

Australian Industry Group Chief Executive, Innes Willox On ABC Melbourne Radio with Jon Faine - Paid Parental Leave Levy on business

Jon Faine: Well, Tony Abbott has decided he can't go ahead with his rolled gold, Rolls Royce, Paid Parental Leave Scheme, so what should replace it?

Innes Willox: Well, what should replace it is a scheme where the Prime Minister has made the focus on childcare. We would welcome that. We think that the current paternity leave scheme that's in place at the moment, with 18 weeks of Federal Government funding on top of whatever a company provides, is more than adequate. We're very pleased that the Prime Minister has made this decision; he's listened to the concerns of business. The levy, which would have paid for that scheme, would have for many of businesses taken up to \$100 million dollars off their bottom line.

Jon Faine: Not for many, maybe for a handful. Did you say paternity leave?

Innes Willox: Paid parental leave.

Jon Faine: Is your argument, essentially, if it ain't broke, don't fix it?

Innes Willox: Well we don't think there's any need to change the system at the moment. It's got very wide community support; it's been supported across the board. Of course, the Government should look to further funding for childcare and that's something that we've endorsed in the past and something that the Productivity Commission has supported. We believe that's where the community wants the support, and we believe that would be appropriate. The big issue, the outstanding issue, in this debate is what happens with that levy or tax on big businesses, that's about 3000 businesses. We are working under the assumption that it will be scrapped, and it's only fair and equitable that it would be scrapped. It was proposed to fund this scheme, and this scheme has been dropped and the levy has been dropped with it.

Jon Faine: I'm astonished that you don't think that there's some sort of a problem to be fixed. Most parents of children who need childcare find it incredibly difficult to find places and fund them.

Innes Willox: I do think there's a problem to fix. And as I said the focus should be on childcare support, and perhaps tax relief around childcare is something that should be examined. This is a very vexed issue, but the way that the Prime Minister and the government had been looking to address this issue wasn't fair, it wasn't equitable, and it was going to put an unfair burden on around 3000 businesses which would have had an impact on jobs.

Jon Faine: We don't need to reinvent the wheel. The Productivity Commission have already provided a report and a blueprint on what to do, why not simply adopt it?

Innes Willox: Well that's what I just said before. They've had a good look at it, and that's the sort of direction that we should go down. We're very supportive of increased funding support around childcare. Businesses often see this as a way to attract employees and to provide support to their workforce. That's something that we should be applauding. We're living in the 21st Century, more families are seeing both parents working and they need support.

Jon Faine: The 1.5% levy on only the very biggest of big business was due to generate a couple of billion dollars worth of revenue for the Government to pay for the PPL, surely that's revenue that Joe Hockey is still going to want to get hold of particularly given the problems he's having in finding savings elsewhere in last years budget?

Innes Willox: Well, John, the Government's about to bring in a 1.5% corporate, or company, tax cut from the 1st of July. That's something that obviously we support, because corporate tax rate at 30% is not competitive with the rest of the region and we need to drive that down. Then to take that away from some companies and leave it with others would seem to us to be completely unfair and inequitable. Particularly when it's going to take so much off the bottom line. You said it would just be a handful of companies at \$100million, it will be a significant number of companies at above \$50 million, let's put it that way.

Jon Faine: Then where else does Joe Hockey get some revenue if the biggest of big business is not able to kick in at 1.5%, then where else does he find what he needs to try to get the budget back where he wants it?

Innes Willox: Well, we believe that the budget should be brought into surplus over the longer term. This isn't some sort of race to surplus, but we need to be heading in that direction. You've been hearing a lot of commentary over recent days about Australia going down a Greece-like path, that's a little bit over-egging that comparison, but if we contract the economy too quickly then we're going to have a significant impact on jobs and growth. At Ai Group we released an economics prospects survey over the weekend of over 350 CEOs and they're very wary about where the economy is heading this year. There are concerns about continued reduced growth and very anaemic demand. The last thing we want to do is further put the squeeze on business at a time when we should be trying to encourage them to invest and grow. Investment is the key issue of the future, and we don't want to further contract confidence.

Jon Faine: If we take a step back and try and look at Australia's economy and governance with some objectivity. If we strip away all of our preconceived ideas and prejudices and biases that every one of us brings to the perspective. If we step back, what we have got is a government that's been in power for 16 months that's failed to pass its first budget through both Houses of Parliament and that's racked with leadership instabilities. What do your members, who run the biggest businesses in Australia, what do they say about that state of affairs?

Innes Willox: Well there's obviously serious concern about the state of politics in Australia and about the state of the economy. Although we have growth it's very patchy, we're seeing our mining sector come off the boil. Our housing sector isn't going to be the solution, housing growth isn't going to be the solution to all our problems. We're seeing very low business and consumer confidence out there. There is real concern about the economy. The one bright spot is the falling and we're seeing exports improve as a result of that. But the economy is very slow, and when you think of Victoria where you are we're about to go into a year where by the end of the year we'll be starting to probably see the fall-out of the automotive sector closure start to occur.

Jon Faine: Not probably, definitely. We've got a Victorian State Government just elected who are trying to trash the biggest contract their predecessors entered into. And in Queensland we've got a government thrown out and billions of dollars, tens of billions of dollars, of privatisation suddenly being revised. If you look at Australia, Paul Keating Banana Republic, we're looking a bit wobbly at the moment.

Innes Willox: We are, and that's where I was going to go with the next point. It's incumbent on political leadership, business leadership, yes union leadership, to try to come together to agree on a path forward where we can get some direction and some growth. There's real concern in the business community about where our politics are at. I'm not just talking about the speculation of the past week. We have a senate that's very troubling, that's not consistent which makes it hard for government to deal with. That's an issue that government has to be able to deal with. It is tricky, we've seen governments try to make reforms, whether you agree with the reforms or not, but they've tried to make reforms and they're being thrown out. We would hope not – but that will make our political leadership even more timid, and we can't afford that at the moment because our economy is drifting into the slow lane and we need to make some hard decisions. It's incumbent on all of us to explain decisions that are made, or put forward arguments in a very coherent way, to try to kick-start proper debate and to get the economy moving again. That's going to be a huge challenge for us, but right at the moment, yes these are troubling times.

Jon Faine: I sincerely hope we are able to meet these challenges and that the leadership that the nation has, or in future finds, is going to be up to the task wherever it comes from.

Innes Willox: I agree entirely.

Jon Faine: Much common ground here. Innes Willox, thank you for your time.