



AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

ACCI Chief Executive Peter Hendy on ABC Radio's PM Program - 9 May 2006 - Federal Budget

Budget Special: disappointments for business

Reporter: Stephen Long

MARK COLVIN: So what does the business lobby think of the Budget?

Peter Hendy runs the Australian Chamber of Commerce and Industry, and in the lead-up to the Budget, he co-wrote a tax study, comparing us with the rest of the world, for the Treasurer.

He spoke to Stephen Long.

PETER HENDY: Well, a lot's left to be done. We're very disappointed that there's been no fundamental change to Capital Gains Tax, and that is something the business community and particularly small business have been wanting.

We're very disappointed, again, that there's been no abolition of bracket creep by indexing the tax brackets to the inflation rate.

They're changes which should have been made.

The other thing we're very disappointed about is the size of... the Government has basically not changed, in fact, Budget expenditure goes up with this Budget.

STEPHEN LONG: Well, the Treasurer has said that although they haven't indexed the tax brackets he's delivered more than they would have, had they done that.

PETER HENDY: Well, he often says that, but he often also forgets to mention in between they introduced the GST. That makes a big difference.

STEPHEN LONG: On the expenditure side, some have suggested that really, there hasn't been enough spending on infrastructure projects that can really help develop Australia's long term economic well-being - that the investments in rail freight, for instance, were fairly small. You think it's too much?

PETER HENDY: No, no, not at all, and we're very happy for the \$2.3 billion spending on transport infrastructure in this Budget, and that's the... that is to be welcomed.

The changes and the extra money for water reform are also, they're infrastructure investments

that are much needed in Australia. They'll help build the Australian economy's capacity and they will be very welcome by the business community.

STEPHEN LONG: Now, you co-authored the review of taxation, looking at it compared to overseas for the Treasurer in the lead-up to the Budget. I know that you were a bit dubious at one stage about whether he would reduce the top rate and cut income tax significantly. What do you think changed his mind?

PETER HENDY: Well, I think the force of argument may have changed the Government's mind, or the Treasurer's mind in particular. But let's be... let's look at this in the clear light of day.

The fact is that the cut in the top rate is only from 47 or 48-and-a-half to 45, and a lot more needs to be done. It is a good start, it is a good start, but more needs to be done, and we need to get closer to 30 cents.

STEPHEN LONG: Well, if they're cutting tax but spending as a proportion of GDP is still high, is it sustainable in the long haul?

PETER HENDY: Well, look, they have money coming out of their ears, these guys. Even with these tax changes, all these billions of dollars in tax changes, income tax collections will go up \$7.9 billion in the next financial year - that's over 4-and-a-half percent.

STEPHEN LONG: Anything else that was good or bad from the point of view of business?

PETER HENDY: Oh, uh, there's a lot in the Budget, there's many, many pages. One thing we'll be interested in reading in detail is the changes to the superannuation system proposed by the Government. It's a novel change that hasn't been talked about much. It's a proposition they want to explore; we'll be interested in looking at the detail.

STEPHEN LONG: So you're not convinced that the changes in super are really a good thing, or go far enough?

PETER HENDY: Well, um, we think that the proposal to abolish taxation at the benefit stage, at the end of when people receive their superannuation, will simplify the system, will get rid of a lot of complexity, but we want to examine what the implications for revenue are, for other... and in fact on the savings rate.

MARK COLVIN: That was Peter Hendy of the Australian Chamber of Commerce and Industry with Stephen Long.