

Transcript – ABC24 Breakfast – 14 May

Michael Rowland: I'm joined by Innes Willox, chief executive of the Australian Industry Group. Good morning.

Innes Willox: Good morning.

Michael Rowland: Out of 10, what do you give the Budget?

Innes Willox: Somewhere around a 7. It is a tough Budget the Government's had to deliver, there's a Budget repair job that's had to be done. One of the key make-outs is it's also a tax repair job we need done into the future. This Budget has laid bare our tax basis that exists is corroding quickly and we do need to start to really look at difficult decisions such as the GST, the rate and the broadening of the GST to make our tax base sustainable as our demographics work against us.

Michael Rowland: Picking up on the dilemma the states and Territories face care of the \$80 billion worth of health and education funding being ripped out, do you see this debate gathering pace over certainly the course of this Government with the prospect of a wider and higher GST coming in in the second term if Tony Abbott is re-elected?

Innes Willox: We've got to remember when the GST was introduced in 1998 there were agreements with the States to withdraw taxes and the States haven't done that so we need to go back to that point. Any future agreement has to be enforced. There will be, I think, gathering momentum around tax to make sure we do have a sustainable tax base and I think this is going to be one of the big issues for the next 5 to 10 years and you'll hear more and more voices calling for tax reform.

Michael Rowland: One of the nasty surprises for industry was confirmation of more than \$800 million out of industry assistance packages. What will those cuts mean for industry and business around the country?

Innes Willox: Obviously the Government's cut a whole range of programs around automotive, around clean tech and the like as part of a consolidation into a new fund, the entrepreneurs infrastructure fund. We have to work closely with the Government over coming weeks to make sure the best of the programs, programs that assist business in a practical way like Commercialisation Australia, Enterprise Connect, programs that businesses utilise to innovate, get better and bring projects to market, that they're all incorporated. It is a significant cut and a change in focus from grants by Government to advice being given by Government and we need to make sure that works. That's been on the cards for some time. You could read that in the tea leave through the Holden decision, for instance.

Michael Rowland: Does it concern you that the surplus has been pushed north to the future, the timetable for get back to surplus has slipped out a year and therefore do you expect some more tough Budgets in the years ahead?

Innes Willox: The Government's forecast a fall into surplus in 2017/18 and just missed a surplus in 16/17. If the revenue wins work in their direction they could get into surplus a year earlier. There's a big call here on a revenue increase that the Government's made here and at the same time as our tax base is corroding with the big reliance on income tax as we saw an increase in income tax last night so we now have a top rate of 49% so as long as it's a credible path back to surplus industry will be supportive of that and we're not rushing back to surplus and that's a positive thing. If they were to rush back to surplus the cuts we saw last night on the welfare and industry side of the Budget would have been much deeper. We have to recognise that.

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