly target innocent civilians, public places and businesses. They target the infrastructure on which our society and economy depends upon."

The Prime Minister also told the Forum: "The Department of Foreign Affairs and Trade ... has recently put out a report on the economic impacts of terrorism and it quoted IMF estimates that the cost of the attack on the 11th of September was 0.75 per cent of American GDP or a sum equivalent to US\$75 billion". The Australian Federal Police Commissioner, Mick Keelty, made reference to Centre for International Economics estimates of the total cost of the Bali attack being around \$3 billion.

Business participants were told to think of the terrorist threat as a long term one. We were told to think in terms of at least ten years and to understand that the threat and

number of terrorist organisations is likely to expand rather than decrease in the next few years.

NATIONAL RESPONSE

The Australian Government and state and territory governments are working cooperatively to meet the mutual threats. There is a new *National Counter-Terrorism Plan* and a round-the-clock National Threat Assessment Centre has been recently established.

NATIONAL CRITICAL INFRASTRUCTURE

One key area that businesses, particularly large businesses, need to focus on is "critical infrastructure". Over half (some estimates say as high as 80 per cent) of this infrastructure is in private hands. Often it is in the form of physical assets like power stations. However, the definition also extends to information technology and supply chains such as for food products. A lot of work has been done with the aviation sector, other transport sector, electricity and other energy related industries. More needs to be done and business is participating in the *Critical Infrastructure Advisory Council* and the *Trusted Information Sharing Network* to share information and advice.

RISK MANAGEMENT

More generally businesses have been urged to review their risk management practices in light of the terrorist threat. They should think about these practices in a strategic sense. Importantly, ensuring the protection of physical assets is only part of that job.

Detailed thinking about how to deal with major terrorist strikes, even catastrophic events, should be undertaken. Thought needs to be given to issues like "how will my business cope if my fuel or other

energy supplies are diminished or cut off for an extended period?" and "what would be the consequences for my business if a major downturn in sentiment affected my market following a series of terrorist strikes?"

Defence specialists like Mr Peter Jennings of the Australian Strategic Policy Institute believe that "gaming" (as in "war gaming") would assist in bringing into focus the strategic decision-making that businesses need to undertake.

BUSINESS CONSULTATION WITH GOVERNMENT

Following the Forum the Government has stated that it will be looking at setting up a further, high-level business advisory committee to assist the Government in counter-terrorism planning. Along with other business groups, ACCI stands ready to participate and assist wherever we can.

CONCLUSION

Business should heed the warnings that have been broadcast widely since the tragedy on 11 September 2001. The War on Terrorism will be a long one. The Government says that we should think in terms of at least 10 years. Businesses in Australia, even small businesses, are urged to review their risk management practices.

ACCI will do what it can through its 33 member organisations to spread the word that businesses need to think strategically about these issues.

ACCI MEMBERS

ACT and Region Chamber of Commerce & Industry	Australian Hotels Association	NSW Farmers Industrial Association
Australian Business Limited	Australian International Airlines Operations Group	Oil Industry Industrial Association
Business SA	Australian Mines and Metals Association	Pharmacy Guild of Australia
Chamber of Commerce & Industry of Western Australia (Inc)	Australian Paint Manufacturers' Federation Inc	Plastics and Chemicals Industries Association Inc
Chamber of Commerce Northern Territory	Australian Retailers' Association	Printing Industries Association of Australia
Commerce Queensland	Australian Soft Drinks Association Ltd	Restaurant & Catering Australia
Employers First	Housing Industry Association	Victorian Automobile Chamber of Commerce
State Chamber of Commerce (NSW)	Insurance Council of Australia	
Tasmanian Chamber of Commerce & Industry Ltd	Investment & Financial Services Association	
Victorian Employers' Chamber of Commerce and Industry	Master Builders Australia Inc.	
Agribusiness Employers' Federation	Master Plumbers' and Mechanical Services Association of Australia (The)	
Australian Consumer and Speciality Products Association	National Electrical and Communications Association	
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