Welcome to the national press club for today’s National Australia Bank address. According to a new study to be released here today, Australia is at a tipping point in terms of our international competitiveness. Commissioned by CPA Australia, the report Australia's Competitiveness: From Lucky Country to Competitive Country finds that while Australia does do well in many areas, there is significant room for improvement in other areas including our engagement with Asia and it warns that the decisions our political and business leaders take today will help define Australia as we progress through the 21st century, this the Asian century.

What are the risks we face? How should we address them? Well to answer those questions and officially launch the report, please welcome the chief executive of CPA Australia, Alex Malley.

Thank you very much, Laurie, and to also the board of the National Press Club. It's a delight to be here. We also like to acknowledge the traditional owners, their ancestors and their unique relationship to this land. It will come to no surprise to you all that accountants are extraordinarily good company. They are warm - that was the serious part of the presentation.

They are warm. They are personable and they are sentimental. And to that issue I don't mind saying that I am somewhat nostalgic. I feel somewhat nostalgic today. Not necessarily just because I'm over 50 or our seven children have now grown up, or in fact we speak to our grandchildren on a television called Skype, or that instead of taking a tablet to feel better one actually reads from one every morning because the media sends it to you.

There are other reasons to be nostalgic. There are other reasons to think about some of the principles that perhaps we need to go back to. I miss, and I think we all miss, a community and an economy with big ideas. More leaders who are willing to fail because they tried rather than to succeed because they didn't. Leaders who have built a future beyond their future. Leaders who can laugh at themselves in the toughest of circumstances. Leaders who can intellectually debate and vigorously disagree with one another all the while respecting each other.

By necessity, not nostalgia, we need these principles and attributes to return more overtly in Australia today. I miss feeling that we are the lucky country because of our obvious vision, behaviour and culture rather than because of our good fortune in the past and that we are used to saying it. We must all step up if our children and their children are going to also be able to say Australia is the lucky country because we and they have created our own luck.

We need a fire in the belly to compete with emerging economies who are driven by extraordinary ambition. Ambition and desire to improve and achieve, in fact they remind me of Australia post-war that my migrant father used to tell me about.
And the challenge for us is how we get that fire in the belly that goes with emerging economies, who work because they can see achievement. They can see the benefits of it. They've coming from a base that we don't remember.

And this for Australia and its future is so important. Many of us witnessed, and if we didn't witness it live we saw it later, man landing on the moon. I call it the tin can that went to the moon and back in 1969. Ninety per cent vision, ten per cent risk management. We are so sophisticated today that we have actually reversed that percentage and society today seems abundantly clear on how to manage every conceivable risk and even pretend that risk can be contained all the time rather than try and achieve a vision.

I had the extraordinary fortune to speak to the first man on the moon and his most compelling drive for why the Americans did that was because there was a competition, and everything about it was being the first to get somewhere. And when the Russian empire of course changed into the future, the compelling reason to compete went away. And I think when that happens, we tend to feel like we're a monopoly and when we live this far away, we could actually make that mistake of believing it.

Placed against this backdrop of course is the political landscape that we're now living with and it's quite clear to me in living memory, we've never seen such primal human behaviour of people. At the core of it, fear. And we've all contributed to these circumstances, sometimes through silence - not in the media's case - to allowing policy formation to lose its way, intelligent debate to go AWOL and a world where disrespect of others has become a badge of Honour.

It is by design that we sought to launch our works at the National Press Club. To our media colleagues in particular, we need your persistent and consistent contribution to not allowing political leadership of any persuasion to avoid the debate and the conversation business and all Australians need to contribute to and hear Australia's competitive future.

Ladies and gentlemen, we are at a tipping point. It's time to constructively protest and debate with verifiable data the issue of Australia's capacity to compete in the future. It is everything that matters to all of our next generations. We call on business, the union movement, regulators, governments, the media, parents, guardians to positively contribute. We are there for the long run as an organisation and we need to look at this very seriously.

If this debate is created and we at least agree that we've got some issues here and we need to compete more strongly then we've got the beginnings of a dialogue that's going to matter for this country. And there's no doubt, there is absolutely no doubt that there is no perfect employer. There is no perfect employee. But if we go into the combat mode, as we tend to do in this country, on issues that affect an employment scenario, then we will lose. We need to open the dialogue. We need to trust each other again and we need to have the right debates.

Today, we deliver a landmark piece of work. The book titled Australia's Competitiveness: From Lucky Country to Competitive Country captures the thinking of over 6000 business leaders both within and outside Australia. It analyses 76 key attributes to the Australian economy and industry in 32 sectors. Be assured that this book is being slammed - that's my word - on the table of every politician in this country. It provides the framework for policy discussion and formulation.

To put this work in context, in the 2012 World Economic Forums' Global Competitiveness Report, only 68 respondents shaped Australia's ratings. Sometimes back, our board and management, like many Australians, contemplated the issues we raise with you today and contemplated Australia's future. So it's a very proud moment for me to be part of this conversation with our board colleagues and as a result of that work, we're proud to deliver it to you today.

At this juncture, I'd also like to acknowledge in the room the authors of the book, Professor Michael Enright and Professor Richard Petty. I also acknowledge the CPA Australia chairman, John Cahill. And our authors will be available after this session as well for any detailed information they would like to glean from the media.

The decisions we make this week, this month, this year will have profound consequences for decades to come. These decisions or non-decisions will define Australia in the 21st century. And when considering what we do, how we respond to this clear and present challenge bear in mind that a child born today will spend their entire schooling and working life with China as the world's largest economy.
This is why competitiveness matters. This is why we need to step up the political and positive challenge. We have to be unselfish because many of us here will not benefit from the work we do now and that's the challenge we have with short term election periods. We have to look at this as a long term goal. Australia has generally outperformed other OECD nations over the last decade while maintaining a reasonable though debateable fiscal and monetary stance.

This week's admission by the government that the budget faces a significant fiscal gap of 12 billion indicates that we have further challenges ahead. Over the last few years we've seen greater flexibility and opportunities for us to deal with the global economy. Perhaps some of those opportunities for the moment have been set aside.

Emerging economies are rapidly transitioning to modern service based economies and seeking other sources of supply. Those suppliers are becoming increasingly competitive. Most emerging economies look, listen and learn to build knowledge and economic capacity. Then, perhaps as they should, they do it themselves. And the culture in this country is that I believe that we are in a position where we feel we will always have a comparative advantage. We have had that.

But to the credit of the emerging economies once they pick up the issues, once they learn the process, they do it themselves and that is a brand new challenge for this country. A great opportunity but a great challenge. So where does that leave us? While mining has boomed, other sectors have struggled with higher costs and appreciating currency and tougher international competition in tighter world markets. Productivity growth has slowed and economic balances have resulted in a multi-speed economy.

While arguable impressive when compared to other OECD nations, Australia's growth rates have trailed well behind other growing economies in Asia. This is a key point. We shouldn't be pleased about beating broken economies. Albeit that they are friends and long term allies, the fact is we should be aspiring to compete against markets that matter. We urgently need to change our thinking and many of our policies if we are to transition to a more knowledge based economy, one that is geared up to actively engage with the fast growing and evolving Asian economies.

This is best addressed by understanding Australia's competitiveness in a detailed way. Without such an understanding policy is unlikely to focus on what is important and strategies are unlikely to leverage Australia's advantage while mitigating its disadvantages.

The book we are launching today, the Australian Competitiveness: From Lucky Country to Competitive Country, is the most comprehensive study our country has seen on international competitiveness. It is not looking, as most do, at the aggregate position of competitiveness. It breaks it down into sectors - 32 sectors. We have to be realistic about what we stand for in comparison to other partners and competitors. We have to face facts about our economic and social policy settings and the capability of our businesses.

For Australia to succeed going forward we need to look beyond traditional benchmarks and learn to compete against new competitors. The book shows that while Australia does well in many areas, there is considerable scope for improvement in a number of significant drivers of competition. Australia does well in assessments of quality of life, political and social stability, the nature of government in our regulatory institutions and ease of starting business and education.

We don't compare well in terms of links to the global economy, infrastructure, the talent brain drain, supply change in industry clusters, business sophistication, tendency of companies and corporate activities to leave the nation, city competitiveness, complexity of taxes and regulations and some dimensions of costs.

From a broad point of view, some of the issues coming out of this research pertain to these types of areas. On the issue of innovation, for advanced economies like ours, competing in the knowledge innovation economy is more important than ever. In our research, Australia's position in the knowledge economy is found to be good but not great and while Australian's tend to be supportive of the concept of innovation and entrepreneurship, we often seem less supportive to concrete examples of it.

In short, Australia lacks a systemic culture of innovation. At the core of the emerging markets, there is the culture of innovation and that's what we need to create again. The challenge for us of course is that we do not have the burning desire that perhaps we had when were in an economy that was in growth and post war. How do we mimic that? How do we get people to start to recognise that there's a passionate challenge that we need to step up to?
In relation to benchmarking, there is a tendency to benchmark Australia against other OECD countries. Unfortunately, for many industries and corporate activities, these countries are neither major markets nor competitors. The research shows that the small and medium sized OECD countries that are usually compared to Australia tend not to be relevant competitors nor significant markets for Australian industries.

It is large economies like the US, UK and China that repeatedly appear as competitors along with the range of other Asia-Pacific economies like Hong Kong, Singapore, India, New Zealand and Japan. We need to benchmark against Asia-Pacific economies if we’re serious in wanting to be ambitious for the goals of our country. When we constantly compare our growth levels against those who are growing more quickly, I think that creates an aspiration as opposed to be comforted by beating those who perhaps have got some significant systemic issues.

From the outside we continue to be graded as having stable government, however that doesn’t translate to the impact of recent behaviours of our political leaders on all fronts. In frequent international travels, like many business people, we are regularly quizzed about what is going on with the politics in Australia. At the core of the emerging market curiosity in Australia, it’s not our profound competitive culture, but what appears to be to them inexplicable behaviour of adults.

Ladies and gentlemen, we need to very carefully understand that the world that matters to us is watching and it is not inspired, it’s bemused. Perception in life is a significant issue. Perception in business is a significant issue and on that scale we do not rank well. A number of economic policies were found to be sound but there was strong feedback around the coordination and complexity of tax and regulatory policies. Hardly surprising when you consider the number of taxes and where revenue comes from. In aggregate Australia incurs at least 127 different taxes each year, yet at last count of the total tax revenue collected by Australian Governments 90 per cent was derived from just 10 taxes.

It means around 117 taxes account for just 10 per cent of revenue. CPA Australia, like many other businesses, will continue to maintain vociferous dialogue with the Government and opposition on these issues. And it is not just taxes. Businesses large and small wrestle every day with unnecessary regulations. A café in Melbourne recently wanted to place a retractable clear plastic sheet from their awning to the footpath in order to protect customers sitting outside from the elements.

They approached the local council for permission. Instead if being a straightforward exercise they were told that in addition to council approval they would also have to get approval from the State Authority responsible for main roads, the State Authority for public transport as a train line runs down that road and the local water authority as the café is a once in a century flood plain.

I still try to contemplate what the plastic cover would have to do with being anything but good news in a flood. You may be aware that this is an election year. We need to insist that our politicians from all parties develop a competitiveness impact statement as part of all major party announcements. As a recent example what is the impact on competitiveness in a growing knowledge economy and world of an education policy which takes money from higher education to fund primary and secondary education.

Place this against where we need to be in knowledge. This is a topic that as recent as today we see, I think, a thousand academics collect their thought. To the issue of business management, our research assessed how the world sees Australia and how we in Australia see ourselves. Australian business managers tend to rate themselves and their companies relatively highly when it comes to their knowledge and capabilities. However, Australia trails the world, including a number of Asia Pacific economies, in international comparisons.

Interestingly, Government assistance to business rated highly on many occasions than the specific strategies of those particular firms. And this we found intriguing, because as much as we need a framework from Government it is for business and the community to build their economies. The survey results suggest that many in Australia may not recognise that they are behind on these dimensions.

Overrating managerial and company capabilities could result in a weakening of our competitive position unless urgency to fill gaps that need to be filled. Australian managers and companies in general will need a greater knowledge of international markets, particularly in Asia, international productive resources and the tools that can be used to reach and manage these markets and resources.
Australian companies need to view themselves as an integral part of competition internationally. Location could be better exploited also as part of the findings. We need to do more to press home the advantages of our geographic location. Australia's proximity to Asia in terms of distance and time zone is something to be leveraged. With our English language capabilities we are well-placed to become the Asia Pacific centre for 24 hour a day business operations of international companies involved in high value knowledge intensive activities.

These include health, research and development, architecture, design, software, legal services, consulting and accounting. As an example, with our technology and highly trained and skilled doctors why couldn't radiologists, for example, in Australia provide overnight coverage for the 24 hour operations of big medical centres in the United States? As you would imagine infrastructure was a key issue. We recognise that Infrastructure Australia has worked prioritising infrastructure projects and we recognise that we need more private capital to fund the building and strategic infrastructure projects.

But the issue of urgency, competition and the need to be the leader is illustrated in the following example. Back in 2010 the Government committed to a fast train inquiry. It took 32 months to release its report. It came out last month. The report outlined a 50 year timeframe to complete 1748 kilometres of track linking Brisbane to Sydney, Canberra to Melbourne and a handful of cities in-between.

Now, consider back in 2008 China took just 38 months to lay 1318 kilometres of track for their fast train between Beijing and Shanghai. It's done. We often in jest use the term "only in America", but perhaps in other countries they say "only in Australia". The point of this example is to not necessarily advocate for fast rail in Australia, although it may be a good idea, or comment on our respective planning processes, but to highlight the breakneck speed that our Asian neighbours and biggest trading partners are working at.

China now has a fast train. Australia has a 50 year plan. What comes through loud and clear in the findings of our research is that competitiveness is everyone's business. No single group can create competitiveness. Any single group can kill competitiveness. Government urgently needs to place a high priority on access to and knowledge of Asian markets and Asian literacy in the workforce. And this needs to be agitated on an ongoing basis by business, the community and parents.

CPA Australia has been doing business in Asia for 60 years. Our own experience shows that having talented staff that understand different cultural nuances and fluently speak different Asian languages is a distinct advantage. It is common sense. What we are looking for from Government of all persuasions are long-term policy frameworks that provide a consistent vision and the right incentive structures.

The Asian Century white paper and subsequent implementation plan was a good start, but in terms of flesh on the bone since the launch virtually nothing has happened. CPA Australia respects the Government's dialogue on integrated the study of Asian history, culture, politics, religions and philosophies into the curriculum of all primary and secondary school students.

In fact, our book notes in order to make Australian students more ready for the Asian century a greater emphasis should be placed on Asian studies and Asian languages. However, we believe that aiming to give all students simply the option to study a priority Asian language by 2025 is too little too late. If we are going to be a serious player in the Asian century today's children must compulsorily start learning Asian languages and Asian culture from as early as kindergarten.

Caulfield Grammar School in Melbourne, which I did not attend I hasten to add and have no links to, established a campus in Nanjing China in the 90s. The school has in place today a comprehensive program for teaching and learning of Mandarin Chinese with students from all levels from Prep to Year 12. Each year around 400 Year 9 students spend five weeks in China. It is about language, culture and history, but more importantly it is about establishing lifelong bonds and cross-cultural understanding.

On the Government's most ambitious objective the first cohort of kids to take up the option of Asian language education from 2025 won't be graduating from high school until 2037. China will already be into its second decade as the world's most powerful economy. Our best most ambitious plan has us on track to miss the boat by 22 years. We need to call this. We need to call it on all our politicians from all sides and I emphasise the importance of people who have children, whether that be as guardians, parents or in any other capacity, that we need to give them the equal opportunity to negotiate, to be treated equally, to have a complete and utter balance in relation to knowledge and culture.

In 13 days Treasurer Swan will hand down the Federal Budget. For many years before it became common debate we raised concerns about fiscal management and the rush to surplus. A surplus or a deficit is not a goal. It is an outcome of a
plan. We need a plan to frame our competitive future. We need our political leaders to have the fortitude to raise the realistic and big issues. And one of the elephants in the room, of course, is a broader-based tax.

Given the noise that is the next four or five months in Australia we need to, at least, begin that dialogue. The Henry Tax Review is an outstanding piece of work. It is a road map for Australia and yet it precludes the issue of the broader-based tax and the manner with which we can perhaps be more efficient. The Asian century does not necessarily mean the Australasian century.

Companies from other parts of the world are focusing on Asia.

Education is under pressure like no other time. The US has opened its doors as has the UK in recent years which makes it even more challenging. Several Asian economies are as advanced, not more advanced than Australia, and a number of them have easier business environments than Australia and are embedded geographically and culturally into the region.

We have to act boldly to seize the opportunities of the Asian century. I am reminded that this year marks the 40th anniversary of then Prime Minister Gough Whitlam’s famous visit to China. Of course, we all know that he had gone two years earlier as opposition leader before Henry Kissinger and before US President Richard Nixon. He was roundly criticised yet he was bold and decisive in his time. He pulled off a political and diplomatic masterstroke which profoundly shifted attitudes and here we are 40 years later with the stage set for a similarly bold and decisive initiative.

And as I said earlier, we are at a tipping point and luck won’t cut it. Let’s take inspiration from the spirit that built this country. Our future prosperity has nothing to do with luck and everything to do with choices we make, the leadership we provide. Leadership comes from within. Each one of us will be measured by our contributions on the journey of this country. We need the media to facilitate an unstinting debate that includes politicians, business, the union movement and regulators.

We have provided the unprecedented and verifiable data on matters, competition in Australia and as it relates to the world. Competitiveness and our place in the Asian century is in our hands. Let’s work together to transform our country into a global colossus, but it will take a lack of selfishness, it will take foresight and it will take this Government and future Governments - a great challenge for them to achieve magnificent goals for this country. Thank you very much.

Laurie Wilson: Thank you very much Alex Malley. Let me kick off the questioning by saying to you obviously government has a critical role in addressing many of the issues that you’ve raised; you mentioned taxes, broad-base taxes, the complexity of the tax system, regulation infrastructure, Asian literacy, access to markets, a whole range of things.

But if you were to select your top two or three priorities in terms of what we really need to start with, what would that be?

Alex Malley: Look we do need to - you’d expect me to say this as a CPA, we do need to get some clarity on our tax system. Because, more than anything Laurie, if we don’t get some simplicity in that model so that those markets that we are competing with we’re not losing people to, I think that’s a key priority.

The good news; we’ve got the Henry Tax Review, we’ve got a roadmap. So that would be a key priority - more to give us the space to be able to compete more favourably.

Second is we need to build relationships with Asia and we’ve submitted to the Asian Century Taskforce the need for a government to facilitate a much broader relationship development between business in Australia and other markets. Austrade does some great work there but that needs some real support.

And the third is building an innovative culture through actually having a better dialogue with business and working out how we can create a workplace that gives a balance between the employer - the union movement, and says as a commitment, we need to actually be able to compete into the future, and the model we’ve got now Laurie is not going to work. And we’re going to be out-costed, and by the time we work that out it’ll be too late.
**Laurie Wilson:** Before I go to the floor, you mentioned Austrade and my mind goes back some 20 years - in fact it may have been 1993 as I recall that McKinsey produced a report called Born Global, which found, I think much to many people's surprise, that there was a development of a lot of young, small still but agile companies who were starting out as exporters. They were just basically going to the world markets. And that was seen as very positive news, it wasn't just latent, it was happening.

Is there, in terms of this report, you know is there anything that points to that sort of positive news. I mean you've mentioned the things we need to address, but is there something there to be happy about in terms of what's happening?

**Alex Malley:** I think there's a lot to be happy about if we get the policy settings right, and business really does step up. Look at the core of it - I mentioned leadership right up at the front. There are significant business leaders today who are independently successful, wealthy and well heeled.

I believe that we have to have more people talking about Australia, as opposed to the agenda of their own entity. In the report one of the very interesting things is it plays out four scenarios for Australia into the future. And it very clearly, I think, identifies to the world that depending on how we get the settings right we'll either go down a resource approach, we'll become a first mover, we'll become an innovator, or we'll become effectively an island far away.

And I think the formulas are in there, but there's a lot of data and there's a lot of information for every single industry. So for them to be able to go back and look at this, that's their feedback of their own sectors. And it's telling us what sectors perhaps are worth investment, and what sectors perhaps we need to reallocate and resource differently.

**Laurie Wilson:** Okay, question now from Peter Martin from The Age.

**Question:** Gidday, Peter Martin, The Age and Sydney Morning Herald Alex.

You say we need to be bold, like when we were younger, we need to compare ourselves to countries that are younger in the terms of their economic development. But we're not younger. We're a mature, high income society.

Accountants typically advice people when they're young to take risks in investment, when they're old they say be conservative, harness what you've got. Can you understand why we compare ourselves to countries such as the US, Japan, the UK, those countries of Europe which are like us. And can you see the difficulties we have comparing ourselves to much poorer economies, much earlier on in the stage of their development. We're simply not like that, and perhaps that's why it's not surprising that we're no longer as risk taking and bold as you'd like us to be and we used to be?

**Alex Malley:** No, thank you look you raise some interesting points. I actually think we are like each other. I think the manner with which Asia does business, the pace with which it does business, I think there is inherently quite strong culture in this country to actually rise to that occasion.

The fact is that US and the UK have been long term friends of ours at all levels. And part of the challenge now is that the economic movement of course is towards Asia but we've got old ties with countries such as the two we've raised. But in fact, what happens with mature economies is that by their very nature they become a little bit more fat, a little bit more comfortable, and they build their own sense of bureaucracy.

And that's the challenge that Australia is still young enough to contest. Whereas in the US and the UK that is so profoundly complex that it would take a generation - generations of well-meaning leaders to turn those juggernauts around. There is a real edgy point here; we either go towards that bureaucratic approach, and we tend to still be inspired by regulations in the US and the UK, when in fact they're measure on the basis of much more critically poor economies than ours.

And I think it comes down to Australia's security in itself. Somewhere in this country we still don't quite believe in ourselves, and we've got to respect our history with the US and the UK, and we really do need to give our children the choice. This is what this is about Peter, it's about choice. And for 20 years we've gotten by speaking English and assuming emerging markets are going to learn our language. We've been lucky.
But what we need to do is ensure that when we're gone our children can speak language equally, understand culturally equally, the relationship's different. We've had this low-hanging fruit scenario; that's not going to last. And I think we have similarities to Asia, kids get on with kids, we need to build those relationships now.

And the reason I use that example in the Melbourne grammar school is because they're doing it themselves. There's nothing stopping many schools collaborating to do projects like that.

Laurie Wilson: Can I just pick up on a point in Peter's question, and it's going beyond it. You made the point in the speech that while we might compare favourably with OECD countries, that we're trailing - I think you used the word trailing, well behind the emerging economies in Asia. But the reality is I mean we're a developed economy ourselves, developed economies simply do not grow as quickly as emerging economies. Is that not the reality?

Alex Malley: I think it's a reality - it's a historical reality. But you see what's changed is that we now have borderless business, we now have knowledge economy. And that means online, it means instant, it means internet, all of those things. So boundaries have gone, and that's what's really making this a significant challenge, that we're still falling back on our old paradigms, our old history.

Here's the irony; those who have influence in Australian business and in leadership are not naturally au fait with the modern era of online, digital, all of the moving parts. The people who do are young, smart people who have no influence. So you've got - even within the organisation, you've got those who have the seniority and the influence, but not the content knowledge of what the world needs to looks like. As opposed to young people who perhaps need to have a bigger integration with the organisation.

If you listen to retailers, as a classic example in Australia. Gerry Harvey who I've high regard for in his capacity - if you listen to Gerry he is debating all the time about the online retail versus the, if you like, the elephant and the mice concept. Business and the model of it and the online, borderless world is here like it or not. And I don't think we're coming to grips with it well enough from a leadership point of view.

Laurie Wilson: A question now from Joanna Heath.

Question: Joanna Heath Australian Financial Review. You mentioned the need for brave politicians who are willing to fail and to look beyond their own legacies. I wondered how you judge the current Government by the criteria; perhaps particularly in the context of the kind of announcement we had this morning where you had a PM making the rather unusual pledge to raise taxes in an election year for the purpose of a long term reform.

Alex Malley: Sure. Well Joanna look, I'm not in the business of publicly judging government specifically - but I will say this. What CPA Australia's been very keen to do in the last couple of years is to be really focus on - and in addition to what we normally do on the public interest issues. And there's not doubt that we have raised a series of public interest issues around policy development and formulation.

We have had very significant experiences around some of the key topics of superannuation, taxation, where we've got some concerns about how policies are being built. We've got some concerns with policy being built quickly and then being changed mid-stream. We've got problems with what was announced last week - notwithstanding the fiscal situation with education. And we have that because, in the public interest if our future is in the knowledge economy, how is it that you could possibly have a policy that takes from the very sector that we need to grow to stay relevant. These are all concerns that I have, and I suspect I will continue to have no matter what government's in train over the next period of time. But I am talking to the media because I believe that the media can help with raising issues and allowing them to sustain themselves in conversation.

If we are going to be sustainable it's going to be because we have agreed that we have a competitiveness issue. And we do need the media to keep that alive. We've got the book, the book is untouchable. It's a verifiable, objective piece of research; you will not find an agenda for this organisation in there at all. The agenda is, as a public association, as a professional association, if we don't raise these issues and slam it on the politicians' table - a top 100 company's unlikely to do it because they've got their own business agenda. The business of what we do is to contest issues.
I respect the fact that people in both the Government and the Opposition are passionate, I respect the fact that I'm sure there's latent talents we have yet to recognise. But I think, by any objective measure, Australia has a lot to be concerned about over the last period of time in relation to political behaviour across the board.

Laurie Wilson: What do you see as - I think you referred to it, the implications of the way the rest of the world views us? I mean I think you said oh - some people are bemused by what actually is going on down here.

Alex Malley: Yeah look there's no doubt that in the Asian markets, they struggle to understand how it is that - look, I was in New York when the change over of Prime Minister took place. And the reality check for us is that - I got a call, in fact, from someone in Parliament to tell me this news had broken. I scanned 36 channels in the US, and I couldn't get that news, but apparently we're really important as a country.

And we need to get the balance right, we need to understand that we've done some fantastic things in this country, we've got great history, migration was successful for us. But in Asia, their focus is almost entirely on a nationalistic goal to achieve and to get stronger and better and smarter. Like we were once.

So the fact is, they are looking at us Laurie, and they are bemused, and they are asking questions of our staff all the time who are scattered across Asia, asking for us to just explain to them how the Australian Parliament works at the moment. And that can't be good for the country.

Laure Wilson: A question now from David Crowe from The Australian.

Question: Thanks Laurie, giddy Alex, David Crowe from The Australian.

The - I wanted to ask a double bunger, if that's okay, the first one...

Alex Malley: Only a double?

Question: Well we'll see how I go, but it's following up on Joanna's question. Can I put you on the spot on the NDIS levy, do you think the levy is good, bad or other, to fund the NDIS?

And on a broader level, what's your view of the current debate we're seeing about the state of the Budget? We've got business groups saying don't touch us. We've got others, like the Grattan Institute, saying that we need a mix of spending cuts plus new taxes to get the Budget under control. What do you think about the quality of the debate at the moment, and what do you think is the best way to address some of those fiscal challenges?

Alex Malley: Okay look, across both of those bungers, what I would say to you is what I have actually said to ministers in public environments, is that - I think what's stunningly missing at the moment for Australia is just having a vision of where it wants to be. Because in business, you set a strategy, you set a direction, and most of what then happens underneath that strategy and vision is consistent with that theme.

So for example with superannuation, I've been publicly quoted as saying, tell me what the vision is for superannuation? Is it that in 2050, we want 60 per cent of the population to be self-sufficient? Give me a vision so that we can work to the vision. So in that spirit, the levy, if I go back to the Henry Tax Review which is giving us a framework for the future, the levy in and of itself is inconsistent with the Henry Tax Review which talks about, you know, bringing down the 127 taxes and trying to reconcile that into a smaller group of efficient taxes. As opposed to saying what we'll do is we'll up that levy because we need some money, which is what it looks like.

Now I don't mean to put it in those terms and be disrespectful. But the fact is that four - I think four years ago on the ABC, might have been on Lateline, we made a public statement about the chase for surplus. We were the only voice four years ago saying that chasing a surplus for the sake of a surplus is a plan. My comment, representing CPA Australia at the time was, give me a plan, give me a vision, tell me we're going to have a deficit or a surplus as an outcome, I can live with that. But don't tell me the plan is a financial outcome. The one thing we understand is fiscal, that's our core business.
I want to send a message to the media on that topic. When we did make that statement four years ago, no one listened to us. And it's verifiable, I'm sure you can find the dialogue on it. We need to be careful that in Australia we don't just listen to people who run a large organisation, but we listen to people who are actually making significant contributions to the country from a variety of perspectives. We need to listen to people who actually inform themselves and then make logical statements.

The tendency can be that if someone's running a really large organisation, whether it be bank or anything else, that if they cough in the morning it's front page news. Now, that's okay, maybe it's an important cough. But the fact is, there are bigger issues coming from organisations just like ours an other professional bodies, who are far more impartial on the issues than other organisations can be by the nature of their work. And we believe that as a professional body, we need to step up and say, well you know what? If this agenda isn't being dealt with properly or in a sense that we get a comfort of, what the hell are we in business for if we don't say on behalf of our membership, who are quarter society in the business world, we need to call these issues?

And when we sat in our board meeting, we were talking about the stuff that I think all of us talk about at home over coffee, but the difference was we said well what will do about it? Well our contribution on this one is the book. And we sought the very best authors, with the very best background, and we said let's get something that no one can claim is an agenda driven product, and let's ask the media - help us to make this debate continue so Australia has a future.

Laurie Wilson: Peter Phillips.

Question: Mr Malley, Peter Phillips one of the directors of the board of the National Press Club.

Thank you very much for your clarion call about Asia literacy. Thank you very much for your clarion call about the teaching of Asian languages through Australian educational institutions. Thank you also for your very graphic depiction of your slamming copies of the book down on 226 tables at 150 members of the House of Representatives and 76 senators. But beyond that, the clarion call and the graphic depictions, I come to something which is I think even far more fundamentally important and that is Asia literacy, Asia familiarity, Asia competence in the boardrooms of Australia, the boardrooms which in the end will drive most of the decisions and most of the implementation at the commercial level and at the engagement level.

What more specifically can the CPA do? What more specifically is the CPA doing? What more specifically should the CPA do, to enhance and to drive this accretion of familiarity and competence, Asia familiarity and competence in the boardrooms of the nation?

Alex Malley: Yeah, no thank you Peter. Look, in the research work, in fact I didn't cover that today, there is a significant piece of feedback from business in relation to that, and the lack of Asian population, if you like, on the boards. And we have put together some thoughts around how perhaps, in particularly non-connected sectors, how we might be able to share some - I know this sounds strange, but share some directors across various sectors based on the fact that they have a particular skill set and knowledge set. Part of the challenge is that - what is an Asian literate director look - or what does that mean?

You happen to be sitting next to a person at the table who has lived in Asia - an Australia, Richard Petty, one of the co-authors - who's lived in Hong Kong for 15 years. So the form of what that person takes is yet unknown, but what we need to be sure is that when we're having a conversation about our business, if we're not talking about implications and opportunities in the emerging markets - whatever business, whatever sector - then we're actually not working hard enough.

So I think that sharing concept - and there is some work on that, Peter - some sharing concept around particular directors in unrelated sectors that allow different organisations to perhaps share knowledge, share climate and environment, without necessarily having the competitive difficulties that may be associated with that.

Laurie Wilson: If I can just refer to the other author, Michael Enright. I was chatting with him before we went on air today, and he made the point that he's based in Hong Kong and there are an awful lot of Australians working up there in Hong Kong. We're talking about a lot of Australians with Asian knowledge. I mean is there a potential pool there to really, if you like, get these people back or even reengage with them while they're still based there to contribute in this way.
Alex Malley: Well, Laurie, that's the very point. And Michael not only can delve into the research analysis of this work like no other human being I know. The fact is, what he's saying is that we've lost all those people because we've got the - for example, we've got the tax system we've got here because we like to be world leaders, Laurie. So we're right out there on tax. In Hong Kong they have a lower tax rate. They have a more efficient system. And the problem that the Hong Kong Government has every year is how to spend the surplus.

Now how does that work? How can you have an efficient tax system, lower tax rate - markedly lower tax rate - and you're problem at the end of the year is spending the surplus. So, Laurie, it's the opposite problem. They're leaving Australia because that's the competing market, and if I can go and do the same work and broaden my interest, broaden my knowledge and go to Hong Kong and do it, I'm going to do it.

The follow-on from that, of course, is that for education - I'm a former academic. I have a great passion for that sector and its contribution. You know, 20 years ago that sector had a comparative advantage. They were having students coming over and teaching them and it was all good. Now most emerging economies, being as proud and as successful as they are, are building their own infrastructure. So, you know, even the fact that that flow has got to change, how do we change to stay relevant. And it's the first-mover advantage. Knowledge is our capacity. Knowledge is our ability. Knowledge is our business.

But, you know, we need to stop arguing internally. No government of any persuasion gets it right all the time. We are in a significantly poor political climate broadly, and we need to work with the media, and we need to debate this without it going away.

Laurie Wilson: I guess my point was the ability to reengage with this cohort, [indistinct] those overseas-based non-executive directors.

Alex Malley: Sure.

Laurie Wilson: They're sitting there, but it would appear they're not actually being accessed.

Alex Malley: And look, part of it, they're - often when you meet people who have been there for 20 years and whatever, they're very proud Australians but they're also very disengaged Australians, because Australia's not building that link in a natural way.

Laurie Wilson: Question now from Ken Randall.

Question: Mr Malley, there's a lot of disengaged Australians in Australia as well. \[Laughter\]

I'd like to point out to you that just in the few weeks preceding your appearance here today we had the president of the Business Council talking about the need for a much better debate on public policy. Ita Buttrose, the Australian of the Year, talking about the sort of country she'd like to live in. They're all saying much the same sort of things as you, but it doesn't seem to have changed anything yet. Do you have a plan B to actually force the issue a bit harder than this?

Alex Malley: Look, Ken, from our organisational history point-of-view, this is a profound step for us, to take this topic in the manner which we have. We feel we have a significant role to play because we don't have an obvious agenda. We're actually doing this because we feel that that's an important issue. We plan to continue to be very vociferous about the issues that matter. We are certainly liaising with business very broadly and very regularly. We are engaging with the media in a different way because we believe that that's an important communication relationship. And we will continue to seek to do that.

We are also, I think, one of the few organisations that have been named in the Asian Century White Paper as an example of an Australasian organisation. And I commented earlier that our organisation, not due to the current management or board, but in fact for those that ran the organisation 50 or 60 years ago, who had the foresight to follow those people.
through the Colombo Plan back to their countries. And I think that's starting to be reinvented. We are seeing - and we're agitating for - when young people come to this country that business, universities, bodies like ours, build relationships while people come to the country, and allow them to endure.

So I can promise you one thing; that we will continue to persist on this issue, and any issue we think really is in the public interest, because that's what we believe is part of our role.

Laurie Wilson: Tony Melville from the Australian Industry Group.

Question: Tony Melville, the Director of the National Press Club and the Australian Industry Group.

Alex Malley: [Laughs] Extraordinary talents.

Question: One of those associations. The question of failure is, I think, is a fascinating one, and Joanna raised it before. So we've become risk adverse. Who's at fault there? Is it government policy? Is it business? Is it the banks? Is it investors demanding quick returns? And the other question is talking about the Prime Minister put...said everything's on the table. And some of the Henry stuff there is worth looking at again. What are your views on some of the specific things like the business cash flow tax, which was suggested it could replace the payroll tax and some of those other inefficient state taxes?

Alex Malley: Sure. Look, I'll start with that last one. As I said, we think the Henry Tax Review gives us a very good framework to work within. The greatest challenge with the Henry Tax Review is it doesn't include GST. And we've been quite overt in recent times in giving - along with our research house - the modelling around what a GST - if you were to incremental it through from 10 to 20 in different parts - which other taxes would disappear.

Part of the problem is that there's such a lack of confidence in one tax being raised and another one going away forever. The people won't hear of it. And I would be happy to host an event with the Prime Minister and the Opposition Leader and talk to them about the merits of the GST being raised somewhere within 10 to 20, and give them examples of what taxes would disappear. But the issue is, people's confidence in the political framework at the moment of the way in which Parliament's ticking over.

So I think that's a really big issue, and I am middle aged. I did suggest I was over 50. What was the first part of that question?

[Laughter]

Question: It was about failure and who's to blame. Who - when you want to be less - at less risk as a business culture. Business, banks, governments: what could you change to make us take more risks and get more success?

Alex Malley: Sure. Look, I think over the global financial crisis we've seen, at a larger level, what's happened over my lifestyle - over my lifetime. Every decade or so, man mismanages success and trouble happens and companies collapse. So I think when I was 10 it might've been Cambridge Credit, and then when I turned 40 it was One.Tel. Man is so capable of - humankind is so capable that every time they do that, every decade, they lose just that bit more money each time, but the one thing that follows each one of those decade collapses is this massive regulation that comes in behind it.

And I remind everyone that Sarbanes-Oxley was provided by the US prior to the GFC as the mandate and as the panacea that would resolve every problem of the world. In Australia, the conversation in the profession and in business was that was so tedious and so detailed that was not going to be the panacea, and yet we still took up many of those ideas because that's what we do.

So somehow by adding regulations and listening to our regulators and reading between the lines and meeting them regularly, somehow they're sending a message out that they're going to mitigate all the risk. No such thing, and so what we've got to do is start saying to society, you know, if there's an outlier performance by a company that does - really does the wrong thing, and you know what there are many examples, we need legislation that jumps on them quickly and makes an example of them.

But when I was in kindergarten in the '60s, when a child misbehaved and didn't own up the class was kept in, and there was an additional rule set for the class. And I have said in an opinion piece last year, I didn't realise that was my introduction to regulation in Australia. Now, the fact is that that's what we've done to ourselves, and we need to have a
better relationship with regulators. We need to say to society, Prime Ministers need to say to society, you may invest in something and maybe you'll lose the money and the company did nothing wrong. That can happen, but somehow we've convinced everyone that the regulators and the Governments are going to protect us from everything.

Well, if you're a leader in that environment you start sitting back saying well, if that's the case I'll just manage my organisation and make sure I keep my head - in Australian sporting vernacular, if the board's behind you you've got about a week left as a coach. What does it do? It pulls them back, and that's why I referred to the people who are successful, independent, well-heeled leaders who have made great success of themselves in a great country. They need to stand up too, because I'll make comments about regulators, as I did in The Australian today, and I know the voice of most Australian business, believe me. I've had texts saying people are right behind me. I know they are, but they need to step up.

Laurie Wilson: Take a final question from Morris Riley.

Question: Alex, as you know, the Prime Minister announced a $12 million cut to - $12 billion cut to…

Alex Malley: Don't underestimate it…

Question: Yeah, that's right, by Treasury, and of course that comes after only a few months before that another $7 billion, you know, miscalculation. I'd like to take you to your core business, accountancy. You know, if that happened in a ASX company, the people responsible for coming up with those calculations would be frogmarched and taken out the door. That doesn't happen here, [indistinct] issue about risk.

So I just wonder, and I notice there hasn't been any sort of public outrage from the professional bodies such as yourself but the, you know. I mean, today's accountants have got some very sophisticated models to calculate these things. I'm just wondering what you think about all that, as the head of the accountancy professional body, and what can be done about it to stop it in the future?

Alex Malley: Look, I referred earlier about the fact that four years ago we started to call that in the budget cycle, that if the ambition was to go to surplus and that was the ambition that that almost allowed you to step away from having a vision and to be able to achieve other things. There are an outstan... Australia has an outstanding public sector, and I often have extraordinary support for public sector folk in an environment like we have at the moment. So I think the machinery behind government is very strong, and is part of the reason why Australia's got such a great base.

But I think somewhere along the way we have sat back and been voyeurs, and that's everyone. We've sat back and been voyeurs, and we've watched this unfold, and I think one of the bank economists called the budgeting process accounting chicanery. I was a bit upset because I thought, you know, that's not an accou... that's not an economic term, that's an accounting term, but I - look, there is a sense, and I think most people in business, and we've sensed it, that there is a gap between policy development, well-informed policy development that's allowed to be brought into the budget mechanism and that is, in a sense, consistent with where the country needs to go on a variety of fronts.

And I think there's a lack - I think there's been a loss of confidence amongst the politicians who may well be well-meaning but, you know, you guys in the media, you don't muck around, and if they do make a mistake none of us are in doubt. And so I guess that what that's done is put people back in their box a bit and, to me, a leader's about being willing to die for the cause if that's the agreed cause, and I think if one leader in politics articulated the plan and it said vote me out in three years' time if I don't achieve it, but in the meantime I'm going to do what I told you I'd do, I think that'd go pretty well.

Laurie Wilson: We'll have to finish at that point. Alex Malley, thank you.

Alex Malley: Thank you.

[Applause]
Laurie Willson: Alex, thank you again. As I say, this is obviously an incredibly detailed report in terms of the amount of work that's gone into it. I'm sure it will make a significant contribution to debate and no doubt will be used as a reference into the future. Thank you again.

Alex Malley: Thank you Laurie.

[Applause]

ENDS