

Australian Unity Great Australia Day Breakfast 2015: Speech by Jennifer Westacott

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Introduction

Thank you Glenn. And thanks to Australian Unity for inviting me to deliver this 2015 Australia Day Address.

Let me start by recognising the people of the Kulin Nation, the original custodians of this land. I pay my respects to their Elders, past and present.

It's a great honour to be here and to mark the 175th anniversary of Australian Unity and its predecessor organisations.

Australian Unity is a great contributor to the work of the Business Council.

Australia Day is a chance to remember what a wonderful country and community we live in.

It's also a time to reflect on the kind of country we want for the future.

This morning, I want to talk about the kind of Australia I wish for.

For me, thinking about that future begins with an honest reflection about the changes taking place around us.

These changes are not in the future anymore – they are with us now.

They are impacting on our economy, our labour market, our national budget and the choices we have as individual Australians.

I want to use this address to put forward my vision for the country, and to make a blunt call to fellow Australians to crash through the road-to-nowhere discourse, so we can get important and necessary things done.

A turning point for Australia

In thinking about this address I was reminded how many times last year I talked to audiences about the forces of global change affecting business and the community.

Demographic change, shifts in global economic power and the profound impact of digital technology.

I'm not going to talk in detail about these things today.

What I find more interesting is when we at the Business Council or other individuals or even governments discuss them, you often get the response.

"Well that's all very well, but where's the burning platform for change?"

So I ask you to pause and consider our current national trajectory, evidenced by data and events in the last three months of 2014.

- The terms of trade experienced their biggest fall in 50 years.
- Write-downs to economic forecasts in the mid-year budget update wiped billions of dollars off the budget bottom line.
- The deficit has blown out to 40 billion dollars, some 10 billion dollars more than originally forecast.
- Commonwealth net debt has risen to 245 billion dollars this year.
- Interest repayments this year on that debt are 11 billion dollars.
- In October, the unemployment rate hit 6.3 per cent, the highest rate recorded in 12 years.
- It fell back to 6.1 per cent in December, but remember at the height of the Global Financial Crisis it only reached 5.9 per cent for a short period of time.
- Youth unemployment remains stubbornly high.
- Our competitiveness continues to slip and our multifactor productivity is stagnant, making the task of job creation even harder.

So what do all these numbers mean?

Well, the budget is confronting a "pincer movement" from increasing demand for services and from an ageing population.

At the same time as the capacity of the economy to pay is being weakened.

The ageing of our population alone could drive a fiscal gap of 4 per cent of Gross Domestic Product by 2060 – in today's terms that's about 65 billion dollars.

A reversion of the terms of trade to their long-run, pre-boom levels could alone increase the deficit by around another 40 billion dollars.

Another global financial crisis, which saw a 70 billion dollar budget deterioration, would turn all of this into a perfect storm.

At the same time:

- the global economy is still sluggish
- there is still enormous global economic volatility
- and our geopolitical environment is very fragile on so many fronts.

If all this doesn't constitute a burning platform, I'm not sure what does.

Implications

Surprisingly, very few commentators, with the exception of The Australian's Paul Kelly, called these changes out last year.

But the implications are worth taking a moment to reflect on.

I believe the cumulative effect of the events of last year, and the global forces at work, are so profound that the policy ambition we've become accustomed to, won't be sufficient.

Nothing short of a rethink of our social contract and the policy priorities for growing the economy will be enough.

Three aspects of change

I want to talk about three aspects of that profound change today.

The first is our budget and fiscal position.

Where Australians should no longer accept band-aid budget repair, we need a fundamental rethink of the fiscal strategy.

In fairness this is the message the Prime Minister and the Treasurer are delivering.

The second aspect of change is education, skills and training.

This debate should not just be about fees. It's about a transformation of the way we learn, re-learn, train and work.

And our current systems are simply not up to this task.

My third area for profound change are the policy priorities for growing the economy.

Where we can no longer assume we can automatically grow our way out of our current challenges.

We will need a decade of unprecedented policy action by government, and leadership and risk-taking by business.

The focus must shift to innovation-led growth across all sectors of the economy.

In each of these areas I'm going to share my vision for Australia, briefly outline the directions we need to take, and give some suggested actions for 2015.

Leadership

Before I do this I want to stress the importance of leadership.

While policy prescriptions are important, it's leadership that really matters.

Leadership by all sectors of the community, and the business community in particular.

We need to take our companies, large and small, into a new era of growth and entrepreneurship.

But there is no greater leadership challenge than that which falls to our political leaders.

Our politicians across all parties – whether they are in government or not – have one vital task.

To prepare the community for the enormous, social and economic change that must take place in our society.

And they can only do this by pursuing a positive vision for our country. A vision which brings out the best in us.

It has to begin with a dialogue, and a conversation with the Australian people.

A conversation that honestly confronts the reality we are living in here and across the world.

Then it's the painstaking and incremental task of:

- setting a direction
- agreeing on the fundamentals
- designing the detail
- and measuring and explaining progress.

If I reflect on what has made us a great nation since World War II it was the capacity of our leaders to prepare and steer us through an incredible period of change.

This brought about our social progress and our economic prosperity.

The death of Gough Whitlam reminded me of his capacity, both in Opposition and in government, to prepare us for a more progressive, more outward-looking society.

I believe people are right to say there was an Australia before and after Gough Whitlam.

He took stock of a changing world, of changing aspirations and values, and he renegotiated the social contract.

For 20 years Bob Hawke, Paul Keating and John Howard engaged in an ongoing dialogue with the Australian people.

Building on many of the fundamentals of Whitlam's platform, they took account of context, they explained the need for change, and they carefully and incrementally put in place the building blocks for the living standards we enjoy today.

They acted in government and they enabled from Opposition.

I know there are political leaders across the country **now** who want to show this kind of leadership.

The budget and fiscal arrangements

So if I move to the first of my three themes, our budget and fiscal arrangements.

I want an Australia where today's generation of decision-makers are not accumulating debt that their children and grandchildren will need to repay.

Where our continued AAA credit rating will keep investment flowing and jobs being created.

An Australia where we generate surpluses not for the sake of it, but because we want to reinvest in:

- the best infrastructure in the world
- a world-class health system that can be sustained and improved over time as our population ages
- the skills, training and education that allow us to grow the economy and create the jobs of the future.

I want an Australia where we can preserve a strong social safety net.

A safety net that gives people the incentives, choices and support to participate in society.

A safety net that returns to its original design:

- to protect the people who through circumstances have little or no choice
- to be provided with compassion, not with judgement
- to restore and preserve people's dignity.

But there is no safety in a system that is unaffordable over time because the net has been cast so wide it has lost its purpose and its meaning.

In respect of the path we need to take, we need a long-term rethink of the fiscal strategy.

This is a renegotiation of what governments can be expected to pay for, not an increase in the overall tax burden.

The task of the fiscal strategy is to slow the rate of growth in the major spending programs, rather than cutting base entitlements and existing services.

Therefore a top priority is the redesign of those major spending programs, health, education and social security, with a focus on improving service quality and efficiency.

To do this, the government should run a transparent review process, which includes consultation with key stakeholders and the wider community.

Australia needs a 10-year plan with clear horizons for achieving our fiscal goals.

This 10-year plan should identify the key decisions, the timelines and the transitional arrangements.

Another key part of fiscal direction setting is to properly explain why we need a healthy budget, and the implications of failing to do it.

The 11 billion dollars of interest we are paying this year is not a bookkeeping entry, it is money we cannot spend in areas that the community is crying out for.

For example that's about two billion dollars more than we spend on higher education.

It's about three billion dollars more than what we give in income support to carers.

It's three times the Commonwealth's contribution to the WestConnex road project in Sydney.

We need to explain that existing taxpayers will face a higher tax burden as a result of bracket creep, even if we make no changes to tax policy.

If we don't fix our deficit there will simply be no money to offset that pain.

So if I think about our actions for 2015, then the 2015–16 Budget is an opportunity to provide that strategy, along with a 10-year implementation plan.

Year 1 may, and indeed should, involve very modest fiscal correction and instead lay the groundwork for future considered spending reforms.

We should welcome a very different set of budget papers than we have seen in the past.

The Federation White Paper process has to clear the way by removing inefficiency and duplication.

I would argue that two Productivity Commission inquiries are now essential.

The first is the aged pension and retirement income system.

We need to consider the alignment of all the incentives and concessional arrangements.

In this area more than any other policy area, we need coherent policy design, not ad hoc unpredictable changes.

We must put in place the right transitional arrangements to support an ageing population so people have time to plan and adjust.

The second inquiry would be into the health system.

The Productivity Commission should be given a clear terms of reference to examine how we apportion the share of private and public funding, and how we get better value from our health dollars.

I believe the commission is best placed to break through the legitimate question the government has rightly posed: "Who pays for what in the health system?"

Make no mistake, if you cannot improve the productivity and efficiency of the health system, you cannot fix the fiscal position.

We're not going to wait, we'll get on with it this year. Australian Unity and the Business Council will be holding a series of health forums to discuss these issues later this year.

Education and skills

To my second area of change, education and skills.

I want an Australia that views education as intrinsic to a person's capacity to realise their full potential.

I want an Australia where our education and skills systems will keep pace with changes in the economy.

Where we will continue to have a thriving, dynamic education export industry.

Where our people will be up there with the best in the world on literacy and numeracy, including computer literacy.

And those who need it will have a second chance at acquiring the foundation skills.

Education is **the** principal vehicle for shoring up equality of opportunity.

So the direction we need to go in is one which:

- Raises technology to the status of literacy and numeracy, so children learn three foundation skills from the beginning of their schooling.
- Which acknowledges the lifelong financial benefits people receive from a post-school education, and the contribution they need to make to receive this benefit.
- Which talks about the type of education and skills that will equip Australians to be resilient and have good jobs into the future.

We need a model that will allow people to retrain over their lifetimes without having to leave the labour market.

The priority for 2015 is to finalise tertiary education reform.

This year I would like to see the Commonwealth, state and territory governments, and industry working together to develop a tertiary education model that meets the needs of the 21st century.

Such a model would:

- Deliver high-quality skills development to people across all stages of their lives.
- It would give people an entitlement to a level of government support, be it in VET or higher education, and ensure that both sectors are equal.
- The model would ask people to make a personal contribution to their education that can be deferred through an income contingent loan.
- It would also give students the choice about what they study and where.
- The model would have strong enforcement of well thought through national standards, informed by industry, to ensure high-quality delivery by both public and private providers.

2015 should not be the year of continued policy confusion about the role of TAFE.

It should not be the year when TAFE is allowed to wither on the vine due to lack of purposeful policy.

Growth

My final theme for profound change is how we grow the economy.

After four years in my role with the Business Council, I am more passionate than ever that continued, strong economic growth remains the best way we secure greater degrees of freedom and enduring prosperity.

But if we do not succeed in securing our fiscal position and dramatically improving our education and skills system, economic growth will be put at risk.

Endless deficits will cripple our capacity to reinvest.

And a weak and floundering education and training system will fail to produce the skills and capabilities for a modern economy.

But even if we do those things, we need to realise that economic growth will not come to us by chance or good luck.

Those days are over.

The forces of global change and the domestic challenges I have talked about this morning require unprecedented policy action – not planning by wishful thinking.

So in terms of economic growth, I want an Australia that is an innovation, technology and knowledge-driven economy that thrives off the back of growing demand in Asia and continued open trade and investment around the world.

An Australia where our economy grows at 3.5 per cent on average.

Not because this is a magic number, but because we should accept nothing less than the growth rates we have enjoyed on average over the last 30 years.

Those rates have secured our living standards and were often achieved under challenging circumstances.

I want an Australia where rising productivity and improved competitiveness are the engines of job creation and investment.

Let's remember that productivity gains are essential if we want real wages to rise.

An Australia where our manufacturing sector transforms over time to participate in the high-value end of the global supply chain, creating new sources of demand and jobs.

An Australia where a growing services sector drives a surge of economic activity.

I want an Australia where our agriculture sector takes advantage of more liberalised trade agreements and where investment and scale allow us to move to high-value food production.

I want an Australia where our innovative, modern mining sector remains a cornerstone of our economic success.

Where high production costs and long lead times no longer impede this sector's ability to ride commodity cycles.

I want an Australia where our tax system is a magnet for investment and attracting the best and brightest people in the world.

A system based on integrity and transparency, which keeps pace with the changing nature of the global economy and rewards effort, risk and entrepreneurship.

I want an Australia where businesses, large medium or small, thrive and are respected and valued for their role as the wealth and job creators.

Where people aren't afraid to put their money at risk.

Where business owners, particularly small business, are not overwhelmed by a sea of rules, forms and government agencies.

I want an Australia where workplaces are collaborative and creative, which bring out the best in people and allow companies to adjust and stay competitive in a global economy.

And finally I want an Australia where energy exports, and domestic energy supply, power the economy.

An Australia where we lower greenhouse gas emissions through policy settings that drive innovation and new technology.

And where we see economic growth and environmental protection working side-by-side for the greater good, and for long-term prosperity.

So our 2015 to-do-list includes:

Decisive action on the Prime Minister's Innovation and Competitiveness Agenda.

Particularly, we need to accelerate the implementation of the new growth centres in areas such as food and agribusiness and medical technologies and pharmaceuticals.

They should act as clearing houses for new ideas and remove the roadblocks for getting good ideas to become commercial and scalable realities.

We must continue to implement and sharpen the deregulation agenda. Focusing on the things that will make us competitive.

It would be a shame if we removed \$1 billion of red tape and still had restrictive retail trading hours, high shipping costs and astonishing lead times to build or construct anything.

The Productivity Commission's review into workplace relations is a once-in-a-generation opportunity to reshape our workplace relations system so it's fit for a modern economy.

This review needs to be future-looking, not re-prosecuting the old arguments of the past.

The tax white paper process must be allowed to progress with integrity and thoroughness.

Everything must be on the table and our objective should remain focused on a tax system that supports economic growth, maintains equity, and generates adequate revenue to meet the cost of government.

The role of tax reform is not to prop-up overspending.

There is of course, a legitimate debate about companies and individuals meeting their tax obligations.

But we need to act with caution, based on evidence and ensure we don't diminish our already weak competitiveness.

Can we do it?

So to conclude, many people, even some here today, will say none of this can be done. It's too hard, and there's no appetite for change.

Well I fundamentally contest this for three reasons.

Firstly I believe in Australians. I believe in their wisdom, their intelligence. Their generosity, their acute sense of fairness and awareness of the legacy we are leaving for the next generation.

My second reason is we have the transition time.

In renegotiating the social contract we have the time to take the incremental and transitional steps and properly explain them.

My third and final reason is I believe and trust in the fundamental strengths of Australia's institutions.

We have been able to get things done in the past within our institutional arrangements – big difficult things.

For me Australians should trust the institutions which have served us through two world wars, the Great Depression and the Global Financial Crisis.

We seem to find the capacity to make them work when it matters most. It matters now.

We rally when natural disasters strike and when terrorism threatens our way of life.

As Australians we should expect that this sense of national purpose, this shared ambition for the country, isn't reserved for emergencies.

We need to find common ground and agree on the fundamentals, even if the detail is contested.

I can assure you that the Business Council will back good reforms to our tax system, our federation, our openness to trade and to improving our fiscal position.

We will continue to support the federal government's broad architecture in these areas, and we want to see bipartisan agreement on that broad reform agenda.

We will continue to support governments and Oppositions who pursue good policy.

We will collaborate with other sectors to pursue good reform that is in the national interest.

We will advocate for good policy as hard as we can, to win the community's support for change.

Conclusion

As a 54 year old, who has lived all their life in Australia, I believe I have been part of the most privileged generation of people to live on the planet.

As someone whose life could so easily have been one of disadvantage and disappointment, I know that the actions taken by successive governments have given me a life of purpose, opportunity and fulfilment.

I don't believe my vision for Australia is all that different from most Australians.

A progressive, modern, prosperous country.

A country of freedom and choice.

A nation of opportunity, of compassion and kindness because we have the wherewithal to leave no one behind.

I want an Australia that is the best place in the world to live, work, learn and do business.

Thank you.