

We can't afford to lose our way

Actions to remedy flawed policies will determine if the government can win back the confidence of business, writes **Peter Anderson**.

In explaining her decision to depose Kevin Rudd, Julia Gillard declared that the government had lost its way.

Even giving licence for a certain amount of overstatement, this is an alarming and frank concession from the inner working of government at the highest levels.

If true, it needs to be put right. Australia has only just sidestepped the global financial crisis. Recovery is uneven. Markets remain jittery when Europe or the US sneeze. The credit squeeze is still on, and will be made worse if the G20 tightens capital adequacy rules for banks.

Domestically our budget is in deficit to the tune of \$57.1 billion. The smallest of surpluses, \$1 billion, is still three years away and requires no major economic hiccups.

Business confidence has dipped on the back of public stimulus coming out of the economy and the battle between the government and the miners. As good as our labour

market is relative to others, more than 601,000 people are seeking work and the combined unemployment and under-employment rate is 12.2 per cent.

With such challenges we cannot afford any government, let alone our national government, to have lost its way. The political process and the looming election battle will undoubtedly apportion blame and test whether better could have been done or is on offer.

Businesspeople are pragmatic, and forward-looking. You have to be if your home and life savings are on the line in the name of wealth creation. We are less interested in blame and more interested in fixing problems and getting on with the job.

If the government has lost its way, even in part, the job of business organisations is to work with the elected government, from whichever party, and find pathways to get it back on track.

In this interregnum before a federal election, the Gillard government can get things back on track by making decisions that restore business confidence and support the private economy. Here's a four-point plan:

First, ditch the flawed mining tax and start a non-adversarial discussion on tax arrangements

without holding a gun to the head of the mining industry. This will send a signal that the government has learnt from its mistakes.

Second, pick up the Henry tax review proposal to get rid of that job-destroying payroll tax and get all premiers around the table in the Council of Australian Governments to work out how new tax and savings arrangements can meet that goal. This would send a signal that tax reform can be good for jobs, and could silence industry opposition to

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the \$20 billion superannuation levy increase that has made many employers cranky with the government's broken promise not to raise the employer levy.

Third, ask the Productivity Commission to recommend ways to increase competition in the banking industry so small business can get a fairer deal on lending and bank fees. This would send a signal that the

government is on the side of small business and those who work hard.

Fourth, allow the July 1 award

wage increase to be absorbed into the increases in penalty rates that many employers will also incur from that date when new industrial awards come into play.

The government promised these new awards would not increase labour costs, and that breach of promise will make small business angry in coming months. This would send a signal that the government is listening and still give people more money in their pockets.

This four-step plan can be started within a week by senior ministers making clear decisions. If they were taken collectively, the Prime Minister's commitment to whole of government cabinet decision-making would also be on show.

Something like this needs to be done by the Gillard government to break the cycle the Rudd government faced in its final months. It would demonstrate that a change in leader, with all its trauma, has led to a change in policy and approach.

It would be welcomed by the business community and be good for the economy. It would also be politically wise because good policy is good politics.

■ Peter Anderson is chief executive of the Australian Chamber of Commerce and Industry.