



CHIEF EXECUTIVE'S MESSAGE • MS KATIE LAHEY

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**The major theme of the Business Council of Australia's policy and advocacy work this year may not be popular – as it does not represent the popular view. The BCA is convinced that if Australia fails to act on a series of critical decisions about its future, loss of prosperity and economic decline is inevitable.**

At a time of record growth and individual financial security, what might be seen as a 'Chicken Little' approach to Australia's future is understandably hard for many to fathom. Certainly, it is not a theme endearing to politicians whose incumbency has largely depended on 14 years of unbroken economic growth. But recent decades are littered with examples of so-called miracle economies which failed to lock in growth, and as a result, suffered prolonged downturns.

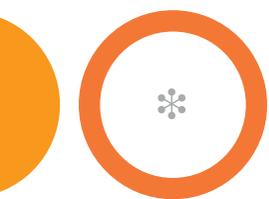
Australia experienced a similar rise and fall in the not-too-distant past. Until the 1960s, our living standards and average wealth put us in the top 10 of the world's most prosperous nations. But at the height of prosperity, decline was already beginning to set in. Politicians and

policy-makers failed to recognise the need to keep pace with globalisation and technological changes that were ushered in by the second half of last century.

At the start of this century, Australia faces a similar test. A long period of growth has significantly increased the level of wealth among average Australians. In the process, it has created a sense of confidence and security in our individual and economic position which we have not experienced as a nation for some time.

This heightened affluence and security makes it very difficult to envisage the need for change. It is also problematic for our politicians to sell the message that Australia's current prosperity is founded on the hard rock of often unpopular policy-making in the past, and that to sustain it requires similar tough decisions.

The lessons from previous generations and other economies which ignored the advantages of good economic times to lock in prosperity is one reason why the BCA has advocated the imperative to pursue further economic reform. The other reason is hard economic data. The evidence is now undeniable. Cracks are beginning to show.



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As with most structural imbalances, they are not easily detected at first. They develop slowly without much disturbance on the surface until they emerge as headline data such as rising unemployment and interest rates and declining consumer confidence. By that time, it is too late to turn them around quickly or painlessly. Our current account deficit is at a record high. We are saving too little and accumulating too much personal debt to sustain growth in the long run.

The lessons of previous times and other economies have demonstrated that it is far better to address these issues when our economy is buoyant, rather than leave inevitable decisions to when decline makes our available policy options less flexible, less attractive and more costly. These lessons have formed the basis of the BCA's core policy work over the past year.

Our Task Forces have singled out workplace relations, taxation, infrastructure and business regulation as important areas for reform. In each area, significant research has been undertaken by, or on behalf of the BCA to demonstrate why reform is required, and what

form it should take to ensure we remain a highly competitive and productive economy.

Progress on each of these contributions by the BCA form the basis of the reports from the Business Reform, Employment & Participation and Sustainable Growth Task Forces which can be found in this Annual Review. Now that the policies have been released, the BCA's focus is on the most effective way they can become part of Government policy.

The Annual Review also contains the BCA's views and recommendations on how to revitalise the reform agenda using National Competition Policy (NCP) as a model.

NCP was developed around a clearly stated policy goal and objective, and incorporated a comprehensive series of reforms across a range of policy and regulatory arrangements and jurisdictions. As such, NCP holds powerful lessons for the reform package that the BCA and others are advocating.

The challenge is there for Australia; the next 12 months will be critical in seeing whether we have learned the lessons of earlier times.

On a positive note for the future, the BCA is pleased that through a number of trade agreements and negotiations, the Federal Government has secured preferred access for Australian businesses to some of the biggest and fastest-growing markets in the region. The challenge now is for business to take advantage of those opportunities.

The BCA's Trade & International Relations Task Force continues to play an important role in reflecting the views of large business into ongoing trade negotiations and promoting the benefits of bilateral trade agreements to business generally.

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Education and training remain an important priority for the BCA. As the global economy is becoming increasingly geared to value generated by human capital, we need to continue to press home our current advantage and build new sources of growth. The BCA's Education, Skills & Innovation Task Force continues to play an important role in many policy debates and formations aimed at securing this objective.

I would like to thank Mr David Murray, former CEO of the Commonwealth Bank, for his commitment and vision during his four years as Chair of the Education, Skills & Innovation Task Force. As Chair, David has been responsible for significant BCA research work and policy advocacy which has played a major part in reform of our universities, a renewed focus by Governments on reducing early school leaving, and more robust policy approaches to Australia's research and development activities.

I would like to offer a special thanks to the other Task Force Chairs and members of the Task Forces who have successfully progressed the BCA's agenda. They have spent many hours directing the development of policies that underpin the Council's reform framework.

I also extend thanks to Members more generally for their input and support over what has been a very productive and busy 12 months.

In particular, I would like to thank Mr Hugh Morgan for the tremendous leadership and vision which have marked his two years as President. It has been a privilege to work with him during what has been a very important time for public policy in Australia and an important time for the BCA and its Members. He has tirelessly channelled his energy and intellect into much of the BCA's policy work and advocacy during his tenure and the Council is all the richer for his contribution.

I also extend thanks to the BCA Secretariat for its ongoing commitment to the Council's policy agenda.

