

Transcript

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Item: **Interview With Innes Willox, Chief Executive Officer, Australian Industry Group - His Reaction To The Budget.**

JAMES DAGGAR-NICKSON: Joining me now Innes Willox, the chief executive of the Australian Industry Group joins me in the studio. Mr Willox, thanks very much for your time.

It seems from who we've been speaking to and certainly what we've been reading a positive reaction from industry towards this budget. But, does it go far enough?

INNES WILLOX: Well it's certainly a very solid budget. You can't complain about some of the measures around small business taxation, around multinational taxation and the like, there were some very good measures in this budget, so let's not ever forget that. The big question is will it move the dial when it comes to business confidence particularly around investment and what it really lays out is that we are now beholden very much to commodity prices, to iron ore and coal prices. They obviously have a huge impact on our budget bottom line now and we are almost going to have to check those budget forecasts daily as we watch commodity prices move around

JAMES DAGGAR-NICKSON: That's the problem isn't it, I mean you try and make forecast and projections and spending and revenue based off that but as we saw I mean iron ore down some \$45 a tonne just a few months ago.

INNES WILLOX: Well exactly and we heard the Treasurer say before the budget it could get as low as \$35. So look we've got to watch this very carefully. There is a clear pathway back to surplus that has been outlined but it's all contingent on those iron ore and coal prices which we can't control - 80 per cent of our iron ore goes to one market, that's China and if you have a \$10 shift in an iron ore price it takes 0.8 per cent off our nominal GDP. So that's the reality that we're dealing with here. We recognise the Government was very constrained in what it could do but it's taken some very positive steps. The focus on small business is welcome but what this now tells us is that we really need to have a serious look at corporate tax reform and a whole range of other measures to get the economy moving.

JAMES DAGGAR-NICKSON: Well let's talk about that, I mean does it go far enough? Where were the opportunities missed, I mean what would you like to have seen included in this budget?

INNES WILLOX: Well we believe there should have been a corporate tax cut for all business.

JAMES DAGGAR-NICKSON: Not just small business?

INNES WILLOX: Not just small business. It should have been for all to make us competitive internationally, and we've missed that opportunity and we would hope that the Government would revisit measures around accelerated depreciation and write-off - very welcome - and that's something that we may need to look to be extended out into bigger businesses going forward. So this budget has really laid some solid foundations to get for budget repair, but we really need to take some big strides over the coming years or else we're going to still have a sluggish economy, unemployment above six per cent, anaemic growth. That's what we've got to turn around.

JAMES DAGGAR-NICKSON: I suppose you highlighted the problem though, I mean they're in a weak revenue environment particularly when it's so reliant on such volatile commodity prices, giving a tax cut across the board to corporate Australia is [indistinct] hitting them in the hip pocket at least in the short term, I mean obviously the longer term benefits are there.

INNES WILLOX: Well that's right. We need those longer term benefits to flow through to the economy. Revenue grew by 5.5 per cent year on year...

JAMES DAGGAR-NICKSON: Yeah, tax [indistinct] not too bad at all.

INNES WILLOX: So we need to keep that in mind. But it is a constrained situation that they're facing. Obviously a lot of the budget is almost locked away in advance, so there's not a lot of room for the Government to move. This is a very solid step. They're not trying to build Rome in a day and they should be congratulated for that. The question is will this be enough to move things forward or will we tread water for a bit longer.

JAMES DAGGAR-NICKSON: Jennifer Westacott mentioned the tax, the need to look holistically at the tax structure, and [indistinct] we've already heard that with GST seemingly off the table when it comes to broadening or raising it, is that the next conversation that needs to be seriously had?

INNES WILLOX: Well James we have to have a mature conversation about tax and then we have to have governments and oppositions who are prepared to act on the outcomes of those conversations. But if we miss this opportunity that's coming up through the Tax Review, that will just set us back even more. The steps taken around small business are very positive but it's largely micro businesses who will benefit from this and then we need to move up the value chain to get more businesses benefiting from these changes. That's where the real economic growth will come from.

JAMES DAGGAR-NICKSON: Do you worry that in particular the focus on small business and what is going to be - what the Treasurer hopes is this boom in terms of investment, do you worry that it isn't going to filter through to big business because usually people start with big business and then small business follows.

INNES WILLOX: It usually trickles down. So we're starting at the bottom end here, and look that's welcome. We should not in any way diminish that, it's a very positive step...

JAMES DAGGAR-NICKSON: But is it where you'll [indistinct]?

INNES WILLOX: Where you'll get the game changes will be when those reforms come in for big business. That's where we need to look next.

JAMES DAGGAR-NICKSON: Innes Willox, thanks very much for joining us this evening.