

## Transcript

EMMA ALBERICI, PRESENTER: The Prime Minister's speech tonight at the Sydney Institute's 25th Anniversary Dinner gave some hints as to what's in store in next month's Budget. But it's the PM's refusal to rule out a temporary debt tax on families which has the business community nervous. I spoke to the chief executive of the Australian Industry Group, Innes Willox, a short time ago.

Innes Willox, welcome to Lateline.

INNES WILLOX, CHIEF EXECUTIVE, AUSTRALIAN INDUSTRY GROUP: Thank you, Emma.

EMMA ALBERICI: Now the Abbott Government has said it won't introduce any new taxes in its first term. How does that commitment square with this idea of a potential new debt levy?

INNES WILLOX: Well, as you said, it's an idea, and we really hope, for the sake of the economy over the longer term, that the Government doesn't pursue it. April is always the time when ideas get flown out there like kites and governments see what the reaction is and we hope that the reaction to this idea will be that they put it back into the shelf. I mean, you don't - as has been said many times, you don't tax your way to prosperity, and a levy or a tax or however you want to describe it, is not the right way, we believe, to go about building Australia's competitiveness and developing creativity within our economy. What it will just do, it'd be a disincentive for people to work harder and a disincentive for people to spend. We need more money going into the general economy at the moment, and to take some of that away even from parts of the economy, we don't think is a very smart move at the moment. And a tax rise at the moment of any ilk is the last thing that the economy needs. What we probably need more than anything is a full-scale review of our taxation system rather than piecemeal, bits and pieces changes to our taxation system. So, we don't think this idea has any merit whatsoever.

EMMA ALBERICI: Well what would the impact of such a debt tax be on the economy?

INNES WILLOX: Well what it would do, if - I mean, just remember though, this is just an idea, so we haven't seen the details of this yet. But what it would do would be to withdraw some money from the general economy and put it into government coffers to pay off debt. There are many other ways to pay off debt and one way is to boost productivity and to boost what happens in the economy generally, to get people out there spending. So the impact of this would be contractionary and we don't believe it has a lot of merit at the moment. We have to be very wary about ideas such as this of tax rises at the moment. It's not what the economy needs.

EMMA ALBERICI: Any such new tax is expected to be a temporary fix to solve the immediate so-called "fiscal disaster". Are you convinced we are in the midst of a budget emergency that requires such a measure?

INNES WILLOX: Well we're in a situation where the budget does need repair. There's no doubt about that and we've argued now ...

EMMA ALBERICI: Is it an emergency though?

INNES WILLOX: Well, we hear language like that and that was sort of said, I think if you'll remember, during sort of the leadup to an election campaign, so you've got to keep that in context. It's a budget that needs work. It needs some work over the longer term and we've said that we shouldn't be rushing back to surplus. We need to get back to surplus. In fact before the election, a survey of our members found that their third biggest priority after company tax cuts, which are sort of a bit odd when the Government's talking about tax rises, their third biggest request of government was to get the budget back into surplus, but over the longer term, over about five years, and that's something that we should be - we believe we should be looking at. Going too hard, too fast would really damage the economy, which is growing below growth. We have to remember that. We already have a very fragile economy. We all recognise and we're all on board that the Government needs to get the budget back into surplus, but not too quickly. Are we facing an emergency? Well we're facing a hard task. It's a very hard job for the Government to do. We understand that and that's why we believe they should take their time, but they should also encourage productive spending.

EMMA ALBERICI: On the aged pension, the Prime Minister tonight in a speech flagged that he wanted to see changes to indexation and eligibility. What would you like to see on that score?

INNES WILLOX: Well, we're getting older, Emma, and demographics are working against us. And as time goes on, as the Baby Boomers leave the workforce, the proportion of our population in the workforce is diminishing. So, we support the need over time for a pension age rise. The pension was sort of a Bismarckian concept in the late 19th Century and we've moved on from then. We're all living longer, which is a good thing, but we have less people in the workforce. So, we support a gradual rise in the pension age and the Government can make some changes around pension policy as it sees fit, but we do need to make changes, there's no doubt about that.

EMMA ALBERICI: And the Government is expected to lift the retirement age to 70 by something like 2029. The AI Group covers a lot of industries that require manual labour. I'm wondering how keen employers will be to have 69, 70-year-olds working on construction sites or on production lines.

INNES WILLOX: Well this is absolutely right and this is a big challenge for our community as a whole and employers play a key part in that. We need to focus on retraining and people not having to do the same jobs for their entire careers, their entire lifetime in the workforce. We need to find ways to use our older workforce as mentors, as advisors, not perhaps in those manual jobs, but more sort of helping the business work its way through and using their experience. And we have a track record of not being very good at that as an economy and it's something that we have to change. So we need to look at reskilling of what is called the mature age workforce and that's a hard job, because we already have big skilling problems as it is. So that's why this budget, we believe, has to put more of a focus on the needs of industry when it comes to skills, to put industry at the forefront to develop the skills, not just of now, but also of the future and that mature age workforce, that increasingly mature age workforce is definitely a key challenge for us.

EMMA ALBERICI: And the language of this government is about getting out of the way of business. Doesn't sound like business is going to have any assistance from the Government in terms of funding that reskilling.

INNES WILLOX: Well we've heard a lot of rhetoric from the Government about the end of the age of entitlement. It's something we've heard now for about 18 months and there aren't many in business who support the concept of handouts. But what business supports is government putting together the framework for the economy as a whole to work so that we are more creative, we are more competitive and we are more productive. And there's many ways a government can do that. You can look at the taxation system, you can look at infrastructure. I heard a commentator say that infrastructure was just a bit of public largesse that companies want. Actually infrastructure is about helping the entire community and that's something that the Government can do. Training and skills is a very important area that the Government needs to focus on; research and development. What we've got is an economy that is growing slowly at the moment and our two big drivers of growth, the financial market and mining, they're not big employers. They're big users of capital, but they're not big users of people. So government has to help, not through handouts, but through frameworks, to develop the other parts of our economy.

EMMA ALBERICI: Also in his speech tonight the Prime Minister did make the point that every week another 1,000 people become eligible for the aged pension. He also mentioned, as you've also pointed out, that the number of workers per retiree drops from about five now to less than two - less than three, rather, by 2050. Making people work longer, I guess, is one solution to the problem. The other would be to entice mothers back into the workforce. Is Tony Abbott's generous paid parental leave the way to do that?

INNES WILLOX: Well, we don't believe so and we would hope that the Government would look at this. They talk about the end of the age of entitlement and we can't see how that entitlement stacks up in the economy that we now face when we do have budget difficulties. We don't believe this is the way to go. It doesn't make sense on any real policy level that we can see. There's questions about its equity. There's questions about its value to the economy as a whole and there are other ways that you can bring women into the workforce and that's a key component of our society as a whole. But this paid parental leave is being funded, if it goes ahead as planned, by just over 3,000 companies in Australia. Now we're told by government that you'll get a company tax cut tradeoff in response to that, but that's not an equitable tradeoff, that's not a one-for-one. And we've got one member, a big member, who's done a calculation that's more than a back-of-an-envelope calculation and they say that this paid parental leave program, if it goes ahead, would take about \$190 million off their bottom line. Now, that's just one company. And there are other examples of companies who've told us it would be well over \$100 million for each of those. And at that time, that money should be going back into investment, into the productivity and growth drivers of our economy and we just don't think we can pay for it at the moment and businesses shouldn't be being asked to pay for it at the moment. It's unfair. Some businesses are being asked to pay, under this program, for the lead programs of other businesses and that's not really how the economy should work.

EMMA ALBERICI: Which is the business you're referring to that would lose \$109 million?

INNES WILLOX: I don't want to give your - give you their name, but they're a member of ours and they're deeply concerned about the impact of this tax.

EMMA ALBERICI: Is there any evidence from employers that the current paid parental leave scheme isn't good enough in terms of getting women back to work?

INNES WILLOX: Look, we believe it works and we have evidence from employers that it does work and that it is suitably generous. And we believe there's no real need to tinker with it at the moment. It has the broad support of the community. It has the support of business as a whole. You haven't seen business crying out for changes to the paid parental leave program. They're quite strong supporters on the whole of what's in place at the moment. And it's got the support of women, more generally. So, we don't believe there's reason to change and we will be continuing to argue, as will others in the business community and the broader community, for the Government to change its approach to this. Sure, they can make some changes, they can make some changes to the rate and the timing and the like, and that's something that we'd be asking them to go back to look at, given our budgetary situation.

EMMA ALBERICI: The PM also said tonight that he's in favour of adjusting eligibility thresholds for social security, in other words, means testing. In terms of attracting more women to the workforce, what would be the effect of, say, means testing the child care rebate?

INNES WILLOX: Well, we need to get more women into the workforce. That's got to be the driver. Women are now an increasing percentage of our workforce. And what we need to do is find any way that we can get women into the workforce to be part of that trained workforce for the future. And part of that is going to be too, Emma, that jobs are going to change in the makeup of people who do them, the skilling requirements are going to change as we get more technologically advanced, as we get more automated. And those sort of jobs that you talked about, those physically demanding jobs, are going to be less prevalent in the workforce of the future because we are a high-cost economy that can't compete on cost, so we've got to compete on our smarts and that's where we need to put our focus more generally. And women can play a much greater role perhaps in the economy of the future than they have maybe, say, 30 years ago and that's evolving and we need to find ways to make the workforce attractive to them.

EMMA ALBERICI: But do you think the Government's focus has been wrong in terms of the paid parental leave versus child care?

INNES WILLOX: Well there's arguments you can put forward there. There's a very strong argument: why not make child care tax deductible, for instance? And it's a discussion that you hear all the time. The Government's made a decision, well, through the Prime Minister, that it wants to pursue a paid parental leave program to keep women in the workforce and to make it attractive for them to return to the workforce. There are a lot of options at play here. There is not one silver bullet or simple solution and we would say that other options need to be looked at.

EMMA ALBERICI: And finally, are the constant reminders from the PM that he keeps his commitments, that he doesn't want to break his promises, is that more a political gesture than one that has the best interests of the country at its core when we look at things like paid parental leave versus child care or the reluctance to look at increasing the base or the rate of the GST?

INNES WILLOX: Well the Government got elected on a range of commitments and it's always laudable when a government does adhere to its election promises, but circumstances change over the three years of a government's term. And there is always going to be reasons for the Government to look more broadly. Now we have a review of taxation that's about to get underway in a real way and we would push very strongly for that to look at the GST. We believe to expand the rate and the base

of the GST and get rid of some of these transactional taxes, particularly at a state level, would be much more beneficial for our economy. And it's an argument that we're prepared to have, that the business community is prepared to put forward and we would hope that government will listen. It will be politically very difficult, but it will be a very mature government and a sensible government that puts these sort of issues that go to the heart of our economic growth on the table. In many ways, we're hamstrung by our three-year political terms, but circumstances have changed. Our economy is slowing, we're growing below trend, we're in a time of massive structural change, our trading partners, their economies are changing their makeup as well. Governments, while it's great that they stick to their election promises, also need to be nimble enough to recognise changing times and changing circumstances and that's why we'll put forward arguments, say, around industrial relations even now, even though government has just said it will stick to its commitments, because we believe to set ourselves up for the future, we do need to make some quite significant changes.

EMMA ALBERICI: Innes Willox, we're out of time. Thank you so much.

INNES WILLOX: Thanks, Emma.