Tax Reform – Ai Group Chief Executive, Innes Willox
ABC Radio Melbourne with Jon Faine
Monday 25 June 2018

FAINE: Innes Willox is the CEO of Ai Group, representing employers, and industry and business in Australia. First, the attack ads on Malcolm Turnbull. Do you think it's unfair to play the man instead of the ball?

WILLOX: There's a history of playing the man in Australian politics, and it's quite unfortunate when that happens. I think we really need to try to address the issues that are at play, and playing personality politics might give you a thrill for a minute but it really doesn't add much to the sum of human knowledge and that's probably not very helpful in the current circumstances.

FAINE: It may not be helpful to public debate, but clearly the Labor party think the ads will change peoples' minds or they wouldn't spend the money would they?

WILLOX: Obviously they're of that view but if you want take it to its logical extension, you could make the argument that Australian's have similar investments in companies through their superannuation funds. If you want to take that line all the way through, you could say that Australians generally are pushing this out of self interest, I don't think that's really the case here, we're all trying to argue from our perspectives in the national interest and that's what we should try stick to.

FAINE: Why is it in the national interest to give company tax cuts when wages growth is so stagnant?

WILLOX: There's two parts to that question. Firstly, wage growth is keeping up with inflation….

FAINE: …Barely. If at all….

WILLOX: …Well it is. But there's a couple points here. We're in an era of low productivity, which doesn't help wages growth. We're also in a period of quite clear underemployment. Now unemployment might be at 5.5% but underemployment is probably about 8-10%. When you have that slack, if you can call it that, in the labour market, that doesn't do much to promote wages growth. And also employers through the period of the mining boom were paying wage increases of 4.5-5% in some cases per year at a time of inflation running at 2%. There are swings and round abouts here. I understand the concern of people about wages, I think it's more about what people are having to spend on things they can't avoid, things like energy costs and to some extent health insurance, and we would hope that there will be an uplift in wages as productivity improves.

FAINE: Hoping isn't much use to people who are sitting saying 'it's all right for people at the top end of town and on the top of the income tree, but we're struggling.'

WILLOX: I understand that, and that's where this is an interesting political discussion we're now weaving into, where there's somebody at $90,000 is regarded at being at the top end of town I'll leave that argument to others.

FAINE: Scott Morrison and I had this argument last week. If you're a single person and you're not paying a huge mortgage well that's fine, you are ok. But if you're a single breadwinner supporting a partner and kids, and paying a mortgage well no you're not that well off.

WILLOX: It's tough and I'm not suggesting that they are. That's why we've been arguing for comprehensive tax reform for some time that takes into account income tax, company tax, tax and transfer arrangements, and the like. Coming back to company tax, why do we argue that it's necessary and required? I wouldn't argue that a modest decrease in company tax from 30 to 25% over a decade is earth shattering tax reform. It's really quite simply trying to put Australia in a place where we can keep up with the rest of the world, where we can be attractive for investment. Not only investment from foreigners into Australia, but for Australian companies to invest here.

FAINE: We already are, we have the longest run of uninterrupted growth of any economy on the globe, and business is constantly, throughout that period of prosperity, complaining that they haven't got it good enough. It starts at some point to smack of hyperbole, does it not?

WILLOX: It doesn't, because the growth that we have seen over 26 years has had many different elements to it. It's not just linear growth. We went through a period of the mining boom, five or six years ago, the second iteration of that which put enormous pressure as we came out of the Global Financial Crisis on other parts of business. Particularly around wages and competitiveness. It's a national picture, not an individual business picture, or individual business sector picture. The issue here is that if we stay at the corporate tax rate of 30%, over time the differential between us and competitor nations will grow. There are a range of factors why companies invest here, as one CEO said to me, "my board doesn't invest in sunshine, they want real outcomes." We have to provide real outcomes to attract business to invest. The other point I'd make is that among our smaller members who did receive a tax cut, there is very clear anecdotal evidence that a lot of that did go back to the workforce in terms of wages benefits and other benefits. I've heard that said from several business. That's what they did because they recognised that their workforce are doing it tough.

JF: The debate will undoubtedly continue.