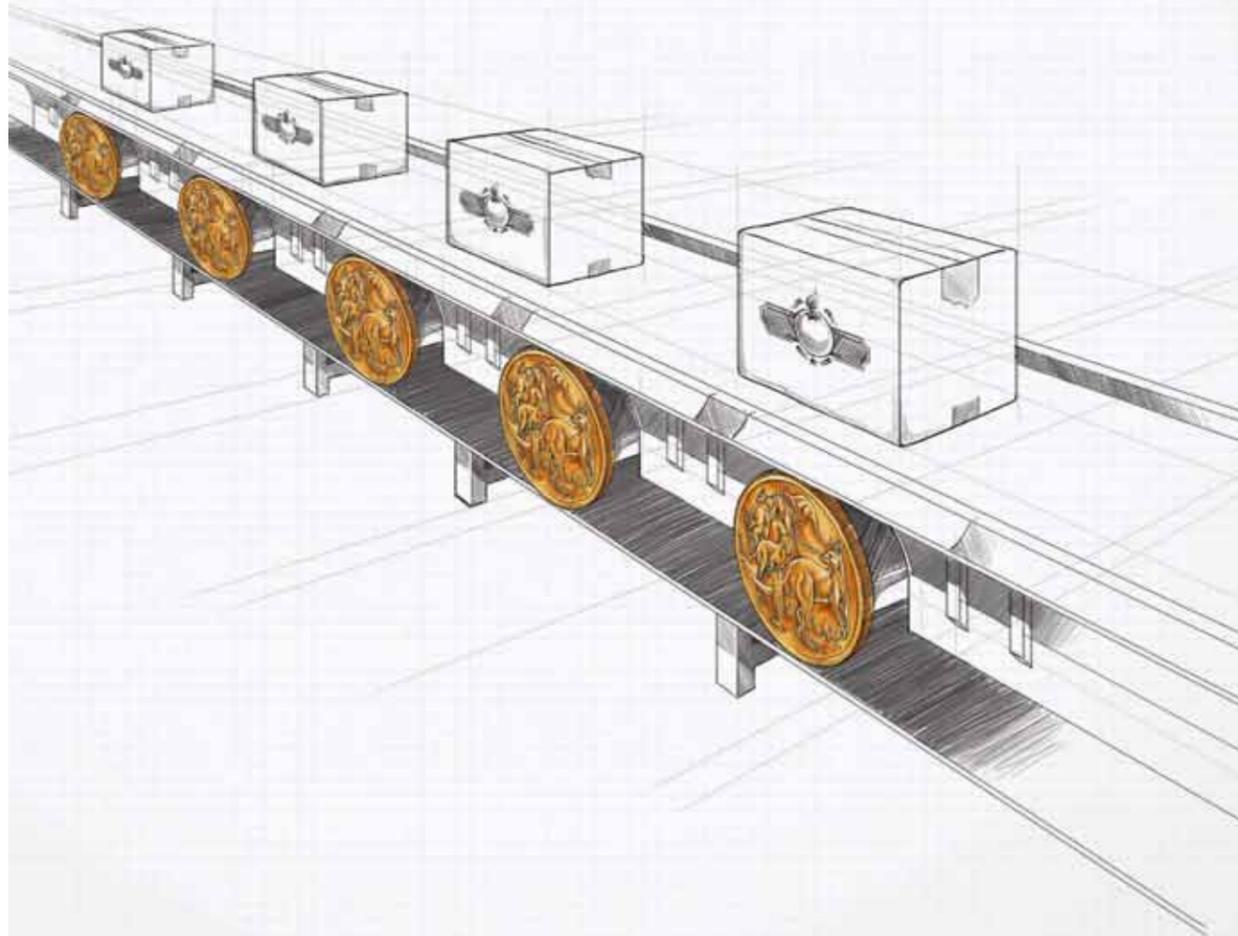




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COMMERCE AND INDUSTRY

AUSTRALIAN CHAMBER OF COMMERCE & INDUSTRY
2010 ANNUAL REVIEW

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Australia's Reserve Forces

Business Voice in the National Media



David Michaelis
President

President's Message

As we approach the concluding weeks of 2010, the Australian Chamber of Commerce and Industry, ACCI, and our member Chambers of Commerce and Industry Associations have the opportunity to reflect on the second completed year of our three year **Strategic Framework**.

Although business conditions have seen the domestic economy and labour market continue to recover from the global financial crisis, there have been major fluctuations between sectors and regions with significant pressures on profitability and margins brought on by fast rising energy and labour costs.

A high Australian dollar has added pressure to export industries whilst demand from North Asia and improved commodity prices in the resource and agricultural sectors have underpinned the Australian economy.

It has also been a dramatic year in national affairs. Globally, the recovery has been patchy at best amongst other industrialised nations.

In the midst of this, ACCI has been a strong voice in defence of the private sector and in support of economic reform in Australia.

ACCI has also profiled the impressive membership and business services of State and Territory Chambers of Commerce and national Industry Associations. We collectively represent 350,000 Australian businesses – the nation's largest and most representative business network.

The ACCI Board and Board committees have overseen our corporate and financial governance and strategic direction and I am pleased to report that we remain in a sound financial position thanks to the continued support of our members.

Our members, meeting in General Council and in our policy committees and working parties, have given direction to the secretariat which has been conveyed to, and recognised by, parliaments, governments and the community on all of the big issues of the day.

Our management has applied skill and professionalism to policy development, advocacy and member services.

It is this combination, of members and management, that has contributed to a cohesive business voice and many of the achievements outlined in this Annual Report and Business Review.

The Board is particularly pleased that over the course of the year ACCI has not only met our high expectations for policy development and business advocacy, but also expanded our service delivery and communications activities for member organisations.

This was most evident at our General Council meeting in July 2010 in Adelaide, where I had the privilege of launching our new national publication, **Commerce & Industry**.

Initiatives such as these have been well received by members, and are evidence of the organised manner in which our **Strategic Framework and Communications Strategy** is being implemented.

ACCI is ultimately about its members, the businesses they represent and their people.

I would like to extend the appreciation of the Board and Council to Chief Executive Peter Anderson and his senior executive team in the ACCI secretariat for the excellent work they have done over the past year in the service of members.

I would also like to thank each of our member organisations that, like ACCI, are not-for-profit service organisations that must deliver value-for-money to businesses large and small.

Committing time and valuable resources to our national and international work is a sign of your support for ACCI, and fuels ACCI's determination to serve the private sector and enhance the standing of our Chambers and Industry Associations.

Finally, I look forward to members continued support for what promises to be a very challenging year ahead.



Peter Anderson
Chief Executive

Chief Executive's Report

2010 has been a momentous year in Australian public affairs, characterised by the election of a hung parliament, the establishment of the first minority national government for 70 years, our first female Prime Minister and the deposing of a first term Prime Minister. These political events have given rise to a more crowded parliament, a broader national agenda of social and economic issues, heightened lobbying and a tighter contest for media space and public profile. This has presented both opportunity and challenge for ACCI, for our member Chambers and Industry Association organisations, and for the business community at large.

As the nation's peak council of business organisations the work of ACCI becomes even more vital in this increasingly complex arena. We provide policy leadership on national and international issues, whilst remaining in direct touch with the local needs and circumstances of Australian business.

Our advocacy and lobbying influence is drawn from the collective and representative voice of our member network, yet we guard the sovereignty and independent voice of each member organisation. We work with the government of the day, yet challenge it and the Opposition of the day to do more, and better.

I am pleased to report that over the course of 2010 the secretariat has met and in many cases exceeded each of the five goals in our **Strategic Framework**:

- quality member services;
- excellence in policy development;

- effective lobbying and advocacy;
- relevant business representation; and
- building internal strength and capacity.

That we have done so during one of the most tumultuous 12 months in Australian national politics is a testament to the clarity of the mandate which the secretariat receives from our members, and the professionalism of the secretariat staff that work for ACCI and believe in our cause.

As these developments unfolded our senior executive team met regularly and assessed the strategies and capabilities needed to respond quickly to changing events.

Almost as tumultuous and far-reaching has been the magnitude of the policy issues confronting the private sector – from the resource super profits tax turned mining rent resource tax, to the prospect of carbon

trading or a carbon tax, to the roll-out of national broadband, to the introduction of new industrial relations awards, to the problem of accessing affordable business capital, to the threat of a rise in the superannuation levy and to a national paid parental leave scheme.

Our member-based policy committees and working parties have had substantial workloads. At any given time during the year, ACCI has had work programmes or oversight of over 100 policy issues affecting the business community. Most of these have fallen within the framework of the six overarching policy priorities set by members at the commencement of the year.

As the year unfolded we increasingly marked out new policy territory, beyond responding to the issues thrown up by governments and other stakeholders.

Our work on small business finance, on new ways to increase skills and workforce participation amongst apprentices and mature aged workers, on incentives to use energy more efficiently, and on the needs of Australia's growing service industries are examples of where ACCI is challenging the political system to catch up with the mood and sentiment of the business sector.

During the federal election campaign we released a the 10-point ACCI *Reform Agenda for Jobs and Growth*, as a way of drawing attention to the serious economic reform challenges that confront the next Australian government, and which were not being adequately addressed by political parties.

Our proactivity in policy development is set to continue in 2011, especially as we embark on new ways to increase economic productivity and competitiveness through our taxation system, our employment and workplace policies and practices and the application of new technology such as national broadband.

At the same time we have had to deal with substantial policy challenges thrown up by others. Out of left field proposals mid-year to increase compulsory employer superannuation levies by one third (from 9% of payroll to 12%) were a case in point.

The success we had in blocking the carbon pollution reduction scheme in the last parliament has seen renewed calls for a carbon price to be implemented by the new parliament. Both of these issues are live as we turn the page into a new calendar year.

Our senior executive team has been determined to ensure that our policy development and advocacy remains evidence-based and reflective of business conditions. Our Survey work is highly regarded, particularly our four quarterly economic surveys. During the year we added to this portfolio our Pre-Election Survey, a Survey on Trade Agreements, and a Survey on Skill Needs and Skills Investment.

Although policy development and advocacy is our core business, we have added value to our policy work by improved communications and member services. In many respects, this has been one of the highlights of 2010 and an important milestone in our corporate development.

This work has been undertaken under the auspices of a **Communications Strategy**, which was adopted in March 2010 and is being progressively rolled out. The Strategy has led to increased public and media profile, more synchronised policy advocacy within the member network, and new communication services and tools for members.

ACCI's presence in the national media is extensive and expanding, notwithstanding the competitive space for profile

arising from so many other voices pursuing public attention. During 2010 we were mentioned in a front page story in the major national press on average twice a week, and conducted three electronic media interviews alone every two days.

When coupled with the media penetration of our member organisations at an industry or State and Territory level, our business network has a very active presence in directly communicating with the public, especially on issues that concern the economy and jobs.

Our weekly **CEO Update** has become an important and useful communications tool. In addition to our regular policy bulletins we have developed a range of single sheet snapshots and achievements that can be widely dispersed.

Our new national publication **Commerce & Industry** is already providing a basis for profiling ACCI activities as well as the work of Chambers and Industry Associations within our network.

Integral to our Communications Strategy and allied to our new publication services has been a refresh of both our ACCI website and our corporate brand.

These too have been well received by members, sponsors and potential supporters. They underpin the corporate theme that ACCI remains a strong and formidable institution in Australian national life, yet one that is progressively modernising and responding to new business challenges.

Work on communication activities, particularly when they are part of a strategic plan, requires teamwork, diligence and creativity. I am particularly indebted to our Communications Director Brett Hogan and our Membership and Marketing Services Manager Ben Carter (Ben joined us in February this year) for their implementation of this important work.

As the nation's peak business council the secretariat remains strongly committed to ensuring the voice of Australian industry is influential in key international forums.

We are also acutely aware of the significance which international economic, financial or policy developments can have for our work and for Australian business.

Participation in our extensive international network of business organisations requires a balance of resources and priorities, and has been well supported during 2010 by business leaders and executives from member organisations.

I am particularly pleased with the progress we have made during 2010 in supporting the International Organisation of Employers, in administering the Australian secretariat of the International Chamber of Commerce, and in our regional work with the Confederation of Asian Chambers of Commerce and Industry and, in the Pacific, with the International Labour Organisation. Details of these interactions and achievements are set out in this Annual Review.

It has again been a privilege to lead ACCI's secretariat and operations during 2010.

I thank all members, business executives and staff in government, in industry, in the parliament, the public sector, the media and the many organisations and regulators with whom we do business.

I am indebted to my staff and our senior executive team in the ACCI Canberra and Melbourne secretariats for their dedication and for developing an aspiration for what Australia's peak business council can and should be. I have been keenly supported by our President David Michaelis, Vice President Richard Holyman and our Board.

Above all, I am greatly appreciative of the support and confidence shown in ACCI by our Chamber and Industry Association members, in whose cause we serve.

About ACCI

ACCI's policy advocacy supports a free enterprise economy and democratic government which is the only sustainable way to achieve fairness and a high standard of living across our community.

The Australian Chamber of Commerce and Industry (ACCI) is Australia's largest and most representative business association.

As the peak council of Australia's Chambers of Commerce and Industry Associations, ACCI speaks on behalf of Australian business at a national and international level.

More than a lobbyist or a 'think tank', ACCI is the essential connection between industry, the Australian Government and influential international forums. ACCI works with our national member network to achieve a world class business environment that encourages entrepreneurship, private sector investment and improves the living standards of our community.

Through our national member network, ACCI speaks on behalf of over 350,000 businesses of all sizes, operating in all industry sectors and employing over 4 million people nation-wide.

OUR BOARD

Our Board highlights ACCI's status as the largest and most representative business organisation in Australia with Board Members drawn from the state and territory Chambers of Commerce and Industry Associations that form ACCI's national member network.

Our Board brings together business leaders from across industry sectors with experience in small, medium and large businesses, cementing ACCI's authority as the voice of Australian business.

President

David Michaelis

New South Wales Business Chamber

Deputy President

Richard Holyman

Victorian Employers' Chamber of Commerce & Industry

Immediate Past President

Tony Howarth AO

Chamber of Commerce & Industry Western Australia

Peter Anderson

Chief Executive

Nick Begakis AM

Business SA

Tony Blake

Victorian Automobile Chamber of Commerce

Bruce Fadelli AM

Chamber of Commerce Northern Territory

David Goodwin

Chamber of Commerce & Industry Queensland

Graham Harris

Australian Federation of Employers & Industries

Peter Hood

Chamber of Commerce & Industry Western Australia

Jeremy Johnson

Victorian Employers' Chamber of Commerce & Industry

Ian Penfold

New South Wales Business Chamber

Andrew Scobie

Tasmanian Chamber of Commerce & Industry

Mr Russell Varley

Agribusiness Employers' Federation

ACCI thanks the following Board Members who resigned in 2009:

Warwick Hemsley,

Chamber of Commerce & Industry Western Australia.

Beatrice Booth,

Chamber of Commerce and Industry Queensland.

Tony Park,

Tasmanian Chamber of Commerce & Industry.

EXECUTIVE TEAM

Peter Anderson

Chief Executive

Greg Evans

Director – Economics & Industry Policy

Mary Hicks

Director – Employment, Education & Training

David Gregory

Director – Workplace Relations

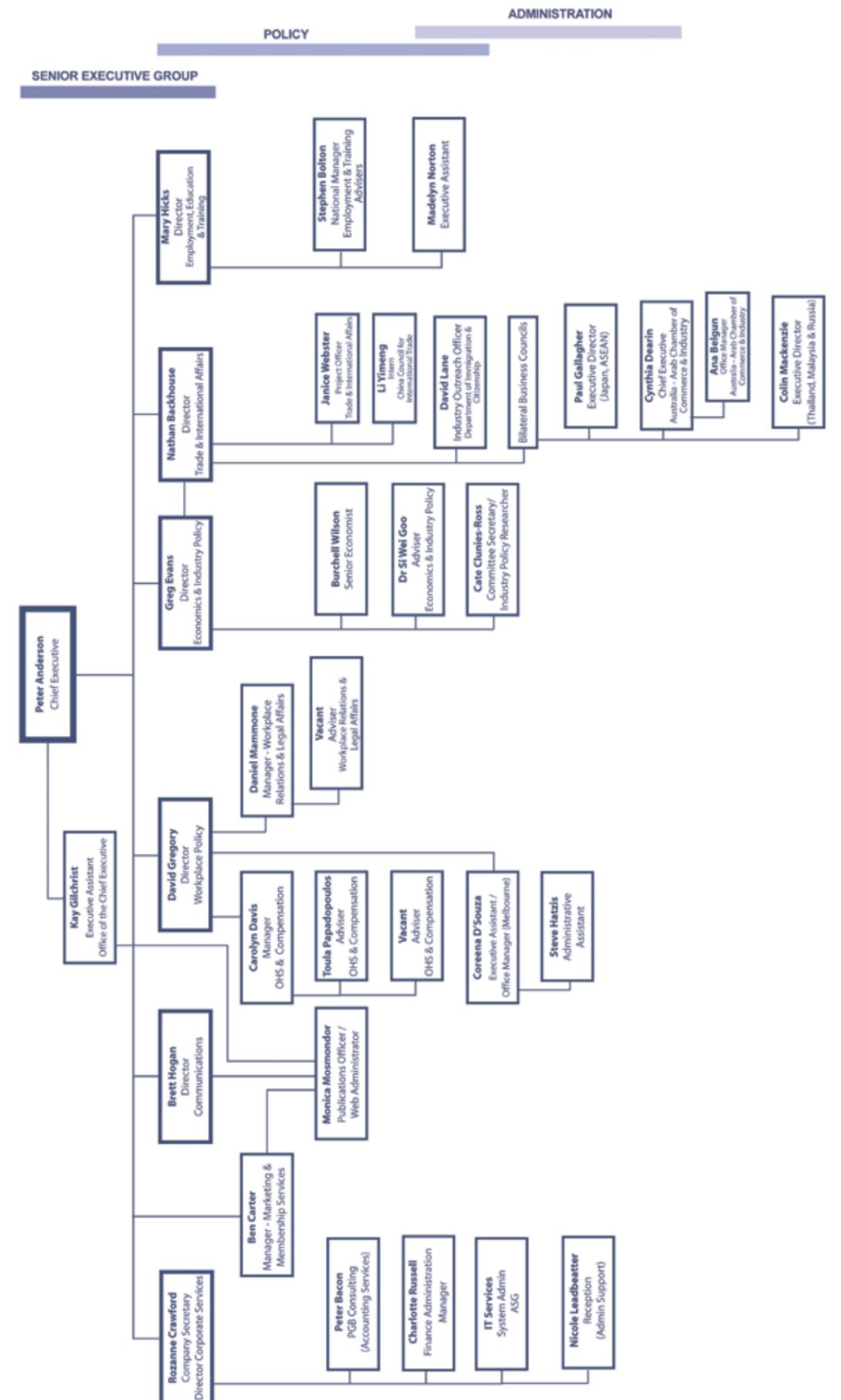
Nathan Backhouse

Director – Trade & International Affairs

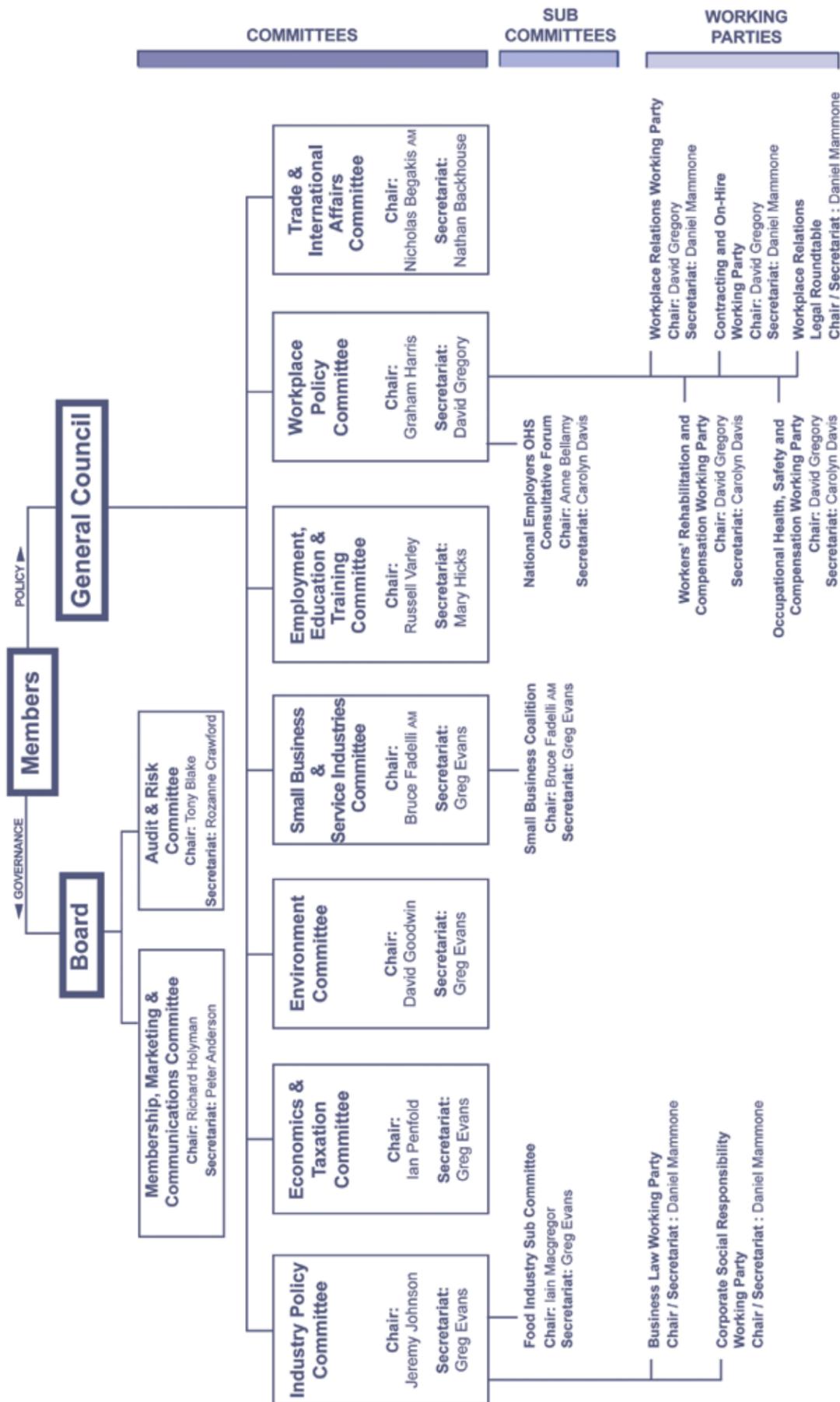
Brett Hogan

Director – Communications

ACCI Organisational Chart



ACCI Governance and Policy Structure 2010



ACCI's Strategic Plan & Communications

ACCI'S STRATEGIC PLAN

2010 was the second full year of ACCI's 3 year Strategic Plan, endorsed by members and the ACCI Board in December 2008.

As part of the Strategic Plan, ACCI is implementing five key goals and strategies, which are underpinned by specific recommendations for modernisation set out in an accompanying Operations Plan.

These are:

Key Goal 1: Quality Member Services

Develop and demonstrate ACCI's value to members through strengthened relationships, effective communication with our network, delivering outstanding policy services and providing members with opportunities to deliver value-added services to businesses.

Key Goal 2: Excellence in policy development

Develop progressive, substantial and sustainable solutions to address Australia's economic and related social and environmental challenges with particular emphasis on productivity, competitiveness and sustainability.

Key Goal 3: Effective lobbying and advocacy

Communicate, advocate and seek the application of ACCI's values and policies to maximum effect.

Key Goal 4: Relevant business representation

Strengthen ACCI's representation and the voice of business on international and domestic bodies.

Key Goal 5: Building internal strength and capacity

Ensure a quality and well-resourced organisation characterised by continuous improvement and offering value-for-money to our members.

ACCI'S VALUES

Our values are the attributes by which ACCI as a whole, and in particular the secretariat of ACCI, wish to be reflected in the culture of the organisation and the method of doing business. These are:

Unity of Purpose

The welfare of the private sector will be advanced by bringing business together, by teamwork, and by not acting unilaterally on the say-so of any one specific interest.

Commitment to Excellence

We will demonstrate a work ethic of enthusiasm, energy and a commitment to continuously improve and achieve challenging goals.

Independence

Through persistence and courage we will develop and advocate policy positions which are independent of any partisan interest, whether commercial, political or industrial.

Integrity

We will establish our credibility and trust by working with integrity in everything we do and we will be accountable for the actions that we take.

Respect

We will respect and work co-operatively with our stakeholders through actively listening, and ensuring that our services and advocacy are responsive, relevant and accountable.

ACCI'S COMMUNICATIONS STRATEGY

In 2010, ACCI commenced the implementation of a whole of organisation Communications Strategy to complement its Strategic Plan.

ACCI's Communications Strategy provides that communication activities at each level of activity are undertaken to achieve the following goals:

- policy effectiveness** - to add strength and influence to ACCI's policy advocacy on behalf of the ACCI member network and the broader business community;
- credibility building** - to promote ACCI and the ACCI member network as the peak representative and most influential voice of Australian business at national and international levels; and
- service provision** - to add value to the work of ACCI member Chambers and Industry Associations.

Delivering on these strategic communication goals is producing the following outcomes:

- an increased awareness of the importance of communications to achieving ACCI policy goals;
- a higher profile for business policy and influence in national affairs;
- strengthened ACCI membership by being seen to be active and successful with policy advocacy;
- greater community understanding of the role of business and the business case for economic and social reform;
- value-adding to Chamber and Industry Association members by better promoting ACCI's policies and activities;
- building the business of member organisations by making them more attractive to businesses owners and managers;
- deeper engagement by members in the work of ACCI;
- member organisation satisfaction with and confidence in ACCI; and
- improving the ability of the ACCI secretariat to respond to member and external stakeholder needs.

Economics & Taxation

The guiding principle of ACCI's Economics and Taxation Unit is the formulation of policy to ensure that the Australian economy maintains a strong, vibrant private sector and that long term economic growth increases living standards.



Greg Evans
Director of Economics & Taxation

The Unit also keeps business informed of the activities of government, macroeconomic policy settings and the state of the domestic and international economy, including the production of a number of Australia's leading private sector business surveys.

Issues dealt with in 2010 encompassed the following:

- briefings on developments in the Australian economy;
- monetary policy and Reserve Bank interest rate decisions;
- the Federal Budget with a particular focus on the need for fiscal consolidation;
- tax reform and the business response to the Henry Tax Review;
- superannuation and the ongoing retirement incomes debate;
- the publication of comprehensive economic surveys;
- infrastructure policy and its relevance to Australian business;
- microeconomic reform, including National Competition Policy;
- the economic aspects of workplace relations, including minimum wage reviews; and
- economic advice to other policy areas within the organisation.

HIGHLIGHTS

ACCI's economic policy focus over the past year shifted from Australia's immediate policy response to the global financial crisis, to re-engage with the marathon effort of building consensus for ongoing economic reform.

Efforts toward productivity enhancing reforms are not without political challenges and these were intensified against the backdrop of the August Federal Election.

ACCI lent its voice to calls for the use of fiscal stimulus to support the economy as it became clear the economy was slowing in late 2008, with a growing risk of recession. While there have been controversies about the implementation of some of the stimulus measures, on balance the exercise of discretionary fiscal policy was an important factor behind Australia's comparatively robust economic performance over the past year.

In late 2008, ACCI proposed a temporary investment allowance to government as a means of boosting business confidence and providing a timely and effective incentive to encourage business investment. The proposal was subsequently adopted by government as part of its first round response to the economic downturn and twice extended, once the need for a more substantial fiscal stimulus response became apparent.

It is estimated that the investment allowance was worth around \$4bn to Australian business. It was also one of the most effective elements of the government's stimulus package in terms of its impact on economic activity. Plant and equipment spending rose sharply in response and the effect in terms of the bringing forward of capital expenditure is clearly evident in the macroeconomic data.

The time-limited nature of the investment allowance made it particularly effective in lifting economic activity in the short-term, which is for the most part the foremost objective of discretionary fiscal stimulus.

The decentralised nature of the allowance meant it was implemented without administrative difficulty, and because it was provided in the form of additional depreciation it only provided a real incentive to invest for businesses that were profitable and viable in the long-run.

The success of the investment allowance demonstrates the capacity of business representatives to achieve good policy outcomes when working together with political leadership that is genuinely open to fresh ideas. In light of the favourable impact of the policy on investment in the Australian context, it is not surprising to see US President Obama now considering a similar scheme following signs that the recovery in the American economy was losing momentum in mid-2010.

Good policy settings are vital to the health of the Australian people and their quality of life. A sustained program of economic reform could deliver ongoing productivity gains and rising living standards.

Inertia or backsliding on the policy front will lead to stagnation in real incomes and leave the economy more vulnerable to downturns and less able to prosper from the opportunities presented by fast-growing regional trading partners.

The benefits of past reforms have been evident for all to see over the past two years. The strong legacy of past budget discipline left the

country in a position to be able to accommodate a sizeable fiscal stimulus program to cushion the economy from the impact of the global financial crisis.

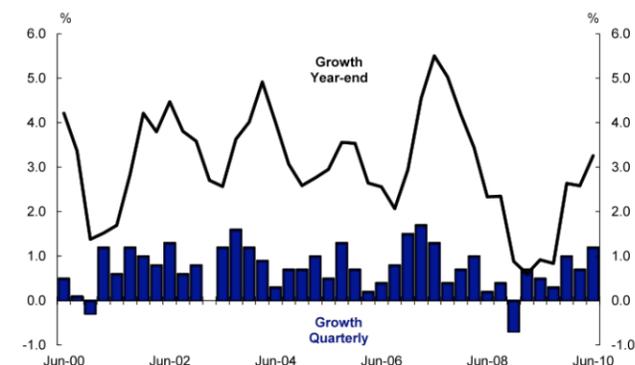
Labour market flexibility played a vital role in preventing wide-spread job losses and a deeper economic downturn. World's best practice prudential regulation meant our banking system largely avoided the huge losses that crippled American and European financial institutions.

The political momentum necessary to sustain an agenda of ongoing reform can be difficult to sustain in a period of relative prosperity but recent experience demonstrates precisely why it is necessary that this effort does not falter.

ACCI has been resolute in proposing a positive, productivity-enhancing policy agenda for business and the broader community and has been a key contributor to a range of issues in the contemporary public policy debate.

The highlights for ACCI's Economic and Taxation Unit in 2010 included:

- monitoring the successful implementation of the temporary investment allowance and other major elements of the government's fiscal stimulus program;
- clearly articulating the reasons for returning the budget to surplus in a timely fashion, with an emphasis on the need to identify and reduce wasteful government spending;
- consultation with internal and external stakeholders regarding the Henry Tax Review and the likely implications of its recommendations for the Australian business community;
- responding publicly to the release of the Henry Tax Review and the government's initial response to its recommendations;
- presenting a high quality economic case to Fair Work Australia arguing for moderation and caution in their approach to the 2010 Minimum Wage Review;
- continuing to provide members with real-time commentary on major economic data releases and Reserve Bank decisions;
- getting on to the front foot post the August Federal Election to put GST, personal income, capital gains and payroll tax reform on the national policy agenda; and
- formulating broad direction on the policy agenda of the government through the work of ACCI's internal Committees.



STATE OF THE ECONOMY

Economic Growth

The performance of the Australian economy over 2009-10 was exemplary, when compared with most of the rest of the advanced economies. The year-end pace of economic growth in the June quarter of 2010 was running slightly above the long-term trend rate of 3 per cent and the labour market again approaching full employment.

While economic activity contracted in the December quarter of 2008 following the bankruptcy of Lehman Brothers, the downturn was relatively short-lived. Prompt monetary and fiscal policy responses assisted in facilitating a return to growth in the March quarter of 2009, with Australia's exposure to fast growing developing countries also serving to shield us from the fallout of the severe recessions experienced in Europe, Japan and the United States.

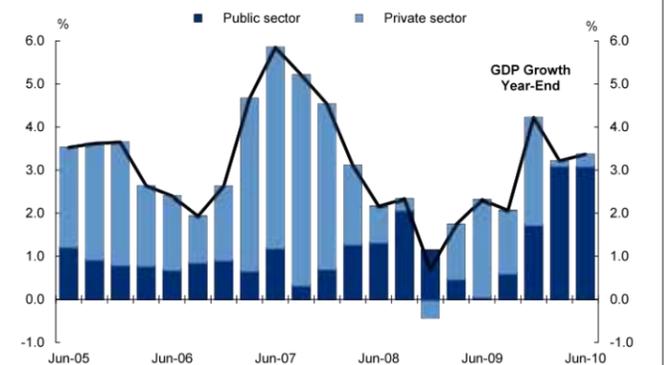
The economic recovery gathered momentum throughout 2009 and into 2010, with the strength of the economy surprising both Treasury and the Reserve Bank. The 2009-10 Budget had predicted recession was "inevitable" and that the unemployment rate would peak at 8.5 per cent, leaving around 1 million people without work. The actual performance of the Australian economy relative to these pessimistic expectations was considered 'remarkable' and led in turn to sharp revisions to official forecasts.

While economic expansion resumed, it is important to recognise that much of the growth experienced over the past twelve months has been heavily reliant on direct government expenditure, largely due to fiscal stimulus.

Government consumption and public investment directly contributed 3.1 percentage points of the 3.3 per cent growth recorded over the year to the June quarter 2010. Only the private sector can deliver sustained growth in the long-term and there is still only tentative evidence of the underlying drivers of activity switching from the public to the private sector at this stage in the cycle.

Public sector spending can only ever generate a short-term boost to activity. Economic growth must be enduring in order to create sufficient new jobs to cater for a strongly expanding labour force on the back of a surge in population growth. Business investment will need to be a key driver of activity in the next phase of the recovery if the economy is to realise full employment and rising living standards.

Australia appears to be on the cusp of a once in a generation resources boom. Elevated world prices for key commodity exports, principally coal and iron ore, have seen our terms of trade push back toward recent record highs and are providing an impetus for a surge in new mining sector investment. The construction phase of these projects should add significantly to growth and employment.



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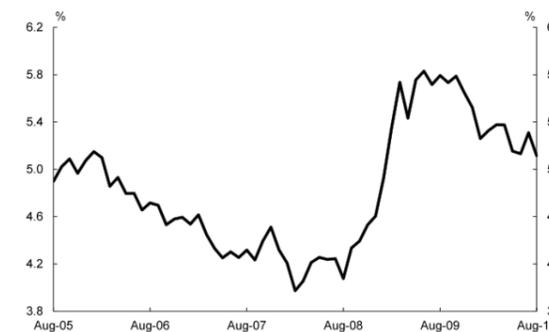
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Ma Kharn,
AustralianSuper member



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Aug 2010



Unemployment rate trending lower as the economy recovers

LABOUR MARKET

The performance of the labour market during the past two years highlights the importance of workplace flexibility and the benefits of reforms made over recent decades to Australia's industrial relations system.

As the economy slowed in mid-2008, labour market conditions began to soften. However, total employment remained stable as businesses and employees negotiated temporary reductions in working hours to manage the slump in demand conditions. Over the twelve months from mid-2008 to mid-2009 employment tracked broadly sideways while total hours worked in the economy recorded a significant decline.

This experience of the labour market during a period of economic difficulty is remarkable, and was not widely acknowledged amongst media, political or economic commentators. The peak to trough decline in total hours worked across the economy was in excess of 4 per cent, which if it had been translated directly into full-time jobs losses would have been equivalent to almost 400,000 positions.

Australia's flexible industrial relations system was crucial in preventing a deeper economic downturn. Had businesses been forced to shed staff in order to remain viable that would have triggered profound knock-on effects to consumption and investment, generating further job losses. These second round impacts were far more muted because people were kept in work.

The rise in unemployment that did occur was not due to job losses but a failure to create sufficient new jobs for a rapidly expanding labour force. The increase in the unemployment from a cycle-low of 4 per cent in early 2008 to just under 6 per cent in mid-2009 would have been much greater if businesses had been forced into making large-scale redundancies by an inflexible workplace relations framework.

As the economic recovery took root, labour market conditions began to improve and job creation led to a steady downward trend in the unemployment rate. Treasury is forecasting the economy will reach full employment in the 2010-11 financial year which is liable to be followed by an intensification of wage pressures and skill shortages in certain sectors of the economy.

However, focusing solely on the unemployment rate to gauge conditions in the labour market can be misleading given the substantial downturn in hours worked. Reduced working hours across the economy has left us with a legacy of underemployment that receives scant attention in the public arena. The impact of the global financial crisis led the underemployment rate to reach a record high of almost 8 per cent in mid 2009.

The underemployment rate has improved somewhat as the economy



Flexibility enabled adjustment through hours worked

recovered but remains at an elevated level not too far off its record peak. The labour force underutilisation rate, which combines both the unemployment and underemployment rates to yield a broader measure of spare capacity in the labour market, was 12.5 per cent in the August quarter of 2010 and implies that around one in eight Australian workers was either unable to find a job or sufficient hours of work.

Despite first impressions the labour market has a considerable degree of residual spare capacity.

HENRY TAX REVIEW

The release of the Henry Tax Review in May was one of the landmark public policy events of 2010.

Discussion about this root and branch review of the tax and transfer system was ongoing throughout a large proportion of the last two years and ACCI actively represented the views of the business community to the Review Panel.

The recommendations of the review will likely frame debate on taxation policy for years to come.

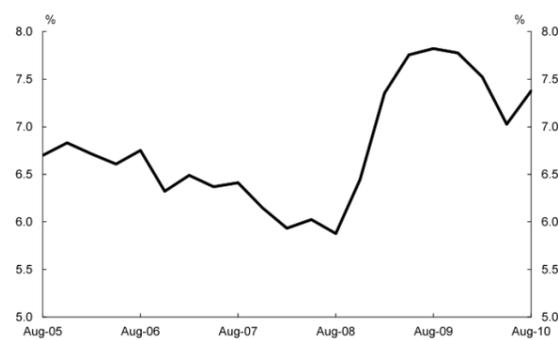
ACCI made an extensive written submission to the review, and participated in the roundtable meetings conducted by the Review Panel. Senior executives from ACCI were also present in the Budget lock-up when the final report was released, enabling the organisation to deliver a considered first response to the review's recommendations and brief members on the major implications.

Business recognises the need for ongoing re-evaluation of the tax system and supports reform that will deliver better economic outcomes. Incentives to encourage people to work, save and invest remain essential components of tax architecture. Changes to the tax system have the potential to improve long-run economic growth and productivity, but only if they enhance these core fundamentals.

ACCI Led Call for Early Release of Review Findings

Tax reform must have broad community acceptance before it can be successfully implemented. ACCI knows this from long experience in the debate about tax reform and was a forceful public advocate for the release of the final report of the Henry Tax Review once it was made available to government in late December 2009.

After an eighteen month consultation process, the business sector and the broader community remained at that point unsure of the nature of



Underemployment pushed out to a record high

the proposals that would flow from the review. Over a period of several months, speculation continued about possible recommendations creating uncertainty amongst business and industry sectors.

The decision by the Government to release it in May 2010 was in no small part due to ACCI's advocacy.

ACCI Opposed Some of the Government Initial Response

The Government also released its initial response to the Henry Tax Review's recommendations on 2 May 2010.

Relative to the scope of the Henry Review's recommendations, the Government Response was limited, consisting of the following measures:

- introducing a 40 per cent Resource Super Profits Tax from 1 July 2012;
- increasing the superannuation guarantee to 12 per cent over the next decade;
- cutting the company tax rate from 30 per cent to 28 per cent by 2014-15;
- permitting small businesses to immediately write-off assets valued at under \$5,000, with all other depreciating assets excluding buildings allowed to be depreciated in a single pool at a 30 per cent rate from 1 July 2012;
- creating a State Infrastructure Fund;
- introducing a Resource Exploration Rebate;

- increasing superannuation co-contributions for low-income earners; and
- extending concessional contribution caps for superannuation.

ACCI subsequently described the Government Response as a mixed bag for the business community, welcoming the steps towards a lower company tax rate and the small business depreciation changes, but said that these measures were "cancelled out" by proposed hikes on employer superannuation and the new mining tax.

ACCI extensively used media opportunities to oppose the proposed 40 per cent RSPT and argue that the simplification and extension of the small business capital allowance concessions had merit in their own right and should be decoupled from tax increases in the mining sector.

ACCI also became the leading organisation opposing the increase in the superannuation guarantee charge which will cost business in excess of \$20 billion annually once fully implemented. It should be explicitly noted that the decision to increase the employer charge breached a 2007 election commitment and was not even a recommendation of the Henry Review.

Finally, ACCI argued that despite these first steps in tax reform, there remain important tax reform priorities that have not yet been addressed including:

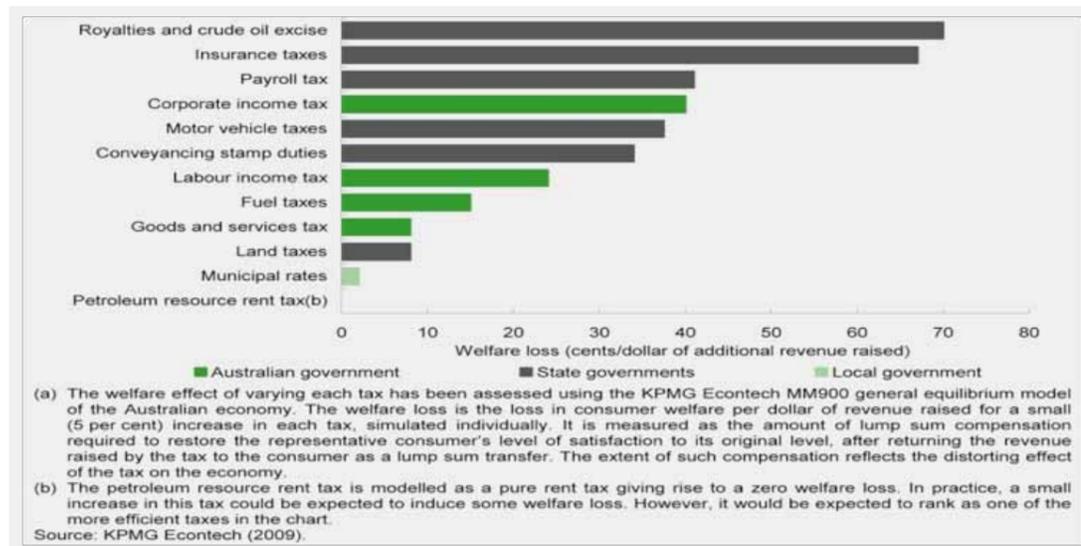
- reductions in personal income tax rates;
- capital gains tax relief for business;
- the abolition of payroll tax; and
- proposals to reform inefficient state transaction taxes.

Review Reveals Payroll Tax is Highly Inefficient

A key priority of any proposal for tax reform should be the alleviation of the payroll tax burden on Australian business. Payroll tax is a direct tax on employment that is levied regardless a firm's capacity to pay.

The economic modeling conducted for the Henry Tax Review revealed that payroll tax is one of the most inefficient taxes, even more damaging to activity than company tax which the government has committed to reduce, to boost the attractiveness of Australia as a destination for highly mobile global capital.

Marginal welfare loss from a small increase in selected Australian taxes
Source: Commonwealth of Australia 2010, Australia's Future Tax System – Report to the Treasurer, Part One Overview, p.13. Canberra.



The finding that payroll tax is actually a highly inefficient tax challenged numerous Treasury and State Treasury findings, which were largely based on appeals to tax theory, that payroll tax was one of the State and Territory government's most efficient tax bases.

This is a watershed in the public debate about payroll tax and adds strongly to the case for its eventual abolition.

ACCI continues to advocate for the reform of payroll tax in the short run and for its eventual abolition in the long run. ACCI Chief Executive Peter Anderson put the issue firmly on the national policy agenda back in February 2009 in a televised speech to the National Press Club. If the priority of government is to ensure sufficient job creation to achieve full employment, reducing the burden of payroll tax on business needs to remain a key reform priority.

Subsequent Government Revision to the Proposed Mining Tax

After strong opposition from the resources industry, the new Gillard Government announced on 2 July 2010 revised resource tax reform arrangements, which would apply from 1 July 2012:

- a 30 per cent new Minerals Resource Rent Tax (MRRT) regime applying to iron ore and coal in Australia; and
- the extension of the current 40 per cent Petroleum Resource Rent Tax (PRRT) regime to all Australian onshore and offshore oil and gas projects, including the North West Shelf.

The changed arrangements would focus the resource tax reforms on Australia's largest and most profitable commodities exports: iron ore, coal, oil and gas. Other commodities will not be included, reducing the number of directly affected companies from 2,500 to around 320.

The revised MRRT arrangement would see a \$1.5 billion reduction in Government revenue over the forward estimates and a lower than expected impact due to revised (higher) commodity prices assumptions. As a consequence, the 30 per cent company tax would be reduced to 29 per cent from 2013-14 (earlier start for small business), and would not be further reduced to 28 per cent from 2014-15.

Despite these welcome changes, ACCI noted that the above revised package of tax measures did not meet the tax reform expectations of the wider business community, and argued that clawing back the \$1 billion from the proposed cut in company tax was unnecessary given the Government's projected revenue from the MRRT.

Moreover, the increase in Superannuation Guarantee Charge to be levied on employers from 9 to 12 per cent over the next decade remained policy. ACCI called on the government to decouple the business tax relief from the minerals tax and made provision to support small business in its own right.

2011 Tax Summit

Following the close August Federal Election result, it is now expected that a Tax Summit will be held by June 2011.

ACCI was quickly on the front foot calling for the summit to discuss the GST, personal income tax, capital gains tax and payroll tax, noting that:

"Without discussing the goods and services tax it is hard to start the work of abolishing State transaction taxes and payroll tax, which is a tax on jobs without reference to capacity to pay."

"Without a wider debate on capital gains tax relief, it's hard to deliver fair retirement incomes to small business owners, whose retirement savings are tied up in business assets."

"Without providing wider tax relief to business, there is no funding basis for the government's proposed rise in the superannuation levy from 9% to 12%."

ACCI and its members will continue to articulate our policy and reform priorities in this area.

Federal Budget

In January 2010, ACCI made its annual Pre-Budget Submission. The submission outlined the case for returning the budget to surplus in a timely fashion and the need for a comprehensive review of government spending, to identify potential opportunities for rationalisation and the elimination of wasteful expenditure.

ACCI supported the use of timely, targeted and temporary fiscal stimulus to support the economy and protect Australian jobs. However, it also recognised that our capacity to use fiscal policy in this fashion was made possible by past fiscal discipline and paying down public debt.

Fiscal discipline has to be a core priority for upcoming budgets. The immediate concern for government needs to be the consolidation of the fiscal position and the provision of more detail on the deficit exit strategy.

Rebuilding the scope to respond to any future economic downturn with discretionary fiscal policy should it be required is a key factor, as recent history has demonstrated. But also important is the impact that IMF research shows larger deficits and higher debt levels have in increasing interest rates and in turn crowding out private sector investment. It is also imperative that the budget is in a strong starting position to deal with the long run fiscal pressures associated with the ageing of the population.

A temporary budget deficit during the downturn was an acceptable price to pay to meet these objectives but the resulting deficits must not become entrenched. Failure to outline a credible fiscal strategy may put upward pressure on government borrowing costs and lead to concerns about a potential increase in the overall tax burden that will mitigate against business willingness to invest and employ.

The IMF has stressed the importance of governments adopting credible deficit exit strategies. ACCI agrees with this position and believes more detail needs to be outlined in relation to how the proposed 2 per cent spending cap will be implemented.

Considerable fiscal discipline will be needed to restore the budget position. Trends in real government spending suggest that the 2 per cent real cap will be a challenging target. ACCI believes the government should consider conducting a "root and branch" review of all current budget outlays with a view to identifying areas of waste and inefficiency for rationalisation. Cutting existing government expenditure will also expand the scope for meaningful tax reform and reduce the tax burden.

IMF Warns Burgeoning Debt Levels will "Likely Lead to High Real Interest Rates"

Budget deficits will lead to an increase in the level of public debt. Research by the IMF shows that both the size of the fiscal deficit and level of public debt lead to an increase in long term interest rates. This is especially the case in a period of economic expansion where both the private sector and public sector are competing for funding.

Rising interest rates put pressure on household budgets, constrain business investment and dampen construction activity. The government should seek to avoid burdening the economy with higher interest by limiting the public debt that will flow from planned temporary budget deficits.

Research published by the IMF in late 2009 finds that high debt would likely lead to high real interest rates and that a one percentage point increase in the fiscal deficit raises long-term government interest rates



At Shell we are unlocking new energy sources and squeezing more from what we have. With others we are finding ways to lower our emissions and helping customers to do the same. In building a better energy future we all have a part to play – let's go

Government incentives and new technologies will help reduce greenhouse gas emissions and safeguard the environment. But society must also use energy more efficiently and secure new sources to meet surging long-term demand. At Shell, they are ready to help tackle the challenges of the new energy future.

Energy security

The world's energy use is likely to double by 2050. To help meet this rising demand, Shell is extracting more from existing resources and continuing to push new frontiers of energy exploration.

CO₂ management

By 2050 global CO₂ emissions must fall by at least 50%, yet energy demand is predicted to double. No single solution exists to this challenge. Shell is working to manage CO₂ emissions in a number of ways –including helping to develop carbon capture and storage technology, helping to develop advanced biofuels and other differentiated fuel products, and through coal gasification technology.

Energy efficiency

Learning to use energy more efficiently will help conserve resources and reduce greenhouse gases. At Shell we're always looking to improve our own energy use and help customers to do the same with more energy-efficient fuels and lubricants.

Energy diversity

To meet the world's growing energy demand will take multiple resources, including oil and gas from conventional and unconventional sources. Shell liquefies natural gas, making it easier to transport and opening up huge energy resources. Our gas-to-liquids process turns natural gas into liquid transport fuel and other products. We are also involved in wind energy projects. And we continue to develop our capacity in conventional and advanced biofuels

"What should I be doing now"?

There are of course numerous activities that one should at least be starting to think about as a business that utilises a fleet of vehicles. One simple activity, a starting point perhaps, that may prove very useful from a local business perspective is to spend some time reassessing your businesses process and tools that are used to capture and monitor your fuel use across your fleet as well as for the drivers of your vehicle(s).

This is particularly useful for setting fuel efficiency targets for your business and for identifying and rewarding the drivers of the vehicle(s) that demonstrate excellent

fuel efficient driving behaviours. It also offers the opportunity to identify those drivers that would benefit from training on fuel efficient driving techniques. To help assist you in monitoring your fuel use, you should look to a fuel supplier that is able to provide you with online reporting tools that will help you to monitor and track your fuel use.

For example, by using Shell Card Online you are able to run a Fuel Management Report that provides a summary view of the fuel usage, purchases and fuel efficiency of vehicles and also details a comparison with a year to date. The fuel efficiency is based on the km/l calculated on the odometer prompts at the time of payment.

The Shell Card feature "Smart Alerts" is another tool that may prove useful to help keep a track of your fuel use efficiencies. The Smart Alert feature alerts you to any purchases made outside the designated purchase limits you have set for your card(s). Alert thresholds can be set at account level where the same set of alerts are set to all cards, or at card level, where unique alerts are set for individual cards.

Whenever an alert threshold is exceeded Shell Card Online will generate a report and send an email notification the day after the threshold was exceeded. One such Smart Alert is the Fuel Economy alert that is triggered when the fuel economy of the vehicle (in litres per 100km) exceeds your "average fuel consumption" notification level.

by 10 to 60 basis points. The analysis also finds that long-term rates rise by five basis points for each 1 percent of GDP increase in the government debt stock.

The IMF concludes that the surge in public debt globally expected over the next five years will lead to a significant increase in long-term bond yields. This implies that the 40 percentage point increase in government debt ratios projected for advanced countries during 2008–14 could raise interest rates by two percentage points.

The research also finds that in an environment in which the supply of public debt is growing rapidly, this impact is amplified.

Moreover, the results suggest that the impact of debt and deficits on interest rates is greater during periods when the global supply of sovereign bonds is high. Taken together, these results suggest that living with high debt would be a costly option, all the more so if many countries attempted to do so at the same time.

Applying the results of the IMF research to the Australian context suggests that the potential impact on interest rates of the deterioration in the fiscal position warrants an appropriate policy response. The 2009-10 MYEFO shows the scale of the reversal in the fiscal position between 2007-08 and 2009-10 is equivalent to 6.4 per cent of GDP.

The IMF's estimates appear to imply that this change in the budget balance could lead interest rates on 10 year government bonds to increase by between 65 to 385 basis points, although in Australia's case that impact may be toward the lower end of the range given the favourable initial fiscal position and low level of political risk.

The IMF's research further shows that rising debt levels can also lead to higher interest rates. The MYEFO forecasts that net debt will reach 10 per cent of GDP by 2013-14 having risen sharply from -3.8 per cent of GDP in 2007-0815. The IMF's estimates suggest that the increase in net debt of 13.4 percentage points of GDP could increase long-term interest rates by almost 70 basis points.

Despite lacking precision, the IMF's research implies that the deterioration in the fiscal position and the build up in public debt in Australia will have some impact on long term interest rates. It is long-term interest rates that drive major investment decisions in the economy, with higher interest rates leading to a crowding out of private sector investment and an overall reduction in the long-run growth potential of the economy.

Budget Night Communications

ACCI's economics team of Greg Evans, Burchell Wilson and Dr. Siwei Goo participated in the Budget Night lock-up and issued a detailed synopsis of the Budget to our membership later that evening. Immediately after the Budget was released, ACCI issued a press release and Chief Executive Peter Anderson conducted a doorstep at Parliament House.

These communications played an important role in conveying the business perspective on the new spending measures and achieved strong national media coverage on Budget Night and the following days.

ACCI welcomed the Budget, noting that:

- the Government's determination to repair national finances and bring the budget back into surplus by 2012-13, three years earlier than forecast a year ago, would take pressure off interest rates;
- the State Infrastructure Fund and extra funding for the Australian Rail Track Corporation would contribute to a more efficient, productive and competitive economy as the economy grows;
- delay in emissions trading system would save the budget a whopping \$2.9 billion over the next four years;

- the promised personal tax cuts would contribute to labour productivity and act as an incentive for increased labour force participation; and
- additional funding for education and training incentives would address the problem of skills shortages.

While the earlier than expected return to surplus in 2012-13 was welcomed by businesses, greater scope still exists for reduced spending across government, providing the opportunity for earlier and more extensive tax reform.

ACCI also expressed concern that the 40 per cent Resources Super Profits Tax (RSPT), which was to be one of the key policy initiatives assisting the return to surplus, would affect investment in the resources sector and businesses that are directly and indirectly linked to the mining industry.

ACCI was also disappointed that there were no specific tax initiatives for businesses in the budget, other than the cut in company tax rate and depreciation changes for small business, which were linked to the implementation of the RSPT.

TEMPORARY INVESTMENT ALLOWANCE

The Small Business and General Business Tax Break (or Investment Allowance) was announced in December 2008 as part of the Australian Government's Nation Building Package response to the global financial crisis and further enhanced in February 2009 as part of the Nation Building and Jobs Plan. This initiative was first put forward to the Government by ACCI President Tony Howarth AO at ACCI's 2008 Annual Dinner as a means of lifting business confidence and averting a more serious economic slowdown.

In the May 2009 Budget, the Government increased the Tax Break from 30 per cent to 50 per cent for small businesses that had an annual turnover of less than \$2 million, acquired assets costing at least \$1,000 per asset from 13 December 2008 until 31 December 2009, and installed those assets or had them ready for use by 31 December 2010. The Tax Break remained unchanged for all other businesses.

A well-designed investment allowance can provide financial incentives for business to invest in plant and equipment and other items of capital expenditure. Such an arrangement operated in the early 1980s and 1990s in periods of economic downturn and in the latter period also extended to a development allowance for larger scale projects.

The investment allowance is designed to provide immediate stimulus to the private sector, by providing a tax deduction based on a percentage of the capital cost of the property in the year the property was installed or first ready for use. The measure provides a substantial boost to business investment, which is a critical driver of GDP growth and employment.

Because the investment allowance is a time-based tax cut, its effectiveness as a stimulus measure is enhanced and results in a far higher multiplier effect relative to permanent tax cuts or cash handouts.

Figures on the take-up of the allowance are included in the Small Business section of this Annual Report.

ACCI BRIEFING NOTES ON KEY ECONOMIC INDICATORS

ACCI continued to report to its members on economic events throughout 2010. Coverage included key data releases and statements and publications from leading domestic and international institutions. The Unit regularly reported on a range of macroeconomic indicators, including GDP, inflation, labour force, retail trade and wages data.

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Amongst many other publications, ACCI also briefs members on the RBA's Statement of Monetary Policy, the Department of Treasury's Economic Roundup, the OECD and IMF Surveys of Australia, and the IMF's World Economic Outlook.

In addition to keeping members up to date, monitoring the economic data and policy announcements of major institutions allows the Economics and Taxation Unit to better engage in public policy debates and influence decision-makers. ACCI has gained widespread media coverage for its commentary on economic issues throughout the year, notably on debate surrounding interest rate movements.

In addition to the usual range of macroeconomic briefings, the Economics and Taxation Unit has broadened its scope to include notes on key data releases and Reserve Bank decisions. These snapshots of the headline figures and decisions are released in a timely fashion and designed to keep members abreast of developments in the domestic economy as they happen and cut through the distortion that can be present in general reporting.

MONETARY POLICY

The Reserve Bank of Australia has lifted cash rate by 150 basis points (bps) from 3.00 per cent, the lowest level in 49 years, to 4.5 per cent within eight months from October 2009 to May 2010. These moves returned the cash rate to within the neutral range given the expectation that growth in 2010 would be around trend, and with inflation remaining at the upper band of their target range.

Throughout 2010, ACCI called on the Reserve Bank to exercise a cautious approach as we commenced the monetary tightening cycle after three consecutive hikes in interest rates in the first half of 2010.

Careful management is required by the Reserve Bank to assess the flow on impact on consumer and business sentiment.

ACCI used its comprehensive business surveys to argue that while business expectations had improved since the second half of 2009, actual trading conditions continued to fall short of prior predictions.

Our surveys also pointed to significant divergence between small and large businesses, with small business activity remaining subdued and lagging behind larger enterprises. Further pre-emptive increases in interest rates would dent business confidence and put further pressure on businesses profitability and viability.

Moreover, ACCI consistently articulated during 2010 that major lenders had fully passed on, if not by more, the 150 bps increase in the cash rate since September 2009 to small business lenders. However, unlike big businesses and home lenders who had received full benefits of the previous -425bps rate reductions, the level of pass through to small businesses was more limited, with average lending rates falling by only -300bps.

Data from the Reserve Bank supported this argument, noting that the increases in lending rates relative to the cash rate were much larger for small business loans than housing loans since June 2007. Since mid-2007, the standard variable rate on home lending had increased by around 110 bps relative to cash rate, while the variable rate of small business residentially secured lending increased by around 205 bps.

ACCI Board Member Meeting with RBA Governor

ACCI meets annually with the Governor of the Reserve Bank, Glenn Stevens. The meeting provides an opportunity for the ACCI Board to provide direct feedback on issues of concern for the Australian business

community and to gain an insight in to the central bank's formulation of monetary policy based on its expectations for the performance of the economy.

Issues discussed during the October 18 meeting included the state of the economy, the strength of the global economic recovery, inflationary pressures, the unevenness of Australian economic recovery, and the outlook for business investment.

The willingness of the Governor to meet with the ACCI Board and provide a full and fair explanation of his policy deliberations highlights the Chamber's standing as representatives of the business community.

COOPER REVIEW OF SUPERANNUATION

In May 2009 the Government commissioned the Super System Review (known as the Cooper Review) to provide recommendations on the governance, efficiency, structure, and operation of Australia's superannuation system.

The Review comprised an expert panel which included ACCI's Director of Economics and Industry Policy, Mr Greg Evans, and Mr Jeremy Cooper, who was the full time Chairman.

The Review reported to government by 30 June 2010, providing a significant suite of possible options for reform.

A key focus of the review was seeking opportunities for cost savings in the administration of superannuation which also included how superannuation compliance for employers could be simplified.

It was estimated the simplified MySuper accounts and the Superstream initiatives to assist back-office administration could lower fees by 40 per cent, lifting the retirement savings of a worker on average wages by \$40,000. The government subsequently adopted the key elements of these proposals.

However a period of consultation with superannuation members, the superannuation industry and employers will be required to deal with transitional and other policy issues.

ACCI accepted and welcomed the key recommendations of the Cooper Review and made the following additional points:

- The regulation of employer obligations should not be duplicated in both superannuation and industrial relations law.
- Business is incurring red tape costs as the middle-man between employees and the superannuation industry and employers consider that better value to employees from compulsory employer contributions can be achieved by cutting red tape and superannuation industry fees.
- The review shows that changes to fees and the way the superannuation industry operates can provide higher retirement incomes. As a consequence, there is now a weaker case to force employers to increase the compulsory 9% levy over the next decade.
- The MySuper default product is a worthy concept, though the complexity of dual regulation of employer obligations between superannuation and industrial relations laws will make its implementation difficult and could require some industrial awards, which have just been reviewed, to be re-opened.
- The proposals to move away from non-electronic payment by employers are understandable but need to be road tested with small business, as do proposed new offences on the transfer of data.

The recommendation that the GEERS scheme cover 3 months of superannuation on insolvency is sensible and should obviate the

push for more frequent employer payments, which would put cash-flow stress on small business.

ACCI ECONOMICS AND TAXATION COMMITTEE

ACCI's Economics & Taxation Committee met several times during 2010 and discussed a broad range of issues including:

- the state of the national economy;
- competition law reform;
- unwinding of fiscal stimulus measures and returning the budget to surplus;
- rebalancing growth from the public to the private sector;
- monetary policy developments;
- the Henry Tax Review; and
- the Carbon Pollution Reduction Scheme.

This Committee is chaired by ACCI Board member Mr Ian Penfold.

A highlight was the 17 March 2010 Joint Meeting of the Economics, Taxation, Industry Policy and Environment Committees which was held at Parliament House, Canberra. The meeting was addressed by several senior Rudd Government Cabinet Ministers, including the Treasurer, Hon Wayne Swan MP, the Minister for Finance and Deregulation, Hon Lindsay Tanner MP, as well as the Parliamentary Secretary for Innovation and Industry, Hon Richard Marles MP who was representing Industry and innovation Minister Senator the Hon Kim Carr.

Shadow Minister for Climate Action, Environment and Heritage Greg Hunt and the Deputy Head of the RBA's Economic Analysis Department Dr. James Holloway also addressed the meeting.

The Treasurer acknowledged that feedback from the business community during the GFC had been very important and advice to government from business on investment allowance had been taken up by the Government. He also acknowledged the confidence that business had shown during the GFC by not retrenching workers but instead cutting hours. He affirmed the Government's confidence in the progress of the Australian economy and stressed the importance to the Government of fiscal discipline.

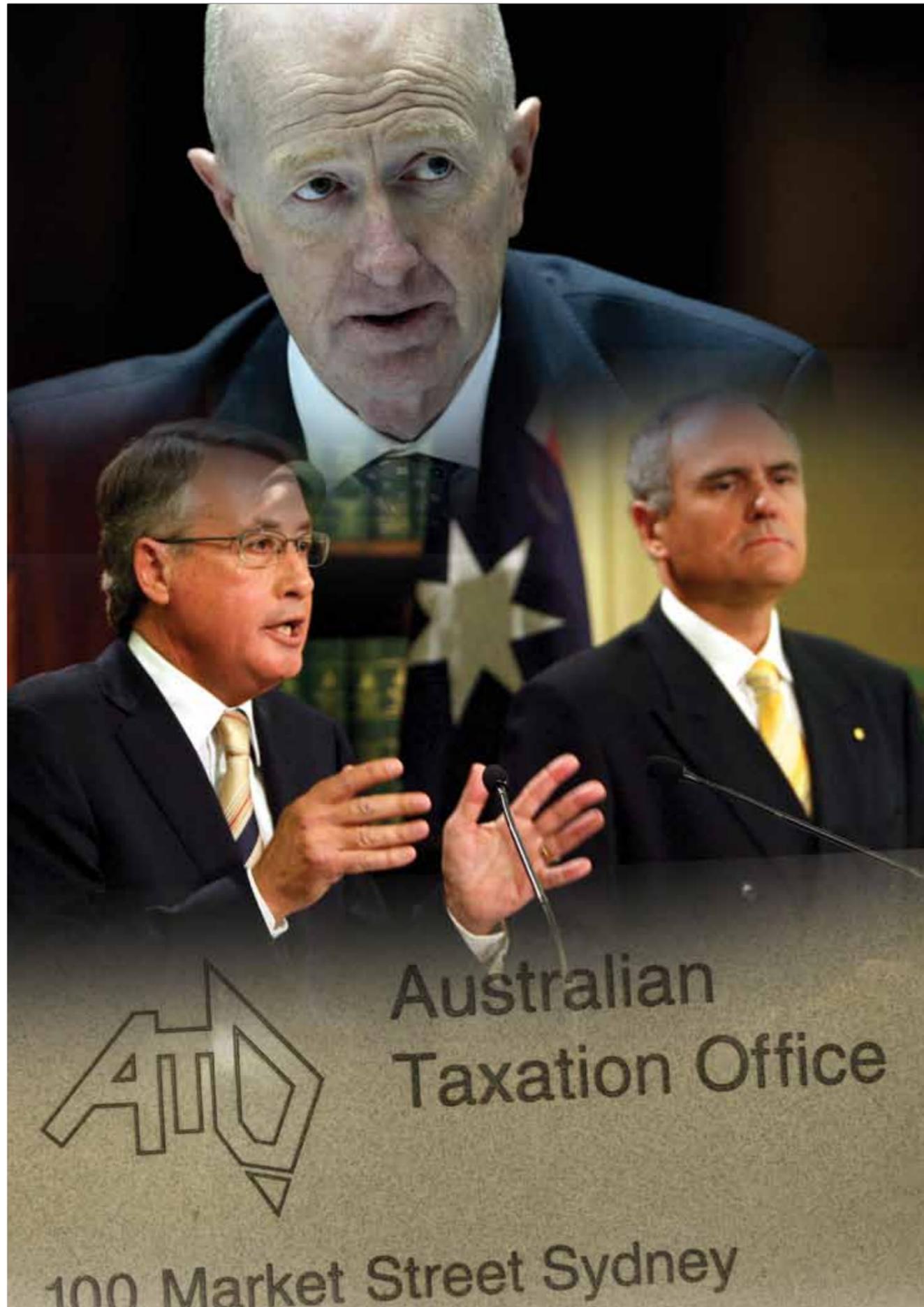
In relation to the Henry Tax Review the Treasurer assured members it was a 10 year reform project which would require rigorous industry consultation and discussion.

Members were also able to raise a series of issues with all of the Ministers who attended, including:

- the difficulties being faced by SMEs - margins being challenged and the restricted growth of SMEs due to difficulty in obtaining finance, big retailers changing payment methods to SME suppliers causing cash flow problems, and the need for better terms of credit insurance for small business which was averaging 11 per cent;
- the possibility of extending EFIC to SMEs;
- the challenge of the flow of finance to SMEs post GFC - members reported that a recent survey on access to finance showed that conditions were getting difficult for business, the need for increased competition in the banking sector, and the need for more transparency in the passing on of interest rate changes;
- that R&D Tax Credits were the cornerstone of government policy aimed at stimulating private investment in R&D; and
- the development of more formal mechanisms for business input into government decision making.



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On 29 April, the Committee met to set out ACCI's tax reform priorities, resolving that the then to-be-released Henry Review and Government response should include strategies to:

- **reduce personal income tax rates** and the number of thresholds, eliminating bracket creep and committing to gradually align the top marginal rate with the company tax rate;
- **provide capital gains tax (CGT) relief** measures to ensure small business operators have the incentive to invest and risk their capital. Australia needs to move to a simpler stepped-rate system with reduced and eventually nil CGT applying on the sale of longer held assets;
- **work towards the eventual abolition of payroll tax** which is a tax on the jobs of all Australians. Payroll tax represents a major obstacle to the growth of small businesses, and creates a significant disincentive to increase employment;
- **abolish many of the state-based transaction taxes** which are both inefficient and place cost imposts across business;
- **implement a depreciation regime**, especially as it relates to larger capital items, which fosters investment and the upgrading of less efficient technology; and
- **reduce complexity in the taxation system**, although this should not be viewed as a substitute for genuine and substantive reform initiatives.

The Committee considered that tax reform that supports economic growth will bring more revenues into government coffers without the need for new taxes or raising existing taxes. Achieving the nation's tax reform goals and maintaining competitiveness will also require spending cuts targeting inefficiencies and government waste.

ACCI continues to have close liaison with other business organisations including Business Council of Australia and CPA Australia to discuss current economic conditions and a reform agenda for the Government.

IMF AND OECD SURVEY ON AUSTRALIA

ACCI welcomed the June and July assessment of the Australian economy by the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF). During the consultation process, ACCI met with OECD and IMF delegation to provide views of Australian business, and our assessment of current economic conditions and the medium term economic outlook.

We indicated that the Australian economic recovery had been uneven, with some sectors, especially small business, lagging behind larger counterparts. Moreover, small businesses continued to face difficulties in accessing credit.

The uncertainties surrounding the impact of the Government's new workplace relationship system and the proposed Resource Super Profits Tax were also discussed with the OECD and IMF.

CONSULTATIONS WITH DECISION MAKERS

ACCI continued to conduct regular meetings on economic matters with key policy makers during the year.

These meetings are a crucial part of the Chamber's strategy to ensure that the needs of Australian business are taken into consideration and addressed by government.

A range of meetings with representatives from key institutions were conducted in 2010, including from the:

- Reserve Bank of Australia;
- International Monetary Fund (IMF);
- Organisation for Economic Co-operation and Development (OECD);
- Department of the Treasury;
- Department of Innovation, Industry, Science and Research;
- Australian Tax Office; and
- Australian Bureau of Statistics.

ACCI's effective working relationship with the Prime Minister's Office, key economic advisers and senior Government Ministers, ensures that the concerns of business are made known to policy-makers at the highest level.

In July, the ACCI Board met with Richard Murray, Acting Secretary of Treasury and key Treasury officials. Issues discussed included the state of the economy, the Government's deficit exit strategy, the Henry Review and Government's response, the Resources Super Profits Tax and access to finance for small businesses.

MEDIA AND PRESENTATIONS

ACCI's Economics and Taxation Unit made a significant contribution throughout 2010 on a range of national media platforms, both print and electronic.

Engagement with the media enables ACCI to deliver its policy messages in national daily newspapers and editorials, ABC and commercial radio, and television coverage including Sky News and Sky Business programs.

The Unit also conducts numerous doorstops at Parliament House on the release of our surveys and to comment on key economic announcements.

The Director of Economics and Taxation, Greg Evans, regularly speaks at high level public conferences and functions alongside national policy makers and respected private sector economists.

Topics discussed at such forums typically address the state of the national economy and other matters of national policy significance. Members of the Unit also present at various internal Committee meetings and speaking engagements run by members.

ACCI attended and spoke at a number of formal events during the year, including, but not restricted to the:

- Air Conditioning and Mechanical Contractors' Association (AMCA) of Victoria's annual conference in Canberra on the CPRS and energy prices;
- ACT Chamber of Commerce and Industry's traditional Post-Budget Breakfast;
- ACCC Senior Executive forum on the Gold Coast in June 2010;
- CPA Small Business Forum in Melbourne in June attended by the Minister for Small Business and the Shadow Minister for Small Business;
- Superannuation Reform two-day conference in Sydney on 13 and 14 October; and
- Bus Industry Confederation conference on energy efficiency.

The Australian economy began to show signs of stronger growth in 2010, after the sluggish growth of 2009. ACCI's range of business surveys provided timely and valuable information on business trading conditions in different sectors of the economy for the ACCI secretariat, as well as key decision makers in government and the Reserve Bank. We thank all of our survey partners and members for their support of our survey work throughout the year.

ACCI Business Surveys



Dr Siwie Goo
Adviser - Economics & Industry Policy

Surveys conducted by ACCI provide an independent and detailed source of information on business conditions, attitudes and concerns, and represent data collected directly from Australian employers. ACCI surveys offer insight into major matters of concern to business, on a wide range of economic issues. ACCI continuously works to increase the reliability and usefulness of data as well as reduce administrative processing times to increase data timeliness, availability and presentation.

Given the effectiveness of the surveys in communicating views of businesses, policymakers have also come to rely on them to obtain an accurate and timely reflection of business conditions. Survey data and publications are provided free of charge and under embargo to the Reserve Bank and relevant government departments. ACCI business surveys are also cited in the Reserve Bank Statement of Monetary Policy.

ACCI's business surveys also continue to attract the interest of market analysts, with paid data subscribers from leading domestic and international financial institutions. In 2010, international data provider CEIC Data also subscribed to the ACCI Small Business Survey data for further dissemination to their paid subscribers.

ACCI has continued to enjoy increased media profile during 2010 on these surveys.

ACCI – WESTPAC SURVEY OF INDUSTRIAL TRENDS

The *ACCI – Westpac Survey of Industrial Trends* has been conducted on a quarterly basis since the March quarter of 1966, making it the longest continuous private sector survey of the manufacturing industry in Australia.

The Survey this year was published in March, June, September and December. The Survey retains its authority due to its outstanding ability to track business cycle trends in the Australian economy.

Moreover, the Survey is also one of the main sources for the *OECD Standardised Business Confidence Indicator for Australia*.

In 2010, manufacturers' business conditions and sentiments remained mixed. From the December quarter of 2009, trading conditions for manufacturers continued to firm, with labour demand and investment intentions improving gradually.

Difficulty in obtaining finance remained an issue for manufacturers over the year, with the indicator remaining above its decade average for 13 consecutive quarters, albeit well below the peak recorded during the first quarter of 2009.

Manufacturers' confidence swung dramatically over 2010. The *General Business Situation* index, which indicates manufacturers' confidence over the following six months, deteriorated during the year to its lowest level since the June quarter of 2009, after solid improvement from December 2009. This finding reflected manufacturers unwinding their buoyant expectations amidst actual trading conditions continuing to fall short of prior predictions, the Reserve Bank's six rate hikes between October 2009 and May 2010, and elevated concerns about the strength of global economic recovery.

Inflationary pressures remained subdued during 2010 with actual and expected unit costs and average selling prices remaining below their decade average, and continuing to fall short of previous projections. However, manufacturers' net wage growth expectations rose at an accelerated pace during the year. It is also evident that manufacturers' profits remained under significant pressure as improvement in average selling prices remained below the increase in unit costs of production.

ACCI SURVEY OF INVESTOR CONFIDENCE

The *ACCI Survey of Investor Confidence* commenced in 1998 and focuses heavily on business investment sentiment while also polling businesses on actual outcomes and expectations for other economic data. The January edition (this survey was also published in April, July and October) was also the first major private sector business survey released this year. Business trading conditions and confidence remained mixed in 2010. After recording significant improvement in the December quarter of 2009 and the March quarter of 2010, business' own conditions, sales and profits fell in the middle of the year. Expectations for all three indexes also edged down from record high levels.

Future expectations for *National Economic Conditions*, *Expected Climate for Investment*, *GDP Growth* and *Business Investment* fell from recent peaks mid-year, suggesting that businesses became less optimistic that the Australian economy was in full recovery mode.

The *Expected Number of Full-Time Employees* index remained positive in the June quarter, suggesting hours worked and businesses' hiring intentions were expected to remain resilient over the remainder of 2010.

This result was consistent with the *Expected Unemployment Rate* index, which fell to its lowest level since the March quarter of 2006. Businesses expected that overall wages pressures would continue to grow in line with an increasing tightness in the labour market into 2011.

The *ACCI Survey of Investor Confidence* also asks respondents about the relative importance of a list of twenty factors as constraints on the level of business investment in plant and equipment.

In 2010, the issue of skill shortages resurfaced with *Availability of Suitably Qualified Employees*, which fell out of the top ten constraints in 2009 for the first time since 1998, returning to ninth position. It was this survey in the early 2000s that first brought Australian skill shortages to national attention.

Financial constraints, namely *Raising Loans from Financial Institutions*, *Charges by Lending Institutions*, and *Level of Interest Rates*, as well as *Insufficient Demand*, continued to remain prominent during the year.

SELECTED CONSTRAINTS ON INVESTMENT

		Jan-10	Apr-10	Jul-10	Oct-10
Business Taxes and Government Charges	Rank	1	1	1	1
Non-Wage Labour Costs	Rank	3	4	5	2
Local Competition	Rank	4	2	4	3
Wage Costs	Rank	2	6	8	4
Availability of Suitably Qualified Employees	Rank	12	9	9	5
Charges by Lending Institutions	Rank	7	8	7	6
Insufficient Demand	Rank	5	5	2	7
State Government Regulations	Rank	6	3	3	8
Insufficient Retained Earnings	Rank	9	11	12	9
Level of Interest Rates	Rank	10	10	10	10
Federal Government Regulations	Rank	8	7	6	11
Raising Loans from Financial Institutions	Rank	13	12	11	12

Source: ACCI Survey of Investor Confidence, January 2010 to October 2010

The ACCI – Westpac Survey of Industrial Trends has been conducted on a quarterly basis since the March quarter of 1966, making it the longest continuous private sector survey of the manufacturing industry in Australia.

"On climate change, the Survey found that 75% of businesses preferred the Australian Government put in place business tax incentives for energy efficiency until an international consensus exists on climate change action, in preference to heavy handed-approaches of emissions trading or carbon taxes."

COMMONWEALTH BANK – ACCI BUSINESSEXPECTATIONS SURVEY

The Commonwealth Bank – ACCI Business Expectations Survey is a national survey aggregated from individual Business Expectations Surveys conducted by ACCI member associations.

The Survey covers firms in every State, in every industry, and incorporate firms of every size. It is therefore Australia's most comprehensive private survey of business expectations, with more than 2,500 respondents in each 2010 issue.

This year the Survey was published in February, May, August and November.

In early 2010, the Survey found that business conditions and expectations continued to improve, albeit with actual trading conditions remaining below previous quarter's projections. The index of Expected Economic Performance for the next twelve months surged to record high levels during the year. The solid Investment in Plant and Equipment index suggested that the Government's investment allowance incentive, which was originally suggested by ACCI, successfully encouraged business investment in this area.

However in the second half of 2010, key business actual indicators edged down from these recent peaks and most of the expectations indicators began to flatline or decline. These findings suggest that business sentiment retreated to more temperate levels as a result of uncertainty about the strength of global economic recovery.

Employment remained resilient throughout the year with businesses expecting further improvement in hiring intentions. Consistent with stronger labour market conditions, Wage Growth and Non-Wage Labour Costs began to trek back towards their five year average levels. However, increasing wage costs pressures coupled with weak Selling Prices continued to put downward pressures on business profits and limit the ability of businesses to invest.

ACCI SMALL BUSINESS SURVEY

The ACCI Small Business Survey is drawn from Commonwealth Bank – ACCI Business Expectations Survey data, and allows a comparison to be made between conditions in small, medium and large businesses.

This year, the Survey was published in February, May, August and November.

Its primary aim is to gauge business conditions within firms that employ fewer than 20 employees - a crucially important, but often hidden, segment of the national economy.

This Survey commenced in 1996.

In 2010, the Survey findings underscored the uneven Australian

economic recovery with a significant divergence emerging between business conditions experienced by small and larger enterprises.

The small business indicators for Business Conditions, Sales Revenue, Selling Prices, Profit Growth, Employment, Overtime Utilisation and Investment in Plant and Equipment all fell and remained at contractionary levels over the June quarter, while growing for larger businesses. Moreover, the divergence in conditions between small and large businesses was also at a record high for the indexes of Business Conditions, Sales Revenue and Profit Growth.

While Wage Growth and Non-Wage Labour Costs continued to increase to the highest levels in almost two years, small business Selling Prices remained contractionary. This continued to put significant pressure on small business profitability and viability. Actual profits remained contractionary throughout 2010 for small businesses and continued to fall significantly short of prior predictions.

After the conclusion of the small business investment allowance measure on 31 December 2009, small business Investment in Plant and Equipment fell back into contractionary territory indicating that small business owners had brought forward their planned investment to the December quarter of 2009.

ACCI used the Small Business Survey findings throughout the year to highlight that not only was there clear evidence of a two-speed economic recovery, but also a concerning gap opening up between the outlook for small and larger businesses.

The Survey also indicated that the rebalancing of growth driven by private sector was yet to materialise, providing a strong case for the Reserve Bank to stay on the sidelines for the rest of 2010. ACCI said that the Government should also proactively lower the ongoing red tape and compliance burden on small business to reduce the costs of doing business.

ACCI 2010 PRE-ELECTION SURVEY

In 2010 ACCI, in partnership with member organisations, successfully ran its triennial ACCI Pre-Election Survey to assess business priorities in the lead up to the 2010 Federal Election.

The Survey covered a wide range of business issues from the level of taxation and compliance with the tax system, to workplace relations and regulations, skills development, government regulations, infrastructure, tax reform priorities and other topical issues.

ACCI released the results, which were based on the responses from 1,186 businesses across Australia, in four tranches before polling day on 21 August, and used the findings to call for an integrated ten-point programme of economic reform fostering growth and jobs.

Economics and Taxation Highlights

The survey found that 64 per cent of businesses nominated the High Level of Government Spending as their top concern, ahead of the Level of Taxation (52%) and Interest Rates (46%). On a separate question about Economic Management, 42 per cent of businesses said that sound economic management should be the most important priority for the next Australian Government - a significant increase from the 25.1 and 23.3 per cent levels in the 2007 and 2004 surveys. Sound economic stewardship has become increasingly important following the aftermath of the global financial crisis.

Against the background of the Henry Review of taxation, businesses were also asked their views on which areas of the taxation system needed further reform.

Overall, businesses rated Income Tax Reform, Company Tax Reform and Payroll Tax Reform as the top three tax reform priorities

to be pursued by the next Australian Government, although these priorities changed according to the size of the business, with small businesses ranking Capital Gains Tax Reform as the third priority for reform, while medium businesses ranked Payroll Tax Reform as their highest priority, followed by Income Tax Reform and Company Tax Reform.

Skills and Workplace Productivity Highlights

The Survey found that 82% of businesses had either "major or moderate concerns" about the recruitment of employees with appropriate skills, while a worryingly high 70%, nearly three out of four employers, were concerned about employees having "good" levels of numeracy and literacy.

While costs of training were a major concern to 36% of businesses, there was also wide recognition (45%) of government funding, and strong support for training of apprentices to be focused on skills competency (60%).

The Survey also revealed that three of the top four workplace issues were associated with the introduction of the 'fair work' industrial relations laws (limits on dealing with employees (77%), transition to new industrial awards (79%) and compliance (78%).

77% of businesses were also concerned about whether the Australian Government's new industrial relations laws would help or hinder achieving productivity through workplace change. Excellent foundations have been laid by successive governments on skills development, through education and training, the Australian Apprenticeships system and literacy and numeracy programmes in schools and the workplace. Given the re-emergence of skills shortages and projections that they will deepen, this is a crucial area of domestic policy worthy of further public and private investment.

Climate Change Highlights

On climate change, the Survey found that 75% of businesses preferred the Australian Government put in place business tax incentives for energy efficiency until an international consensus exists on climate change action, in preference to heavy handed-approaches of emissions trading or carbon taxes.

The Survey also found that:

- the level of energy costs is businesses' most significant infrastructure concern;
- twice as many business owners oppose than support an ETS or carbon tax in advance of other major emitting nations; and
- support in the current environment for an emissions trading system is down to one in four business owners.

Industry is keen to work on energy efficiency measures where there is common ground on reducing environmental impact and business costs. Tax incentives for lower-emitting plant and equipment such as the successful investment allowance used during the global financial crisis would be a step in the right direction.

Taxing our economy with a carbon tax or a unilateral emissions trading scheme has low business support in the current environment. The higher energy costs it would bring to business and consumers would come with little global gain. Calls for a carbon tax or ETS in the name of business certainty don't represent the general view of business owners. Real business certainty only exists in an internationally competitive economy.

Earlier in the year, a separate ACCI survey of 916 businesses found that:

- 56.8 per cent of businesses indicated that the CPRS is not the most appropriate mechanism to reduce greenhouse gas emissions;
- 88.4 per cent of businesses indicated that they preferred to reduce Australia's greenhouse gas emissions through improvements in energy efficiency;
- 43.3 per cent of businesses have moderate understanding about their own carbon footprint, while 23.2 per cent of businesses have little or no understanding about their current greenhouse gas emissions; and
- 73.9 per cent of businesses believed that the CPRS will increase the costs of business, followed by 59.5 and 57.6 per cent of respondents indicated that the CPRS will increase their compliance burden and reduce their profitability respectively.

Employment Tax Concerns

In relation to employment taxes, the survey revealed the first signs of eroding support amongst employers for the compulsory superannuation payments system should the government unilaterally raise the employer levy from 9% to 12% of payroll as promised.

Since 2007, the percentage of businesses expressing major concern with the Superannuation Guarantee Charge has increased from 19.6% to 44% with the figure for small businesses increasing from 21.2% to 48%.

A total of 79% of all businesses have major or moderate concerns now with funding the superannuation levy, with total small business concern now at 80%. Interestingly, 71% of employers report that an increase of superannuation guarantee charges from the current 9% to 12% would impact on their capacity to employ.

Almost 75% of businesses are concerned about the current level of payroll tax, which is a direct tax on jobs. It is most concerning to medium sized businesses where a whopping 85% had major or moderate concerns. Medium businesses fall into payroll tax liability once they employ too many people to maintain a small business exemption.

The ACCI survey also suggests that employers employ fewer Australians when national and State governments impose levies and taxes on hiring staff.

Armed with these Survey results ACCI called on both major political parties to urgently find a basis to fund the proposed \$20 billion per year (33% increase) in superannuation which employers will have to fund if the levy on payroll goes up to 12%, as well as commit to opening a dialogue with the States on the progressive abolition of payroll tax.

Even though payroll tax is a State tax, business owners expect the Commonwealth to take a leadership role in restructuring federal / State financial relations to enable taxes on jobs like payroll tax to be progressively reduced and then eliminated over time.

The introduction of the Government's Fair Work laws and all that goes with this suite of changes, has been the major preoccupation of ACCI's Workplace Policy Unit, as the focus shifted in the past year from development of the new Fair Work laws to their implementation and operation.

Workplace Policy



David Gregory
Director - Workplace Policy

Since early 2008, when the first tranche of the then Rudd Government's "transition" laws came into operation, until 1 January of this year when the Fair Work Act 2009 commenced in full, it is somewhat of an understatement to say that the past two years have felt like a legislative rollercoaster ride. This has been particularly difficult for employer organisations and employers who must ultimately grapple and comply with the new system.

There have been countless meetings and consultations with Government advisers, officers and staff of new regulator the Fair Work Ombudsman, trade unions, appearances before Parliamentary Committees, and advocacy before the new tribunal Fair Work Australia (FWA).

However, as challenging and demanding the past year has been for all involved, it has been an immensely rewarding time, as the Secretariat, committee members and employers have jointly and collaboratively worked together to get from one major industrial relations reform (the former Coalition Government's WorkChoices reforms) to the new Fair Work laws in the span of only four years. Whilst it is not possible to list all of the major achievements and milestones over the past 12 months, without the time and effort devoted by committee members and employers, the effective implementation of the new laws, which is but one part of the Unit's overall work program, would not have been possible.

A crucial task performed by ACCI and employer bodies has been to become familiar with the new policy and legal framework of rights and obligations and ensure that employers and their workplace are well informed about the new changes.

Over the last year the ACCI member network has continued to deliver briefings and information seminars, distributing vital advice to employers who must ultimately understand, implement and comply with the new laws. Members have successfully delivered such services to thousands of employers across Australia, in rural, regional

and metropolitan locations. This has been particularly challenging as nearly all of the private sector employers (apart from unincorporated employers in WA) are now in the federal industrial relations system, but have come on board with various "industrial" baggage (in the form of notional pay scales, federal and state awards, enterprise awards, individual and collective agreements).

The year also saw the commencement of 122 new "modern" industrial awards and new National Employment Standards. As a result, ACCI and employer organisations have had to work through complex and detailed transitional provisions to provide what many would consider should be a simple answer to a simple question: what should I pay my employee?

Through these seminars, webinars, podcasts and other mediums of information exchange, employers provided feedback to employer bodies. This continues to be vital to ACCI's advocacy to Government on how the new laws are operating.

The work of many employer bodies during the implementation phase was in part funded by Australian Government grants, which ACCI was instrumental in securing following the successful delivery of the former government's Employer Advisory Program. Once again, ACCI supported members in tendering for the delivery of services to employers through the Government's \$15.6 million Shared Industry Assistance Projects and Fair Work Education and Information Program.

An equally important task performed by ACCI and employer bodies was to hold the Government to account when its laws had not achieved the expectations it said they would achieve. During the last 12 months, ACCI continued to advocate on behalf of employers where the laws were having a prejudicial effect on employers, or operating

inconsistently with the spirit and intention of the new laws. ACCI's role has been to shine a light on examples which run contrary to business expectations or common sense and to advocate sensible changes where necessary. This will remain a significant task for ACCI over the next year, as the laws continue to be tested by employees, unions and employers in the tribunal and in the courts.

Whilst much of the Secretariat and members' work featured implementation issues involved with the new system, ACCI maintained a significant work schedule devoted to the new industrial tribunal's inaugural Annual Wage Review, as well as a significant level of intervention and advocacy before Fair Work Australia. Despite this additional workload, the Unit continued to provide its traditional member services in the form of policy research, information, commentary, advice and advocacy.

ACCI continued to provide an international service to members on workplace relations matters during 2010, as the employer member of the International Labor Organisation (ILO), the International Organisation of Employers (IOE) and the Confederation of Asia-Pacific Employers. The work of ACCI at an international level continues to be important, particularly in the wake of the Global Financial Crisis, and ACCI remains committed to influencing debate on workplace relations on a domestic and international level, as well as positively contributing to building relations between global partners.

WORKPLACE POLICY COMMITTEE AND WORKING PARTIES

The ACCI Workplace Policy Committee, which drives the forward thinking national workplace policy agenda, is grateful to the Chairmanship of Mr Graham Harris. The Committee met three times in 2010 and thanks those guest speakers who took the time out from their busy schedules to provide their specific knowledge on workplace policy. A special Fair Work System working party was also established this year to discuss various fair work system developments, particularly the co-ordination of Chamber and Industry Association responses to a number of significant union test cases, as well as ways to ensure how the 122 new "modern" awards are flexible and responsive to the needs of a modern economy. The Committee and its working parties ensure that ACCI continues to advocate evidence-based policy on behalf of Australian business, which is based on collective input and analysis.

CONSULTATION WITH GOVERNMENT

ACCI continued its traditional high level dialogue with the Government during the implementation phase of the new Fair Work laws.

ACCI is appreciative of the time Ministers and their staff devote to meeting with ACCI and its members either informally or formally, through peak level meetings such as National Workplace Relations Consultative Council (NWRCC), the International Labour Affairs Committee (ILAC) and Committee on Industrial Legislation (COIL).

In the span of 12 months, the Secretariat constructively worked with three Workplace Relations Ministers and thanks the Hon. Julia Gillard MP, Hon. Simon Crean MP, and Senator the Hon. Chris Evans and their staff for the ability to have frank discussions about workplace policy matters.

ACCI will continue to provide the Government with practical and constructive feedback on behalf of Australian business.

DIRECT ENGAGEMENT WITH FAIR WORK AUSTRALIA

Early in the year, ACCI met with the President and other members of

Fair Work Australia to discuss a number of issues involving the legal administration of new fair work system.

ACCI was able to contribute to these meetings with feedback from our employer network on practical issues such as the processing of applications for agreement making, unfair dismissals, as well as the operation of the FWA Rules and Forms. ACCI continues to engage at a peak level with Fair Work Australia on important administrative matters which assist employers in their practical dealings with FWA.

In particular, experience by ACCI member organisations with the new unfair dismissal conciliation system provided invaluable feedback to the Fair Work Australia senior members on the operation of the new procedures.

The ACCI member network will continue to assist FWA as it conducts a more in-depth review of the unfair dismissal system.

ACCI AND THE FAIR WORK OMBUDSMAN

ACCI continued to engage constructively with the new industrial regulator, the Fair Work Ombudsman (FWO) Nicholas Wilson, during 2010, particularly given the significant task of enforcing new laws and advising workers and employers on compliance matters.

ACCI met with the Ombudsman and senior officials regularly in 2010 to discuss matters including implementation issues associated with transitioning from old state/federal industrial awards to the new modern awards. This required a high degree of consultation and dialogue with the FWO staff which led to improved relationships the FWO and the employer community.

ACCI also provided the FWO with practical feedback on a range of educative and informative materials.

INTERVENTIONS BEFORE FAIR WORK AUSTRALIA

Whilst a large portion of the new laws commenced in January, many aspects of the new laws are still to be tested and evaluated.

The new Fair Work laws have been a fertile source of argument and interpretation before the new industrial tribunal.

The Secretariat provided advocacy on behalf of Australian employers, where matters had the potential to extend across the entire workplace of an industry or the Australian economy. The following summary highlights some of those significant matters in which ACCI intervened during 2010:

- **Compulsory Arbitration.** Taken against a decision of the tribunal which rejected a proposed enterprise agreement on the basis that it did not allow the tribunal to arbitrate when there was a dispute arising under an enterprise agreement. That decision was successfully overturned on appeal which endorsed ACCI's primary argument that the new laws did not confer a unilateral right on the tribunal to arbitrate under a dispute resolution clause.
- **Preferred Hours Clauses and Undertakings.** ACCI supported the National Retailers Association in seeking to uphold the validity of long standing "preferred hours" clauses in agreements – provisions which enabled employees to obtain additional work hours that would have not otherwise have been available. The matter also raised important issues about the ability of an employer to provide undertakings to enable an enterprise agreement to be approved by the tribunal, when it might otherwise have failed the relevant statutory test. Whilst the arguments in support of preferred hours clauses were unsuccessful in this matter, the tribunal did agree with ACCI's arguments on the importance of allowing employers to provide undertakings to the Tribunal to allow an agreement to pass the relevant test.

- **Right of Entry.** This involved an appeal from a single member decision that approved an enterprise agreement allowing an open-ended right of entry entitlement to one union, without the important checks and balances contained in the Fair Work legislation. In this case, the appeal was successful and the decision of the single member overturned, adopting the arguments put by ACCI.
- **Modernising Enterprise Awards.** ACCI provided a submission to the tribunal in the first application under the new laws seeking to modernise and retain an enterprise-based award. As a result of ACCI's submission in that case, the tribunal rejected the trade unions' approach, which would have created additional burdens on employers to meet to that which is required under the laws.
- **Public Relations Industry Modern Award.** ACCI intervened in this matter following an application by a union seeking to create a new modern award for the public relations industry. ACCI's successful opposition to the claim was based on the fact the issue had just been dealt with during earlier award modernisation hearings and the new award would extend into areas of employment that had traditionally been award free, including public relations, media relations, government relations, internal communications, issues and crisis management, event management, brand and marketing, corporate social responsibility and sustainability. The union's claim in this matter to create a new award was rejected. No new application for a modern award was made following this decision.
- **Retail Minimum Engagement.** ACCI supported applications by ACCI retail members who sought to overcome the disadvantage by school age students who are also looking for casual or part time work opportunities after school. These restrictions are being imposed by the terms of the General Retail Award's three hour minimum engagement clause in circumstances where many of the prospective student employees do not have that much time available between the finish of school and the time the business closes on the day. Retailers particularly in regional areas have found that because of the current clause they can't employee young people keen to take on work after school, but not available for the full three hour minimum period. It is clear that students are losing work opportunities after school because of these award restrictions. Unfortunately employers lost an appeal before Fair Work Australia on this issue in October, leading ACCI to call on the Government to fix the problem created by its own award modernisation.
- **Absorption of High Costs Under New IR Awards.** Following ACCI's involvement in the extensive award modernisation proceedings in 2008-2009, ACCI provided submissions to the tribunal when it was asked to determine whether employers could absorb increased costs as a result of transitioning to new industrial awards. The ACCI network did not agree with the interpretation given by the Fair Work Ombudsman or trade unions and joined a case to challenge this before a Full Bench of Fair Work Australia. The tribunal adopted the view of employers and ruled that employers were generally able to absorb those new costs. As a result the Fair Work Ombudsman reviewed its advisory material on the topic.
- **Pay Equity Application.** This is the first application under the new equal remuneration provisions enabling claims based on "work of equal value or comparable worth." The unions are seeking significant increases to minimum wages and conditions of employees in the social and community services sector, which are not guaranteed by commensurate public funding. This case will be an extensive, long running matter involving witness evidence and

extensive inspections, as well as significant argument about what the equal remuneration provisions in the Fair Work laws intend to achieve.

PAID PARENTAL LEAVE SCHEME

ACCI played a lead role in the development of the Australian Government's paid parental leave legislation, which was passed by the Parliament in June. This followed ACCI's strong advocacy before an earlier Productivity Commission Inquiry, and consultations with the Government during 2009 and the beginning of 2010.

ACCI welcomed the establishment of the scheme as an important social initiative which would provide benefits for employees. It also welcomed the Government's acceptance of previous Productivity Commission recommendations that the scheme should not be funded by a tax or levy upon employers. Due to the successful and strong advocacy of ACCI, employers do not have to pay additional superannuation, leave, payroll tax or workers' compensation premiums. The ACCI network was the only leading business voice during a Senate Committee Inquiry in May to advocate against imposing the administration of the scheme on employers, who must pass on public monies to eligible employees. This double handling imposes an unnecessary extra red tape burden on employers which could have been easily avoided.

Whilst it is disappointing that this was not removed, ACCI's advocacy on this issue does mean that there will at least be a six month grace period until this obligation begins to apply to employers. ACCI also publicly opposed the Coalition's proposals for a paid parental leave scheme which would be funded by a tax on all businesses earning after-tax profits in excess of \$5 million per annum.

OPPOSITION FROM AUSTRALIAN BUSINESS TO INCREASED SG LEVY

Following the Henry Tax Review's interim report which ruled out any increase to the existing employer Superannuation Guarantee levy of 9%, ACCI took a lead role in publicly opposing the Government's announcement in May that employers should be forced to pay 12% by 2020. In current dollar terms, conservative estimates suggest this will cost in excess of \$20bn annually, once fully implemented.

ACCI's General Council met in July and unanimously resolved that Australia's employer organisations pursue an urgent action plan involving dialogue with the Australian Government, both pre-election and post-election, on this decision which will increase the employer-funded compulsory superannuation levy by 33% over the next decade.

Given the importance of the issue to Australia's one million employers, this resolution by employer organisations was signed by representatives of each organisation and ACCI, and provided to the Government. ACCI will continue to constructively engage with the Government on moves to increase employers' superannuation legal obligations.

AUSTRALIAN BUILDING AND CONSTRUCTION COMMISSION

ACCI continued to strongly advocate for the retention of the effective Australian Building and Construction Commission (ABCC), its powers and the underpinning legislation which it enforces.

These laws commenced in 2005 after an extensive Cole Royal

Commission. In February, ACCI was successful in persuading Opposition and cross-bench Senators to oppose significant amendments to targeted laws in the form of the Building and Construction Industry Improvement Amendment (Transition to Fair Work) Bill 2009 introduced by the Government in June 2009. The Government did not insist on the passage of the legislation through the Senate when it realised it did not have the support of a majority of Senators.

ACCI and ACCI industry members continued to highlight the critical role the ABCC plays in dealing with the worst excesses of behaviors in the building and construction industry, and how the ABCC's powers are vital if it is to enable a lasting cultural change in the industry, which is yet to be realised despite the spate of serious prosecutions and record fines across Australia, but particularly in Victoria and Western Australia.

Given that the makeup of the Parliament after the August Federal Election poses a new threat to the continued operation and existence of the ABCC, ACCI together with other industry organisations, will continue to highlight the ABCC's effectiveness and importance, and that industry specific laws and powers are required to maintain improvements in the industry.

ABCC COMMISSIONER FAREWELL

The work of ABCC Commissioner John Lloyd was acknowledged by not only the building and construction sector, but by the business community as a whole when Mr Lloyd stepped down as Commissioner in September 2010.

Commissioner Lloyd was pivotal in the establishment of the ABCC and led the organisation in work that was difficult and challenging.

ACCI and its members will continue to work constructively with the new Commissioner, Leigh Johns.

FWO ESTABLISHES SPECIAL SERVICES FOR ACCI MEMBERS

Following ACCI's requests, the Fair Work Ombudsman quickly established in February a dedicated service for employer organisations to utilise in order to progress high level and technical transitional issues associated with modern awards. ACCI provided employers with a strong voice during 2010 and due to the ACCI network involvement in those discussions and related proceedings before the industrial tribunal, ACCI was able to provide employers with the certainty that they were able to absorb new award costs into over-award payments.

ACCI also provided input into guidance material issued by the FWO to employer organisations and employers to assist with implementing the new modern awards, as well as online tools and materials developed by the regulator.

2010 MINIMUM WAGE REVIEW

ACCI continued its traditional national advocacy before Fair Work Australia (FWA) in the 2009-10 national minimum wage case.

The inaugural Annual Wage Review followed the Fair Pay Commission's last decision, which did not increase minimum wages. The wages pause was successfully advocated by the ACCI network in the midst of the worst Global Financial Crisis in decades.

This year, ACCI supported an increase of \$12.50 per week for most employees - an amount that was both affordable and capable of providing assistance to the low paid at a time of continuing uncertainty and evidence of a two speed economy.

ACCI described the final FWA decision to increase the minimum wage, and more than one thousand award wages, by \$26 per week as irresponsible, potentially damaging to the economy, and a stark reminder of how the centralised wage system fails to distinguish between those employers that can afford large rises and those that can't. In reality, the increase is at least \$31.20 per week after it flows into wage add-ons such as leave loadings, superannuation, payroll tax and workers' compensation premiums. ACCI estimated that it would add \$2.5 billion to the annual wages bill of Australian small business.

Whilst the decision was a very disappointing one for business, there was partial relief for unincorporated state businesses, as the tribunal did accept ACCI's arguments not to provide increases to those employees covered by former State awards because of the increases provided to those employees prior to them coming into the federal system.

ACCI also played an important role on the research side of the tribunal's work, continuing as an active and important member of the FWA Research Advisory Group. In September, ACCI said that the tribunal should commission research that focuses on the impact minimum wage decisions have on business, particularly SMEs that are often the least able to afford large increases. ACCI also called on the tribunal to quantify all labour costs business must pay as a result of minimum wage decisions and urged the tribunal to speak and meet with employers directly during the next Annual Wage Review.

ADVOCATING ON BEHALF OF AUSTRALIA'S YOUTH

In May, and coinciding with the first day of ACCI's retail members' efforts to make changes to the retail industrial award before the industrial tribunal, ACCI released an Issues Paper on Youth Employment, which highlighted how young people's employment has become more vulnerable as a result of the global financial crisis.

ACCI provided evidence from ABS data which showed that a quarter of a million (249,100) young people are currently unemployed, with an additional 304,400 underemployed. 550,000 young people, or 26.2% of the youth labour force, are unable to find work or sufficient work.

The Issues Paper concluded that due to the economic downturn they have become more vulnerable than before in seeking work - 'when jobs become scarce, young job seekers tend to fare far worse when it comes to successfully securing employment.'

Rigid award rules that created inefficient work practices or prevented employment eventually led to deregulation of the IR system in the early 1990s. There is a place for minimum engagement standards, but award rules need to be flexible to meet business and labour market needs. If they don't, the system is discredited and industry calls for broader change become louder, especially if it means fewer jobs. The Prime Minister said in February this year that this problem would be fixed up. So far it hasn't been. ACCI and our retail members have provided the forum for that to now occur. The sooner retailers don't have to dismiss staff because of inflexible award rules, the better.

International Labour Affairs



THE 2010 INTERNATIONAL LABOUR CONFERENCE

The 2010 the 99th International Labour Organisation (ILO) Conference was held between 2-18 June in Geneva. ACCI continues to be recognised by the ILO as the most representative Australian employer body, with ACCI's Chief Executive, Peter Anderson, continuing his membership on the ILO's Governing Body.

The agenda for the ILO's annual International Labour Conference included a discussion on standards that can work to assist in responding to HIV/AIDS in the workplace. It also saw the beginning of a discussion on appropriate conditions of work for domestic workers, although many difficult issues remain to be worked through in those deliberations.

These include issues about the interaction with migration policies, the repatriation of domestic workers when work is no longer available, inspection within private homes, the time off that should be provided

within any working period, and the nature of any entitlements to overtime and standby conditions. The extent to which the standards should apply to agencies involved in providing labour is also a critical issue.

The Conference also looked at what can be done to promote The Conference also looked at what can be done to promote employment opportunity. Employers were successful in this discussion in having specific reference to the following matters included in the recommendations:

- the central importance of investment and sustainable enterprises to job creation;
- the importance of a supportive regulatory environment for job creation;
- the need for the ILO to be more responsive to new and changing forms of work; and
- the importance of peer review and rigor in the ILO's work.

COMPLAINTS MECHANISM – FAIR WORK

However, some of the most significant work within the ILO continues to centre on the resolution of complaints from the social partners. The Committee on Freedom of Association dealt with a complaint against the Australian Government and its Fair Work Laws from the CEPU about alleged contraventions of freedom of association principles, including restrictions on the right to organize, the right to bargain collectively, and the right to strike.

The Committee in its conclusions questioned some aspects of the existing laws including the preference for enterprise-level bargaining over multi-employer bargaining and that agreements are entered into with the employees, rather with representative organisations.

However, its recommendations pointed to the need for review in full consultation with the social partners and the provision of further information rather than anything more strident.

COMPLAINTS MECHANISM – ACCI ROLE

In the ILO, ACCI Chief Executive Peter Anderson also plays a significant role in working to represent the interests of world employers. For example he played a critical role in responding to complaints from US airline workers about the operation of US laws and the actions of US airline companies. His advocacy and representation of the issues was acknowledged by American employers as being critical in terms of the final outcome.

These matters involve important issues for employers, in particular, the nature of the interaction between principles of free speech and principles of freedom of association. These issues have also emerged in Australia in recent times with the operation of the new 'bargaining in good faith' obligations, and associated questions about the extent to which employers can communicate directly with their employees during a union negotiation process.

The issues in this U.S. case arose in the context of a union recognition ballot and a high profile campaign by the Company in response encouraging employees to shred the voting instructions they received from the union and to not participate in the ballot. (In the States for such ballots to be successful the union must obtain a majority of those eligible to vote, not just a majority of those who actually participate in the vote.)

The Committee's final conclusions affirmed some important principles for employers. These outcomes have increasing relevance in an Australian context given the new bargaining in good faith requirements that now exist within the Fair Work laws. The Committee confirmed, in particular, that:

- freedom of expression is a fundamental corollary to freedom of association, although they should avoid becoming competing rights; and
- the right to freedom of association does allow employers to provide information to employees encouraging them to oppose or not get involved in union recognition ballots, although this should not act to prevent the ultimate entitlement of employees to exercise freedom of choice in any ballot conducted.

The Committee also concluded that a ballot process which required a majority vote from all eligible employees complied with the essential principles of the freedom of association requirements.

Through this important international representative role, ACCI continues to support the work of the ILO but in a way that works to ensure its processes do not act to impose impractical or unrealistic constraints upon employers in a manner that can ultimately impact upon national law and practice.

DECENT WORK FOR SUSTAINABLE DEVELOPMENT IN THE PACIFIC

ACCI and the ACTU closely worked with the ILO on an initiative intended to promote employment opportunity in Pacific Island nations and attended a ILO sub regional high-level meeting in Port Vila, Vanuatu in February. The program will involve initial research about existing economic conditions and the potential employment opportunities that might exist for local people in the Pacific region.

It is then proposed to work with existing Australian companies with operations in the Pacific to look at what might be required to enable greater numbers of Pacific Island people to be employed in those business operations. A successful meeting with representatives from companies with an interest in the Pacific region has been held to discuss how these issues might be progressed.

INTERNATIONAL LABOUR AFFAIRS COMMITTEE

The International Labour Affairs Committee (ILAC), a sub-group of the National Workplace Relations Consultative Committee (NWRCC), met in March to discuss a number of international issues, including the outcome of the G20 Labour Ministers' Meeting in Washington, proposals for a new ILO convention and recommendation for domestic workers, and steps towards ratifying the ILO Maritime Labour Convention.

ACCI's involvement on the ILAC continues to provide a business voice on international issues, as they affect domestic employers, and engage with both Government and trade union officials on international employment matters.

Australian Government
Department of Health and Ageing
NICNAS

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Workplace Health, Safety & Compensation



Carolyn Davis
Manager - Workplace Health, Safety & Compensation

HARMONISED NATIONAL OHS ARRANGEMENTS - A NEW BEGINNING

2010 has seen an enormous amount of 'behind-the-scenes' work by ACCI on occupational health and safety (OHS) regulation in Australia.

Work is continuing, to put in place the harmonised framework of OHS laws to which the various Australian Governments have committed.

The model Work Health and Safety Act (WHS) was endorsed by the Workplace Relations Ministers' Council in December 2009 and, after some further fine tuning to deal with a range of technical and drafting issues, was again approved by the Safe Work Australia Council in April. Governments at all levels will now be required to introduce legislation to enable a common framework of harmonized legislation to be in place prior to the beginning of 2012.

In totality the harmonised framework of national work health and safety laws will comprise the model WHS Act, supported by model WHS Regulations and model Codes of Practice that can be adopted in all jurisdictions.

Safe Work Australia is now focussed on the development of a harmonised framework of national occupational health and safety regulation, which is proving to be an enormous challenge for ACCI and its member organisations. ACCI continues to argue that the regulations need to be performance-based and suited to the needs of particular industry sectors, whilst obviously focussed on the ultimate objective – the achievement of safer workplaces.

The current timeframe intends that the Safe Work Australia Council be provided with an exposure draft of the proposed new regulations for approval at a meeting of the Council in October 2010. If approved at that time they would then go to the Workplace Relations Ministers Council for endorsement prior to a public comment period. A number of technical advisory groups have been established to assist in the development of the drafts.

These Regulations broadly fall under three substantive areas. There are:

- administrative matters required to assist in the workings of the legislation. These deal with definitions, procedures for the election of health and safety representatives and dispute resolution;
- hazard-based regulation such as traffic management, remote and isolated work, noise, manual tasks, working at heights, hazardous substances and electricity; and
- industry-based regulation dealing with matters like construction, demolition, logging, underwater diving and long haul driving.

Regulations relating to first aid, personal protective equipment, workplace facilities and emergency management will also be included in the general regulations.

Various Codes of Practice will also be developed to be released with the legislative package. Priority Codes will deal with managing risk, consultation, labelling, safety data sheets and asbestos. Others to follow will deal with noise, manual handling, confined spaces, work at heights and registered plant.

During 2010 ACCI developed a program of consultation with members to enable this massive amount of material to be reviewed and assessed. ACCI continues to develop its response to the drafts, prior to the end of the public comment period in February 2011. ACCI members are also working to provide regular feedback to ACCI's representatives on the Safe Work Australia Council and the Strategic Issues Group that sits below the Council and is involved in much of the leg work required to develop the new national framework of regulation.

ACCI'S WORKPLACE, HEALTH & SAFETY TEAM

ACCI's OHS Working Party is chaired by ACCI's Director of Workplace Policy David Gregory and supported by our new Manager of Health, Safety and Compensation Carolyn Davis who joined us in 2010.

It is a sub-committee of the Workplace Policy Committee, and the forum that provides an opportunity for OHS and workers' compensation policy experts from ACCI's member organisations to come together and shape industry policy, influence national decision-making and share views on important current and emerging issues.

It has had an important role in the past twelve months with the ongoing development of the new national framework and has been meeting more often than normal due to the large volume of work to be considered.

REPRESENTING INDUSTRY NATIONALLY

The Safe Work Australia Council

As Australia's peak employer body, ACCI continues to represent employers in the national OHS arena on the tripartite OHS body, Safe Work Australia.

ACCI is represented on the Safe Work Australia Council by Anne Bellamy from the Chamber of Commerce and Industry of Western Australia. ACCI would particularly like to thank Anne for all that she has done in this important role during the past twelve months. Anne is a very experienced and highly regarded OHS expert and has done

a fantastic job in representing the interests of employers during a very difficult and demanding period.

ACCI is also represented by its OHS Secretariat staff and several member organisations on the various sub-groups of the Council including the Strategic Issues Group and numerous permanent and temporary advisory groups. This representation achieves the best possible industry input into areas such as the model OHS Act, development of regulations and codes of practice, workers' compensation, research, statistics, and communications.

THE NATIONAL EMPLOYERS' OHS CONSULTATIVE FORUM

ACCI continued during 2010 to convene the National Employers' OHS Consultative Forum (NEOHSCF) as the mechanism for coordinating and providing industry feedback to Safe Work Australia, especially during this important review phase, to ensure that industry is aware of developments on national OHS issues and has a direct link into the national harmonisation process.

This is an important group of approximately 60 employer and industry associations who vigorously participate in NEOHSCF, representing employers in nearly every industry, state and territory.

HARMONISING WORKERS' COMPENSATION ARRANGEMENTS

Safe Work Australia is also required to work on the development of nationally harmonized workers' compensations arrangements. Its strategic plan requires it to:

- work co-operatively with the Heads of Workers' Compensation Authorities on a national action plan on workers' compensation arrangements;
- develop proposals relating to national harmonization of workers' compensation arrangements across jurisdictions; and
- develop proposals relating to workers' compensation arrangements for employers with operations in more than one jurisdiction.

Representatives from Safe Work Australia have held preliminary discussions with ACCI about how these objectives might be progressed and a forum has been convened in Melbourne to discuss a range of related issues. However, little progress has been made to date and the general view is that it represents a much more difficult challenge than moving to a harmonized OHS framework, given the diverse insurance arrangements and other disparate conditions that exist in different jurisdictions.

It is also understood that the union movement is not supportive of the development of a harmonized framework of workers' compensation arrangements at this stage.

At this point it is proposed that Temporary Advisory Groups will be established to look at the following topics as a way of looking to progress:

- options for national harmonised tools and guidance on return to work matters that will aim to improve associated outcomes;
- nationally consistent administrative arrangements for assessment of permanent impairment;
- nationally consistent definitions of agreed terms for the purposes of workers' compensation;
- options for related death benefits and determination of financial dependants;
- issues of concern for multi-state employers; and
- options for national consistent approaches to self-insurance.

Jill Allen from the Australian Federation of Employers and Industries is ACCI's representative on the Strategic Issues Group that has been established in his area. ACCI would particularly like to thank Jill for all that she has done to date to ensure that the interests of employers are a priority consideration in the discussions around the development of harmonised workers' compensation arrangements.

NATIONAL HEALTHY WORKPLACE INITIATIVE

The Department of Health and Ageing continues to seek to involve ACCI in discussions about the Federal Government's so-called National Healthy Workplace Initiative. \$285m has been specifically allocated as part of this program to engage in health promotion activities in Australian workplaces, although most of this funding will be allocated via State Governments.

Discussions with the Department during the year suggest it does not have a clear view about how it should proceed with this aspect of the program.

It has variously suggested the conduct of market research to map existing employee resources for health promotion and employer attitudes concerning workplace health promotion, and the establishment of workplace health awards as ways in which this initiative might be progressed. ACCI has questioned the value of engaging consultants and conducting surveys without first having some clear direction about what is intended to be achieved.

ACCI also has concerns that this initiative could be a first step in looking to make employers take a greater degree of responsibility for the personal health and well-being of their employees. Clearly employers have a responsibility to ensure that the working environment does not pose a risk to the health and safety of their employees. However, they cannot be expected to be responsible for health and safety issues that derive from factors outside of the workplace.

ACCI has continued to meet with representatives from the Department to discuss these proposals but has suggested that the Department should limit its focus to some specific targets or objectives such as, for example, targeting diabetes amongst Australian employees in order to give the program some meaning and rationale. The Department has also indicated that it will work to develop an agreed Charter that can underpin the objectives of the program.

ENCOURAGING SAFER WORKPLACES

Safe Work Australia Awards

ACCI again in 2010 strongly supported and actively participated in the Safe Work Australia Awards. ACCI's Toulia Papadopoulos was a member of the judging panel who determined the finalists and the winners of each category.

The awards are an important means of recognising and highlighting outstanding achievements by employers and employees in delivering safer workplaces. Further information is available in the Business Recognition Awards section of this Annual Report.

Safe Work Australia Week

Safe Work Australia Week is held in October every year. The aim of the week is to collectively encourage all working Australians focus on safety in their respective workplaces to reduce death, injury and disease. ACCI continues to support and promote the week by encouraging business owners and managers to focus on OHS issues within the day to day operations of their business.

Trade & International Affairs

The Australian Chamber of Commerce and Industry (ACCI), with support from its strong and internationally active member network, continues to be recognised as Australia's key business organisation engaged in trade policy and international affairs.



Nathan Backhouse
Director - Trade & International Affairs

OVERVIEW

The Australian Chamber of Commerce and Industry (ACCI), with support from its strong and internationally active member network, continues to be recognised as Australia's key business organisation engaged in trade policy and international affairs.

Trade policy in Australia over the last year has moved away from its preoccupation with the Global Financial Crisis (GFC), to the growing influence of the G20 on international economic affairs, seeking greater economic Australian engagement with the People's Republic of China (PRC) and India, the growing markets in the ASEAN region, and also engaging with long-established trading partners such as Japan and Korea. During 2010 the PRC became the third largest foreign investor in Australia and overtook Japan as Australia's largest trading partner in total trade terms. The PRC continues to dominate Australia's bilateral trade agenda.

On 1 January 2010, the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) came into force and a number of key opportunities in the ASEAN region have been capitalised upon since by Australia business. These opportunities include entering into supply chains in the ASEAN region and utilising common rules of origin under AANZFTA also applicable with ASEAN's FTAs with China, India and Japan. ACCI and its State Chamber network have been key partners with government in educating Australian business about the opportunities under AANZFTA.

In November 2009, in light of the GFC, ACCI's General Council resolved to include international trade as a strategic priority for ACCI in 2010. ACCI's Trade Policy and International Affairs Secretariat, together with ACCI's new Trade Committee Chair, Nicholas Begakis, AM developed a strategic planning document to drive this policy priority.

In 2010, the ACCI Secretariat focused on the key bilateral trading partners of China and Japan, and also on developing greater influence in the regional policy business organisations of the Pacific Basin Economic Council (PBEC), the Confederation of Asia-Pacific Chambers of Commerce (CACCI), the APEC Business Advisory Council (ABAC), and expanded cooperation with the European Union (EU). In 2010, both domestically and regionally, ACCI's policy profile and engagement with all the above-mentioned partners has increased.

In addition, ACCI has continued to grow and improve the reputation of the International Chamber of Commerce (ICC) in Australia including the delivery of a number of high-profile seminars on international arbitration and the new international commercial trade terms (Incoterms 2010).

The ICC in Australia has for many years lacked the high profile it deserves. Since ACCI took over the Secretariat functions of ICC in 2007, ACCI has worked tirelessly to improve its profile and while the work is still ongoing, membership numbers of the ICC have increased and its policy profile and influence has risen in Australia.

Another area of focus under the strategic planning document was to grow ACCI's Trade Policy and International Affairs Committee's influence in the States. A number of small but significant events took place in 2010, including information dinners in both Adelaide and Melbourne. The dinners were well attended by industry and both State and Federal government stakeholders involved in international trade. ACCI will continue to promote its work in trade policy and international affairs to State-based stakeholders in 2011.

2010 has been a year of trade policy reviews and the implementation of previous review findings. The findings of the Review of Export Policies and Programs (the Mortimer Review) were handed to the Government in late 2008. Despite no formal response from the either

the Rudd or Gillard government, a number of the recommendations have been implemented, particularly relating to changes to the Export Market Developments Grants (EMDG) Scheme. Unfortunately, the Government has not supported the EMDG Scheme as much as hoped in 2010 and ACCI has been working actively to secure greater funding from government for the scheme.

The Productivity Commission (PC) is currently finalising its review on Bilateral and Regional Trade Agreements (BRTAs) which is due for release in November 2010. ACCI, together with State Chambers, developed a close partnership with the PC during the review process and hosted one of Australia's most extensive qualitative business surveys on BRTAs. The results have been quantified and formed a key part of ACCI's submission to the PC.

Austrade also launched an internal review of its trade facilitation services and whether any changes could be made to strengthen its domestic and off-shore services delivery. In particular, Austrade considered whether its domestic service-delivery model could be changed and adapted to include greater involvement from business organisations. While the final outcomes of the review are unknown, ACCI has been closely involved with the review at both the managerial and CEO level. It is expected that recommendations will be made in early 2011.

ACCI has also been working with the newly-appointed Minister for Trade, the Hon. Dr Craig Emerson MP, and is a key member of the Minister's informal trade industry group.

ACCI'S TRADE COMMITTEE

In November 2009 ACCI's General Council resolved to include international trade as a strategic policy priority for ACCI in 2010. In late 2009, ACCI's Trade Policy and International Affairs Secretariat, together with ACCI's new Trade Committee Chair, Nicholas Begakis, AM developed a planning document which focused on the following key areas:

- Strengthened engagement with key strategic partners in the Asia-Pacific region and internationally;
- Strategic expansion of ACCI's trade policy committee and development of a closer working relationship with State-based stakeholders involved in international trade;
- Greater cooperation with ACCI members through the provision of value-added services; and
- Strengthened trade facilitation activities.
- The Trade Committee supported this approach in early 2010 and the ACCI Secretariat has worked over 2010 to deliver these key objectives.

STRENGTHENED ENGAGEMENT WITH KEY STRATEGIC PARTNERS IN THE ASIA-PACIFIC REGION AND INTERNATIONALLY

China

In 2010 the ACCI Secretariat focused on two key bilateral partners: China and Japan.

Late in 2009, Peter Anderson, ACCI's Chief Executive, and Du Zetian, Vice Director of the Chinese Council for the Promotion of International Trade (CCPIT) signed a Memorandum of Understanding (MOU) on expanded cooperation. The CCPIT is the largest business organisation in China with more than 70 000 members and more than 17 overseas offices. During 2010 the ACCI Secretariat has focused on developing its relationship with the CCPIT, including closer relations and

cooperation with the CCPIT office in Australia, and in October 2010, ACCI will host an intern from the CCPIT Beijing at its Canberra office. This is one of the first formal senior-level business group exchange programmes undertaken between Australia and China.

The Chamber of Commerce and Industry Western Australia (CCWA) has also agreed to host the intern for one month in early 2011.

While the Australia-China FTA is progressing slowly (and entered the fifteenth round of negotiations in July 2010), the China story continued to dominate the bilateral economic and political relationship. ACCI has been closely involved in the key events of the relationship in 2010.

In March, former Rio Tinto executives based in China were jailed for accepting bribes and obtaining commercial secrets. ACCI was vocal in its opposition to the Chinese government's approach in disallowing Australian consular officials to attend key aspects of the trial of an Australian citizen. This appeared to be contrary to the spirit and letter of Article 11(f) of the Agreement on Consular Relations between Australia and the People's Republic of China 1999 (Cth).

While China's approach to the bilateral consular agreement was widely criticised by other NGOs and legal specialists, ACCI also made the point to Chinese authorities that the idea of "commercial state secrets", without any formal legal definition, could be damaging to business investment in China. On 1 October 2010, China passed its new Law on the Protection of State Secrets 2010. According to a number of legal experts this law creates a subtle distinction between State secrets and commercial secrets and according to a recent Baker and McKenzie report "parties doing business in the PRC should be aware of this change" as it increases the risk profile of doing business in China. Despite this worrying legislative change, ACCI's criticisms of the concept of "commercial state secrets" was widely reported in the media and a constructive channel for dialogue was opened between ACCI and the Chinese Embassy to raise any Australian business concerns in the Chinese market in future. Despite these developments, in 2010 China overtook Japan to become Australia's largest trading partner in total trade terms. Moreover, while previously not a significant source of Australia's foreign direct investment, in 2009 (the latest figures available) China became the tenth largest foreign investor in Australia. It is expected that 2010 investment figures could rank China as high as the sixth largest investor. While the focus on China's FDI in Australia was predominately in the mining sector, China showed increasing interest in diversifying investments. Bright Food's bid for CSR and its interest in the Foster's Group's wine business signalled China's greater interest in Australia's food and beverage sector.

Japan

Over the last 45 years Japan has grown to become one of Australia's most important and enduring trading partners. ACCI, through its oversight and close involvement with the Australia-Japan Business Cooperation Committee (AJBCC), remains closely engaged with both the Japanese government and Japanese businesses. Maintaining close and productive ties with this key regional partner continues to be one of ACCI's highest priorities. In 2010, ACCI and the AJBCC, working closely with the Japanese Embassy in Australia, suggested a number of candidates to take part in the Australia-Japan Future Business Counterparts (FBC) programme.

The FBC is a key Japanese Government programme focusing on annually providing 50 young professionals in Australia with exposure to Japanese business practices in Japan. The programme is highly regarded by key business organisations in Australia and Japan. The programme was launched in 2007 by the Prime Minister Yasuo Fukuda



as a major initiative and it is expected to last for an initial period of five years.

In 2010, the AJBCC together with the Japan-Australia Business Cooperation Committee (JABCC), housed at the Japan Chamber of Commerce of Industry office in Tokyo, hosted a ground-breaking joint-infrastructure initiative in India. The joint trade mission between the AJBCC and the JABCC to India represents the first phase of expanded cooperation between Australian and Japanese infrastructure firms in the greater Asian region.

In preparation for APEC Senior Leaders Meeting and SME Summit in November, ACCI's Chief Executive Peter Anderson drafted a policy position paper for Nippon Keidanren. Nippon Keidanren is an amalgam of the Japan Federation of Economic Organisations (Keidanren) and the Japan Federation of Employer's Association (Nikkeiren) and comprises 1,281 companies, 129 industrial associations, and 47 regional organisations. Nippon Keidanren has strong contacts with political leaders and the bureaucracy in Japan, as well as with union and the broader Japanese citizenry. The policy paper entitled Towards Sustainable Business Growth in the Asia-Pacific Region will be

published in the Nippon Keidanren's journal and co-released at the time of the APEC SME Summit.

Australia's trade with the Arab World

Australia's trade and investment relationship with the Arab countries contracted between 2009-2010 largely as an effect of the financial crisis and should be considered against the backdrop of the general 11.6% decrease in worldwide Australian merchandise exports in the 2009 Calendar Year to a level of AUD196.2 billion. This decrease came after a general Australian merchandise export increase of 27% (to AUD231.5 billion) in 2008-2009. In 2009 Australia's merchandise exports to the Arab League countries were valued at AUD6.67 billion (down 27.83%) after a rise of 29.3% in 2008. Despite the significant downturn in 2009, exports to the Arab League have grown by an average annual rate of 7.6% in the period 2004-2009. Between 2009 and 2010 the rate of merchandise export contraction to the Middle East has slowed, with a less significant fall of 6.17%.

While Australia's merchandise exports have experienced a fall in the period of the financial crisis the natural complementarities of Australian

and Middle Eastern economies will drive growth and provide business opportunities coming out of the global economic downturn.

Pacific Basin Economic Council (PBEC)

In 2010, ACCI joined PBEC to strengthen its regional policy engagement and complement its relationship with other key groupings such as the Confederation of Asia Pacific Chambers of Commerce and Industry (CACCI) (see below). PBEC, founded in 1967, is one of the oldest independent business associations in the Asia-Pacific region. PBEC's partners include the Asian Development Bank (ADB), the Pacific Economic Cooperation Council (PECC), the Asia Pacific Economic Cooperation (APEC), and the United Nations Global Compact.

One of the key strengths of PBEC is its strong involvement by all key business groups in the Asia Pacific including China, Indonesia, Japan, Hong Kong, South Korea, Singapore, and the United States. During meetings between the ACCI Secretariat and the PBEC Secretariat in July in Hong Kong, a forward work plan was established including hosting a number of seminars in 2011 on business opportunities in the Asia Pacific and developing a common voice between other key regional groups such as CACCI and the APEC Business Advisory Council (ABAC).

The Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI)

ACCI is a key first-tier member of CACCI. In August 2010, the ACCI Secretariat attended CACCI's Annual General Conference in Sri Lanka. CACCI is a major regional grouping of apex national chambers of commerce, business associations and business enterprises in Asia and the Pacific. Since its establishment in 1966 CACCI has grown into a network of more than 29 chamber of commerce members. CACCI is a non-governmental organisation (NGO) granted consultative status under the United Nations (UN).

ACCI's membership of CACCI was strengthened in 2010 during the conference in Sri Lanka with ACCI's drafting of a key policy document on future directions for the organisation. Delivered during the international conference, Developing a Common Chamber Voice for Trade and Investment in the Asia-Pacific focused on more common approaches amongst CACCI members toward easing regulatory burdens for business in the Asia-Pacific, and promoting an open and transparent business environment. Importantly, promoting greater collaborative projects in following sectors were agreed upon: energy and the environment; financial services; infrastructure development; and, the internet economy. Following the meeting in Sri Lanka, the ACCI Secretariat has established with CACCI a regional video-conferencing facility with more regular meetings and greater collaboration and information sharing on key business opportunities in the region.

APEC Business Advisory Council (ABAC)

In 2010, ACCI submitted a joint tender to host the ABAC Secretariat. This was consistent with ACCI's strategic approach to strengthening contacts in the the region. While ACCI was unsuccessful in its tender bid, ACCI remains a consultative partner to ABAC which consists of three key business representatives from Australia.

ACCI's common involvement with ABAC, CACCI and PBEC places it in the dominant position of all Australian business groups in the policy development process for business in the Asia Pacific.

Europe and the Enterprise Europe Network

While China and Japan are Australia's two largest single-nation trading

partners in terms of total trade, the 27 countries of the European Union (EU) taken as a block account for a greater share of Australia's total trade. The EU is also Australia's largest investment partner in terms of two-way investment, a position unlikely to change in the mid-term. As a result of the EU's importance the Australian economy, in 2010 ACCI actively explored areas of possible cooperation with the European Delegation in Australia.

One of the key projects ACCI and the Delegation focused on was the possible delivery of an Enterprise Europe Network (EEN) in Australia. The EEN is a key EU programme to boost economic growth and jobs in the EU market both for members of the EU and other countries. As a member of the EEN companies are linked through powerful databases, exchanging knowledge and sourcing technologies and business partners across the world.

The model ACCI considered was a three-way partnership arrangement between Austrade, ACCI and the EU, with costs shared evenly. However, so far the proposal has stalled due to a lack of funding from the EU partners. Nonetheless, working closely on this project throughout 2010 has strengthened relationships and contact between ACCI and Austrade, ACCI and the European Delegation in Australia, and ACCI and other stakeholders such as the Australia-Europe Business Council.

THE INTERNATIONAL CHAMBER OF COMMERCE (ICC)

Late in 2009, the Secretariat functions of ICC Australia moved to the Trade Policy and International Affairs department of ACCI. After agreement by the ICC Australia Board, Nathan Backhouse, Director of Trade Policy and International Affairs took on an additional role as Chief Executive Officer of ICC Australia.

The ICC is one of the world's largest independent global business organisations. Established in 1919, the ICC's key aim remains to serve businesses by promoting trade and investment, open markets for goods and services, and the free flow of capital. The ICC's activities cover a broad spectrum from international arbitration and dispute resolution, to developing strong policy arguments for open trade and the market economy, international rule setting and standards, and fighting corruption. The ICC holds a privileged consultative status with major intergovernmental organizations (IGOs), and enjoys a close working relationship with the UN, the G20, and the World Trade Organisation (WTO). Since 1946, the ICC has had consultative states with the UN and its specialized agencies.

In 2007, ACCI took over the Secretariat functions of the ICC Australia, and over the last two years under ACCI's leadership the organisation has grown and increased its profile in Australia. In 2010, membership numbers increased by 25 per cent and the ICC Australia has focused on growing its national profile, and delivering a number of key events on ICC-related matters.

In September, ICC Australia together with the NSW Business Chamber and the Chamber of Commerce and Industry WA, hosted a two-day seminar on international arbitration for business in Sydney and Perth. The seminars were well attended and included a number of key speakers involved in international arbitration including retired Victorian Supreme Court judge the Hon David Byrne QC.

In October 2010, ICC Australia together with a number of State Chambers delivered a series of seminars on the new international commercial trade terms (Incoterms 2010). Incoterms define and explain what commercial trade terms mean, such as Free on Board (FOB),

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Cost and Freight (CFR), and constitute the key commercial terms used by exporters, importers, banks, and the international legal community.

Strategic Expansion of ACCI's Trade Policy Committee and Development of a Closer Working Relationship with State-based Stakeholders Involved in International Trade

Over 2010, ACCI's Trade Policy Committee has grown its influence and connectivity with industry and other state-based stakeholders involved in international trade. In 2009, ACCI's trade policy committee was relatively small compared to some of ACCI's other committees. In an attempt to strengthen ACCI's Trade Committee a number of State-based committee meetings have taken place and the Trade Committee Chair has supported an informal discussion session with other stakeholders the evening prior to the formal committee meeting.

ACCI's trade committee has met formally in Adelaide and Melbourne with a meeting in Sydney scheduled at the time of the Australian Export Awards on 1 December. During the information session in Adelaide, more than 5 Australian businesses attended including Elders, Trident Global, and the China-Australia Entrepreneurs Association.

In addition senior members from the South Australian Department of Trade and Economic Development, Austrade and the Department of Foreign Affairs and Trade (DFAT) attended the dinner.

The information session in Melbourne was also well attended including Bulla Dairy Foods, Toyota, and Electromold. In addition senior members from IP Australia, the Victorian Department of Innovation, Industry and Regional Development (DIIRD), the Australian National Fabrication Facility, the Victorian Department of Primary Industry, and DFAT attended the dinner. Both events have been important in raising the profile and role of State-based stakeholders in ACCI's trade policy work.

OTHER AREAS OF ACTIVITY

Productivity Commission (PC) Review on Bilateral and Regional Free Trade Agreements and Austrade's internal Review

2010 has been a year of trade policy reviews and the implementation of previous review findings. The findings of the Review of Export Policies and Programs (the Mortimer Review) were handed to the Government in late 2008. Despite no formal response from either the Rudd or Gillard government, a number of the recommendations have been implemented, particularly relating to changes to the Export Market Development Grants (EMDG) Scheme.

ACCI has been working actively to secure greater funding from the Federal Government for the EMDG Scheme. More than 4,600 companies engaged in overseas market promotion activities accessed the scheme in 2009 and it is regarded as a key trade promotion programme. However, in 2009-2010 the Federal Government decided to not increase funding support for the scheme and \$50 million was removed. With initial reimbursement amounts of only \$27,500 coupled with the rising Australian dollar, exporters have been feeling the pressure of the lack of funding for the EMDG scheme. ACCI has actively lobbied to restore funding and provide greater certainty of reimbursement levels to exporters under the scheme since the changes were announced in the 2010-11 federal budget.

The Productivity Commission (PC) is currently finalising its review on Bilateral and Regional Trade Agreements (BRTAs) which is due for release in November 2010. ACCI, together with the State Chambers, developed a close partnership with the PC during the review process and hosted one of Australia's most extensive qualitative business

surveys on BRTAs. The results have been quantified and formed a key part of ACCI's submission to the PC. ACCI's survey results are available at <http://www.pc.gov.au/projects/study/trade-agreements>.

Austrade also launched an internal review on its trade facilitation services and whether any changes could be made to strengthening its domestic and off-shore services delivery. In particular, Austrade considered whether its domestic service-delivery model could be changed and adapted to include greater involvement from business organisations. While the final outcomes of the review are unknown at present, ACCI has been closely related to the review at both the management level and CEO level. It is expected that recommendations will be made early in 2011. ACCI has also engaged with the newly-appointed Minister for Trade the Hon. Dr Craig Emerson MP, and is a key member of the Minister-Chaired informal trade industry group which held its first meeting on 1 October 2010.

International Standards Organisation (ISO): ISO 26000

In 2010, the International Standards Organisation (ISO) developed a draft international standard entitled Guidance on Social Responsibility (ISO 26000). The document provides guidance to business on corporate social responsibility and sustainability. ACCI as a member of the Standards Australia committee discussing the standard argued strongly that the ISO was not the forum to develop this standard and that the document was not user-friendly to SMEs in particular.

Globally, national committees were required to vote on the adoption of ISO 26000. While the global vote was in favour of publishing the standard, ACCI was able to argue strongly that the Australian national committee abstain from supporting the development of the standard. The next stage of the process will involve debate on whether or not the standard should be adopted nationally, and ACCI will continue to advocate that a number of key issues need to be resolved before any final decisions can be made.

Bilateral Business Councils

AUSTRALIA-RUSSIA BUSINESS COUNCIL (ARBC)

During 2010 the ARBC entered into new arrangements with the Australian Chamber of Commerce and Industry, with ACCI's Canberra secretariat functioning as the Canberra Office of the ARBC, and major administrative elements of the relationship to be handled by a newly-constituted Melbourne office, housed in the offices of major sponsor Solagran.

The long-serving President of the ARBC, Mr Igor Savitsky, this year stepped aside to pursue other interests, and was succeeded as National President by Dr Vagif Sulttanov, the Executive Chairman of Solagran Limited.

Mr Savitsky's experience and long service to the ARBC will be sorely missed, though his counsel will be retained by staying on the National Executive as Immediate Past President.

The Russian Ambassador, Mr Alexander Blokhin, completed his tour of duty in Australia this year and was replaced by His Excellency Mr Vladimir Morozov.

The Business Council's relations with Austrade, the Department of Foreign Affairs and Trade, the Embassy of the Russian Federation, and the Ambassador and his staff continued to be excellent.

AUSTRALIA-MALAYSIA BUSINESS COUNCIL (AMBC)

The highlight of 2010 was the second visit to Australia by the Malaysian Minister of International Trade and Industry, the Hon. Dato' Mustapa Mohamed, who visited Sydney, Melbourne and Brisbane at the end of September.

In Melbourne and Brisbane the local State Chapters of the AMBC entertained the Minister and held Roundtable meetings with Australian and Malaysian businesspeople, chaired by AMBC State Presidents.

In Sydney on 29 September, the AMBC National Executive was invited to a luncheon hosted by the Trade Minister. National President Larry Gould co-chaired a Roundtable meeting with Australian businesspeople chosen by the AMBC, where the Minister addressed the gathering on the importance of Australia and Malaysia working together in the region and the world.

The various State Chapters of the AMBC continued to provide members with networking opportunities and access to important speakers and information relevant to their interests in Malaysia during the year.

In August, Mr Justin Howden stood down on completion of his successful term of office as National President of the AMBC. His successor, Mr Larry Gould, CEO of the national learning and professional development company Australia-wide Business Training, was elected unopposed to succeed him.



Above: The Honorable Mustapa Mohamed, Minister of International Trade and Industry of Malaysia (far right) at the signing of a Memorandum of Understanding with Mr Larry Gould, (far left) the National President of the Australia-Malaysia Business Council, in Sydney on 29 September 2010.

Mr Jim Dunstan, the long-serving Deputy National President of the AMBC retired from his partnership with Allens Arthur Robinson and also resigned from the National Executive. His guidance and acute knowledge of Malaysia will be sadly missed.

The National Executive of the AMBC met in Canberra on 12 August 2010 and appointed former National President Mr Wee Keat Chan to the new position on the Executive of Government Liaison/Strategic Advisor. The National President called on the Malaysian High Commissioner, and the High Commissioner, HE Mr Salman Bin L Ahmad (the Co-Patron of the AMBC), who, together with his senior staff, met with the National Executive to discuss progress in the bilateral relationship.

In August, the AMBC National Executive hosted lunch with officers of the Department of Foreign Affairs and Trade (DFAT) responsible for relations with Malaysia, and enjoyed a Roundtable discussion with officials from Austrade and a briefing from those senior officers of DFAT responsible for the negotiation of the Malaysia Australia Free Trade Agreement (MAFTA).

Prior to the meeting of officials during the 9th round of negotiations on the MAFTA in October, the AMBC National President was invited to Canberra to brief Malaysian and Australian officials on the issues relevance to the negotiations. The AMBC was again pleased to be recognised as a respected partner in the negotiating process and given direct access to the officials on behalf of the membership to further enhance the excellent relationship which the AMBC enjoys with both Governments and High Commissions.

AUSTRALIA THAILAND BUSINESS COUNCIL (ATBC)

The ATBC celebrated its 30th Anniversary in 2010.

That this significant event coincides with a time of great political and social unrest in Thailand is somewhat ironic. These issues bring to the fore the challenge for the ATBC to attract, retain and support its membership when the perception of Thailand as a place in which to invest or work has suffered so much with the civil unrest of recent months.

Given the immediacy of reporting via the internet and live satellite interviews, the most recent political and social unrest in Thailand has often been reported in a sensationalist nature. Front page news and pictures of soldiers in riot gear and reports of looting, shopping centres on fire and people, including foreign journalists, being killed has done immense harm to "Brand Thailand". The ATBC would like to help soften and, if possible, balance or reverse this perception.

In an attempt to increase Australian investment in Thailand, the Thai Government sent Investment Missions to Australia to publicize the Thai economic stimulus package offering exemptions and tax breaks for investment. The ATBC acted as supporting partner to the Thailand Board of Investment in promoting these events.



Above: His Excellency Dr Kriangsak Kittichaisaree, Ambassador of the Kingdom of Thailand (right) with Mr Robert Taylor, National President of the Australia Thailand Business Council at the Royal Thai Embassy.

The National Executive of the ATBC hosted a luncheon with officers of the Department of Foreign Affairs and Trade (DFAT) responsible for relations with Thailand, and members of the Board of the Australia Thailand Institute in Canberra, followed by a Roundtable discussion with officials from Austrade and a briefing from senior officers of DFAT on the bilateral relationship.

The formal visit to Australia planned by the Thai Prime Minister, Abhisit Vejjajiva in May 2010 was unfortunately cancelled due to the civic unrest in Bangkok, but should take place in the coming year when the ATBC will again be closely involved in arrangements.

Mr Robert Taylor, Managing Director of AusThai Connections Pty. Ltd., was re-elected National President of the ATBC at the Annual General Meeting in November 2009.

The ATBC continued to have excellent relations with the Royal Thai Embassy and its staff. His Excellency Dr Kriangsak Kittichaisaree presented his credentials to the Governor General in May as Thai Ambassador to Australia.

AUSTRALIA ARAB CHAMBER OF COMMERCE AND INDUSTRY (AACCI)

AACCI Senior Executive

2010 saw significant changes to AACCI's executive. In July, Ms Cynthia Dearin was appointed as AACCI's new Chief Executive Officer, replacing Mr. Robert Newton who retired following three successful years with AACCI. Ms. Dearin is an Australian-qualified legal practitioner with extensive experience and insight gained from working in a range of different Arab countries. She has previously worked as a governance advisor to the Government of Iraq on behalf of international donor agencies and governments, and as a diplomat and political officer with the Department of Foreign Affairs & Trade. During this time, she held diplomatic posts in Egypt, the UAE and Qatar, where trade and investment promotion was an important part of her role.

In NSW, Mr Andrew Butcher, a Director with PriceWaterhouse Coopers was elected to the position of State Chairman, following the resignation of Gordon Short, after many years of service. AACCI would like to extend its thanks to both Mr Newton and Mr Short for their service to our mission.

Incoming delegations

AACCI welcomed a number of incoming delegations during 2009-2010. These included an Egyptian delegation led by H.E. Mr Ahmed Fathalla, Egyptian Deputy Minister of Foreign Affairs, and a delegation from Morocco led by His Excellency Mr Aziz Akhannouch, Minister of Agriculture and Fisheries of the Kingdom of Morocco, which visited Western Australia, South Australia, Victoria and New South Wales. The NSW Chapter gave a briefing to a delegation from the Iraqi Ministry of Trade and AACCI Queensland was involved in business matching between QLD member companies and a U.A.E. business delegation led by the UAE Minister for Foreign Affairs, Sheikh Abdullah bin Zayed Al Nahyan. The visit generated considerable follow-up activity between AACCI members and a number of delegates from the business mission.

Outbound delegations

In April, AACCI's Executive Director, Robert Newton and National Chair Ray Najjar led AACCI's first trade mission to Iraq, where they met with the Trade and Agriculture Ministers for the Kurdish region, and established links with the Chambers of Commerce in Erbil, Duhok and Sulaimani. The mission also generated business for one of the participants, with follow-on business expected.

Mr Najjar and Mr Newton also visited Jordan, where they met with the Amman and Jordan Chambers of Commerce and with the Minister of Industry and Trade, H.E. Amer Hadidi and the UAE, where they met with a range of senior UAE government and business representatives. Before returning to Australia, Mr Najjar and Mr Newton attended the annual GUACCIA meetings in Beirut, Lebanon, giving them the opportunity to reinforce AACCI's links with senior Arab League officials.

Policy /Lobbying

AACCI's Executive Director worked closely throughout the year with the Director of ACCI's Trade Policy and International Affairs on aspects of government policy relating to the certification of export documents. The message was registered clearly with the government that any changes to existing practices needed to be thought through carefully to ensure there were no adverse consequences for the interests of Australian exporters.

Industry Policy & Environment



Greg Evans
Director of Economics & Industry Policy

ACCI's Industry Policy advocacy is based on the underlying principle that it is the role of government to create the policy settings which encourage competitiveness and innovation, to assist businesses to start, operate and grow. A strong and ongoing reform agenda that supports the private sector is essential, as all government programmes and policies depend on the viability of a strong private sector economy.

ACCI is a strong advocate, but often a lone voice, on underlying industry policy objectives of:

- reducing the size of government;
- reducing Government spending; and
- delivering taxation reform aimed at lowering the taxation burden on business.

2010 has seen an economy which has been heavily dependent on Government stimulus.

This is likely to continue as an issue as government stimulus is gradually withdrawn and business must deal with life in a post-GFC environment.

The Government's Carbon Pollution Reduction Scheme has been a major focus since 2009 for ACCI and while the scheme failed to achieve parliamentary support, a carbon tax in some form is likely to remain at the forefront of public discussion over the coming 12 months, particularly given the make-up of the Senate from July 2011.

ACCI will continue to advocate against any type of carbon tax, given that taxing our economy in this way, or unilaterally imposing an

emissions trading scheme, will impose excessive costs on business and ultimately affect the entire economy.

Such a scheme has low business support in the current environment. Business and consumers face the prospect of a doubling of energy prices by 2015 with little global gain should such a tax be imposed.

ACCI considers greater focus should be directed at the development of a stable and secure energy supply which looks to technology and efficiency measures to reduce greenhouse gas emissions.

Other industry policy issues addressed during 2010 included:

- responding to changes to R & D Tax concessions;
- the challenges for business associated with a federal system of government;
- considering opportunities to lighten the regulatory burden in a range of industry sectors including in food manufacturing; and
- monitoring and assessing the impact of major changes in Australia's consumer law regime.

TARIFF REDUCTIONS

On 1 January 2010 ACCI welcomed the scheduled import tariff reductions for automotive and textiles, clothing and footwear (TCF) industries.

From 1 January, tariffs applying to passenger motor vehicles and parts components were cut from 10 to 5 per cent. Overall tariffs applying to TCF goods were also cut, with tariffs for clothing and finished textiles reduced from 17.5 to 10 per cent, and tariffs for textiles and footwear reduced from 10 or 7.5 per cent to 5 per cent.

These reductions were part of the scheduled wind-down in tariff assistance provided to both industries and continue the structural adjustment process these industries have been undergoing since the mid-1980s

These tariff reductions will reduce input prices for businesses and cost to final consumers, which in turn stimulated domestic demand in the first half of 2010. ACCI is a strong supporter of managed reductions in tariffs on manufactured goods as a driver for innovation, competition

and productivity. Sensibly timed tariff reform also provides a more sustainable basis for industry and employment growth.

The Bracks Review indicated that a reduction in Australia's automotive tariffs from 10 to 5 per cent could provide net benefits to the economy of around \$0.5 billion a year.

ACCI would encourage the residual tariff of 5 per cent for both passenger motor vehicles and TCF goods be removed beyond 2015.

CHANGES TO THE R&D TAX CONCESSIONS

The R&D tax concession is an ongoing scheme designed to increase the level of R&D conducted by Australian companies. It is broad-based, not industry specific, and market-driven with the applicant entity deciding upon the scope and timing of the R&D.

Currently, it enables companies to deduct up to 125 per cent of eligible expenditure incurred on R&D activities from assessable income when lodging their income tax returns. For expenditure that qualifies for the 125 per cent concession (excluding plant-related expenditure), an additional 50 per cent deduction called the '175 per cent premium R&D tax concession' may be available. It is available to those companies that increase their level of this type of R&D expenditure relative to their average of such R&D expenditures over the previous three years.

An 'R&D tax offset' (equivalent to the value of the R&D tax concession) is available to companies with an annual turnover of less than \$5 million and whose aggregate R&D amount is more than \$20,000 and less than \$1 million per year.

In September 2008, the final report of the Review of the National Innovation System (the Cutler Review) was released. The Cutler Review recommended, amongst other things, that the existing R&D Tax Concession, Tax Offset, Premium Tax Concession and International Premium Tax Concession be replaced with an R&D Tax Credit.

In its response, the Government accepted the recommended redesign – away from a tax concession to a tax credit scheme – but with some changes in suggested program parameters.

The Government announced in the 2009-10 Federal Budget that the refundable credit would be 45 per cent (equivalent to a 150 per cent Tax Concession) for smaller firms, rather than the 50 per cent refundable credit recommended by the Cutler Review. The Government also set the turnover threshold below which the 45 per cent refundable tax credit would apply at \$20 million, rather than the \$50 million recommended. Moreover, a standard non-refundable 40 per cent tax credit would apply for firms with aggregate turnover of \$20 million or more. The Government also tightened the definition of eligible R&D for the tax incentive.

The new R&D tax credit scheme was planned to come into effect from 1 July 2010 and apply to both new and existing R&D activities carried out from that day.

In February 2010, ACCI provided a submission to the Treasury in response to the exposure draft legislation for the new R&D tax credit released on 18 December 2009.

ACCI said that while a higher incentive rate and a refundable tax credit was a positive for the new R&D tax scheme, it was concerned the exposure draft legislation departed from the policy intentions. Under the new incentive companies must now demonstrate that their core R&D activities are both involving considerable novelty and facing high level of technical risk. ACCI noted these would substantially reduce support available to all companies, especially SMEs, pharmaceutical, software, manufacturing, engineering and mining firms.

In the submission, ACCI argued that to ensure the effectiveness of R&D tax incentives, the proposed list of criteria to be eligible for the new R&D tax credit needed to be revised, in consultation with industry. Any proposed changes to the current R&D tax incentive should be considered in terms of its consistency, efficiency, simplicity and effectiveness in stimulating business research and development.

At the 17 March 2010 ACCI Economics, Taxation, Industry Policy and Environment Joint Committee Meeting in Canberra, ACCI and its members' concerns about the new R&D Tax Credit were raised and discussed directly with the Parliamentary Secretary for Innovation and Industry Richard Marles MP, and senior staff members from the Department of Innovation.

Subsequently on 31 March 2010, the Government released the second exposure draft legislation which adopted a range of changes to make the draft legislation clearer and align more closely with the stated intent of the policy. However, some of the important industry concerns remained unaddressed. The draft legislation was delayed by the Senate on 21 June 2010.

On 30 June 2010, ACCI called on the Government to use the parliamentary recess to restore certainty to future R&D investment. The proposed changes to the R&D tax credit should not be applied from 1 July 2010 given the Senate is yet to pass the amendment. Changes, if enacted after the August Federal Election, should not be retrospectively applied from 1 July 2010. The Government instead should allow industry to invest under the current eligibility criteria and arrangement until full and comprehensive consultation occurs.

CLIMATE CHANGE

Climate change and the Australian Government's proposed Carbon Pollution Reduction Scheme (CPRS) remained the major environmental issue for 2010.

Accordingly, climate change policy was the major priority of the ACCI Environment Committee, which was chaired by David Goodwin in 2010.

ACCI General Approach to Climate Change

During 2009 and 2010, ACCI and its members had expressed serious concerns about the effectiveness of an emission trading scheme (ETS), to reduce Australia's greenhouse gas emissions, and its negative impact on business and the Australian economy. Today, ACCI continues to make the case that the Government's proposed CPRS took no account of the flow-on cost impact of the scheme on Australian SMEs who are not able to fully pass on the cost increases in order to maintain their competitiveness.

We argued against the passage of the CPRS legislation in 2009 on that basis, and had a consistent policy position throughout the year. Instead, ACCI has suggested that measures to improve energy efficiency in electricity generation, industry processes and households offer the most cost-effective way to reduce Australia's carbon footprint.

ACCI has emphasised that Australian industry does have an obligation to work with the government and the community towards a lower carbon economy. Business agrees that it is important for Australian well-being to ensure the sustainability of our environment, and that technological progress and innovation were the keys to improve Australia's energy efficiency and reduce the overall carbon footprint.

To ensure Australia's carbon mitigation is achieved through least-cost means, especially in the absence of a multilateral framework, ACCI considers that Australia's climate change policy response should:

- place Australia at an equal competitive footing with the rest of the world and in particular its major trading partners;
- ensure that Australia continues to have access to affordable, clean, efficient and sustainable energy supplies and thus feasibility of nuclear energy to assist baseload requirements should be properly weighed and considered;
- consider how to best support new technological development and deployment;
- address the barriers to individuals' and firms' energy efficiency uptake, including the lack of available and easy-to-understand information, limited management and financial resources and hidden costs; and
- review, monitor and harmonise current climate policies across different sectors and jurisdictions under a national approach.

A domestic ETS should only be considered when there is a clear and legally binding international agreement with accompanying targets to reduce greenhouse gas (GHG) emissions.

In the absence of an international framework, Australia should not take unilateral actions to reduce GHG emissions where these are detrimental to our economic position. The Government's 5 per cent unconditional GHG reduction commitment in conjunction with other programs including the 20 per cent renewable energy target by 2020 and the feed-in tariff regime adapted by State governments will come at substantial cost to Australian energy consumers.

Implementing industry-supported initiatives directed at energy efficiency at the supply side in the generation of electricity and in-demand practices, offer the best prospects for cost-effective reductions in emissions. This is the approach that should be the focus of public policy responses.

In an uncertain global environment where there is limited chances for agreement, ACCI also considers that costly government-funded programs should be avoided. Encouraging voluntary responses by industry and energy users should instead be the mainstay of our policy approach.

2010 Developments in Australian Climate Change Policy

The Carbon Pollution Reduction Scheme (CPRS) legislation was rejected by the Senate for the second time on 2 December 2009. The legislation was subsequently re-introduced into the Parliament for the third time and passed the House of Representatives on 11 February 2010. The Senate adjourned the debate on the legislation on 24 February 2010.

On 21 January 2010, the Australian Greens released its interim policy to break the CPRS deadlock by proposing a two year carbon fixed price (or a carbon tax) at \$23 per tonne (equivalent to \$20 in 2005 prices) from 1 July 2010, with the price increasing by 4 per cent plus the change in the consumer price index per year.

On 2 February 2010, the Coalition announced that it would take direct action to reduce Australia's greenhouse emissions by 5 per cent below 2000 levels by 2020 through an Emissions Reduction Fund which would provide direct incentives for businesses to reduce CO2 emissions. Businesses that reduce emissions below their baseline or business-as-usual (BAU) levels would be able to sell their abatement to the government, while businesses that emit above their BAU levels would incur a financial penalty.

ACCI has argued that any policy to reduce Australia's greenhouse gas emissions should be examined carefully to weigh the policy impact on the cost of doing business and employment as well as Australia's trade competitiveness against its potential social and environmental benefits.

ACCI and its members also had the opportunities to discuss business concerns about the Coalition climate change policy with the Shadow Minister of Climate Action, Environment and Heritage Greg Hunt MP during the 17 March 2010 ACCI joint committee meeting in Canberra.

On 30 March 2010, the Government established a Task Group on Energy Efficiency to report to the Prime Minister by mid-2010 on options to deliver a step change improvement in Australia's energy efficiency by 2020.

On 27 April 2010, the then Prime Minister Kevin Rudd announced that the Government had decided to delay the implementation of the CPRS and would not re-introduce it until after the end of the current commitment period of the Kyoto Protocol, which ends in 2012, and only when there was greater clarity on the actions of other major economies including the US, China and India.

ACCI welcomed the Government's decision to delay and reconsider the implementation of the CPRS and the Government's commitment to support greater energy efficiency measures.

Post-Election Developments

On 27 September 2010, Prime Minister Julia Gillard announced the membership and terms of reference for the new Multi-Party Climate Change Committee to help build consensus on how Australia would tackle Climate Change.

The Multi-Party Climate Change Committee will explore options for the introduction of a carbon price and will start from the position that a carbon price is an economic reform that is required to reduce carbon pollution, encourage investment in low emissions technologies, and complement other measures including renewable energy and energy efficiency.

The Committee is to be chaired by Prime Minister Julia Gillard and will include Treasurer Wayne Swan, Climate Change Minister Greg Combet, Senator Bob Brown, Senator Christine Milne, Independent MP Tony Windsor and two invited Coalition members.

The Committee will be advised by outside experts including Professor Ross Garnaut, Australian National University Climate Change Institute Executive Director Will Steffen, Port Jackson Partners Director Rod Sims, and KPMG healthcare business leader Patricia Faulkner.

The Government will also establish two roundtables to engage the business community, environment and non-government organisations on its climate change policies.

These roundtables are to play an important role providing advice to the Government on the issues surrounding climate change.

The discussions at the roundtables will focus on the introduction of a carbon price into the economy, particularly the need to give businesses certainty to invest in low-pollution technologies, and may also cover other climate change measures.

According to the Government, if Australia is to remain internationally competitive over the long term, our industries must become less carbon intensive, with the best way to do this is by establishing a carbon price in the economy.

After the post-election re-endorsement by government and various energy producers of some type of carbon price signal such as a carbon tax or emissions trading scheme, ACCI again expressed its opposition in the media to a pre-emptive tax or regulatory impost on the Australian economy.

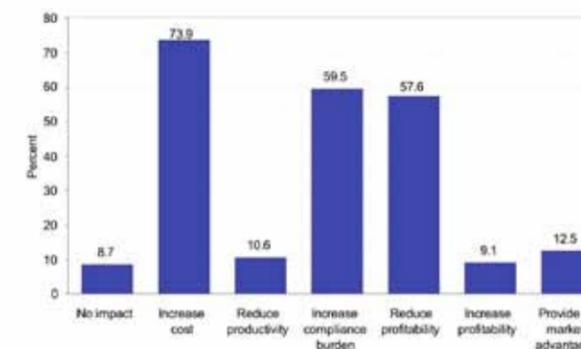
ACCI affirmed the following points:

- our membership consists overwhelmingly of energy users concerned about rising energy prices and prior to international agreement they consider adopting energy efficiency measures preferable to a new tax or ETS;
- due to the trade-exposed nature of our economy, a carbon price would be detrimental to our international competitiveness, export jobs and economic expansion opportunities;
- our economy has been built on access to an affordable and secure energy supply and a carbon price threatens both. For example, including the impact of carbon pricing, electricity prices are set to more than double by 2015 and triple by 2020, and a carbon price will shift investment towards reliance on intermittent renewable energy and much more expensive open-cycle gas turbine generation for peaking requirements;
- the modern and expanding Australian economy cannot rely on renewable energy and the uncertain domestic supply of natural gas, however this is where the carbon pricing model is directing Australia;
- the required investment in more efficient and cleaner coal-fired generation will be stalled again, foregoing the advantage of a reliable and affordable baseload generation option;
- the immediate government focus and support should be directed at efficiency and technology approaches and assessing the capacity of the economy to deal with changes in the energy fuel mix over time. This would deal with the question of certainty and encourage investment in modern generating capacity which does not preclude coal-based power;
- the government should immediately release the energy white paper it has prepared to help inform the debate about the scale of future energy requirements in an expanding economy and the likely energy sources available;
- apart from European nations, there is scant evidence of a strong commitment to carbon pricing as a means of mitigating emissions, China has shown a commitment to the technological approach while the USA has virtually no chance of adopting a cap and trade scheme, favouring instead greater reliance on efficiency and emission reduction standards;
- it should not be overlooked that the effect of existing government policy has been to impose an implicit carbon price already. The renewable energy target and feed-in tariffs raise the price of energy for all users, while rebates to consumers for initiatives including solar hot water rebates come at a substantial cost to the budget; and
- the impact of carbon pricing will not only affect business but also add to inflationary pressures across the economy, both directly in higher energy prices for consumers and indirectly in the provision of goods and services including in the areas of health, education and the provision of public transport.

ACCI Special Survey on CPRS

In January 2010, ACCI asked a series of special, climate change-related questions in its quarterly Survey of Investor Confidence, as part of its continuous dialogue with business on the issue of climate change.

The Survey found that an overwhelming 56.8 per cent of businesses indicated that the CPRS was not the most appropriate mechanism to reduce greenhouse gas emissions. Only 13.6 per cent of businesses indicated that the CPRS was the most appropriate mechanism, with



29.5 per cent of businesses remaining unsure.

An overwhelming 88.4 per cent of businesses indicated that they preferred to reduce Australia's greenhouse gas emissions through improvements in energy efficiency, while 8.5 per cent of respondents preferred the CPRS and only 3.1 per cent preferred a carbon tax.

Only 10.3 per cent of businesses had a very good understanding about the level of their current greenhouse gas emissions, while the majority of businesses (43.3 per cent) had moderate understanding. 5.7 per cent of businesses had no understanding about their own carbon footprint.

The following chart shows that 73.9 per cent of businesses indicated that the CPRS would increase the costs of business, followed by 59.5 and 57.6 per cent of respondents reporting that the CPRS would increase their compliance burden and reduce their profitability respectively.

ACCI'S INDUSTRY POLICY AND ENVIRONMENT COMMITTEES

ACCI's Industry and Environment Policy Committees were this year chaired by ACCI Board members Mr Jeremy Johnson (Industry Policy Committee) and Mr David Goodwin (Environment Committee). The committees met jointly several times during the course of 2010 via teleconference. These meetings were well attended and provided a very good forum for members to discuss the prevailing economic conditions and their effect on business in a post-GFC environment.

It was expected that more meetings of these committees would be held before the end of 2010 to discuss the policy implications for business and the most immediate priorities for ACCI to take up with the new administration and other representatives.

FEDERALISM

In August 2010, ACCI along with several of our members, made submissions to the Senate Select Committee on the reform of the Australian Federation. ACCI pointed out that an inherent problem of our federal system of government is that of vertical fiscal imbalance. We believe that there are several problems created by this imbalance which require concerted and co-operative action by the Commonwealth and the States to reverse or at least re-align.

These problems are:

- Weakening of Accountability: a separation between the two authorities that raise and spend the revenue (the Commonwealth Government and the State Government) leads to a weakening of accountability and inefficiencies in the delivery of state services as State Governments do not bear the political ill will of raising the taxes to pay for the services. For example, the Commonwealth

Government is responsible for GST but it is the State Governments that benefit by receiving all of the revenue raised through this tax. For each dollar spent by state governments, they raise only 60c.

- Reliance on inefficient taxes: the States are forced to rely on inefficient taxes such as stamp duty and payroll tax in order to raise revenue as their ability to impose more efficient taxes is restricted.
- Limits incentive for states to cut taxes: the taxes that states can impose are inefficient and regressive but their reduced revenue raising capacity gives them very little incentive to reduce taxes.
- On 13 September, the Australian Financial Review in an article entitled, Reform of Federation on Critical List, made reference to the ACCI submission and gave particular prominence to the recommendations of one of our members, the NSW Business Chamber.

REGULATORY REFORM

The Australian Government continued its regulatory reform agenda throughout 2010 through the work of the Council of Australian Government's (COAG) Business Regulation and Competition Working Group (BRCWG), chaired by the then Minister for Finance and Deregulation Hon Lindsay Tanner MP, and the then Minister for Small Business, Independent Contractors and the Service Economy Hon Dr Craig Emerson MP.

The primary aim of the BRCWG is the delivery of one of the six National Partnership Agreements agreed to by COAG in the November 2008 National Partnership Agreement to Deliver a Seamless National Economy. The Agreement covers 36 areas of reform, including the 27 deregulation priorities to which reward payments are attached, eight competition reform areas, and ongoing reforms to improve processes for regulation making and review.

The principal aims of this National Partnership Agreement are to:

- create a seamless national economy, and reduce costs incurred by business in complying with unnecessary and inconsistent regulation across jurisdictions;
- enhance Australia's longer-term growth, improving workforce participation and overall labour mobility; and
- expand Australia's productive capacity over the medium-term through competition reform, to enable stronger economic growth.

ACCI supports the principles of this Agreement and the continuing work of the BRCWG, however we have noted that the COAG Reform Council's first annual report to COAG which provides an independent assessment of whether the key milestones in the National Partnership have been achieved, and which contains the Council's assessment of progress against 2008–09 milestones as at 30 September 2009 (released publicly in February 2010), shows that: "there are 4 of the 8 competition reforms where some or all jurisdictions have not met milestones or the ultimate objective is at risk."

ACCI would be concerned if action were not taken to ensure that continuing progress of reform in competition areas was made by all jurisdictions that had agreed and signed up to these reforms, given their importance in encouraging economic development and growth.

BETTER REGULATION BUSINESS FORUM

In February 2010 the OECD released a report on Australia's regulatory environment which in part recommended a more structured approach to engaging with business on regulatory reform.

In response the Government initiated a regular forum to allow business leaders and senior government representatives to meet to

discuss progress on announced reforms and identify priority areas for future attention.

ACCI's Director of Economics and Industry Policy, Greg Evans, was invited to attend the first forum which was addressed by several Government Ministers, including the then:

- Minister for Finance and Deregulation Hon Lindsay Tanner MP;
- Minister for Small Business, Independent Contractors and the Service Economy Hon Dr Craig Emerson MP;
- Minister for Infrastructure, Transport, Regional Development and Local Government Hon Anthony Albanese MP;
- Minister for Financial Services, Superannuation and Corporate Law Hon Chris Bowen MP; and
- Assistant Treasurer Senator the Hon Nick Sherry.

SMALL BUSINESS ADVISORY COMMITTEE

On 28 June 2010 the then Minister for Small Business, Independent Contractors and the Service Economy Hon Dr Craig Emerson MP announced the establishment of the Small Business Advisory Committee (SBAC), as part of the Government's Better Regulation Agenda.

ACCI's Director of Economics and Industry Policy Greg Evans was invited to sit on the committee.

The SBAC is responsible for reviewing and providing expert advice on regulatory proposals that have a significant impact on small business and operates as a panel, independent from the government, comprising members who have extensive experience with small business.

The SBAC's role is to improve the quality of regulation and minimise compliance costs for small business by being involved throughout the development of the Regulation Impact Statement (RIS) process. The establishment of the SBAC provides government agencies with greater knowledge and expertise across a wide range of business operations and industry sectors. The SBAC's advice will be used to inform the Government's decision-making process.

As the Department of Innovation, Industry, Science and Research press release stated that "the members of the Committee were selected because of their extensive experience and their unique knowledge and understanding of small business and the government's better regulation agenda."

The SBAC had an introductory meeting on Monday 28 June 2010 in Canberra. It is anticipated that the committee will meet annually.

REGULATION IMPACT STATEMENT – BEST PRACTICE REGULATION HANDBOOK

In April 2010, ACCI was asked by the Office of Best Practice Regulation (OBPR) to provide comment on the Government's proposed draft Best Practice Regulation Handbook which was to be revised following the Government's decision to make changes to the Regulation Impact Statement (RIS) requirements.

The Regulatory Impact Statement process is essential as additional regulations can place severe cost burdens on business, particularly small businesses. Governments must be aware of the potential costs when assessing options.

In its comments to the OBPR, ACCI noted that there appeared to be a refocusing of the draft Handbook away from identifying non-regulatory options that may adequately address an identified problem. We noted that the then current Best Practice Regulation Handbook stated that,

"a 'do nothing' or status quo option should always be included in the analysis. It is the base case against which alternatives can be compared."

However in the corresponding section in the Draft Handbook this requirement appeared to have been deleted.

ACCI argued that the answer to a problem should not by default be additional regulation and that non-regulatory responses should be given consideration during the decision-making process. The new Handbook does appear to have moved away from emphasising the use of non-regulatory options when considering new regulation. Greg Evans' new position on the Small Business Advisory Committee (see above) will assist ACCI in preventing this rewording of the Best Practice Regulation Handbook translating into an excess of unnecessary regulation.

ACCI concurred with some of the more significant proposed changes but stressed that once it has been decided that additional regulation is necessary, it is essential that a rigorous RIS process be maintained to ensure that all of the associated costs and benefits of the regulatory options are taken into account before a final decision is made.

AUSTRALIAN CONSUMER LAW

In 2010, the Australian Government introduced substantial changes to Australian Consumer Law. The process of reform embarked on by the Government consisted of three instalments and is in accordance with the National Partnership Agreement to Deliver a Seamless National Economy.

The first instalment of the Australian Consumer Law package, the Trade Practices Amendment (Australian Consumer Law) Bill 2009 was introduced into the House of Representatives on 24 June 2009 and passed the Senate with amendments on 17 March 2010. It introduced a single, national consumer law regime called the Australian Consumer Law and implemented new national unfair contract terms law and new penalties.

The second instalment was the Trade Practices Amendment (Australian Consumer Law) Bill (No.2) 2010 which was introduced into the House of Representatives on 17 March 2010 and passed the Senate with amendments on 24 June 2010 having been referred and reported on by the Senate Economics Legislation Committee. The states and territories must now pass application legislation so that the new law can commence by 1 January 2011.

Several ACCI members made submissions to the Senate Economics Committee inquiring into this bill on specific sections of the Bill which were of interest to their organisations.

The bill:

- created national laws for consumer product safety and for statutory consumer guarantees, to reform and replace existing Commonwealth, state and territory laws;
- changed the name of the Trade Practices Act to the Competition and Consumer Act 2010;
- amended the consumer protection provisions of the ASIC Act and the Corporations Act to maintain consistency with the Australian Consumer Law concerning consumer protection for financial services;
- enabled the ACCC to impose infringement notices for specified civil contraventions of the Australian Consumer Law;
- strengthened product safety enforcement and investigation powers to assist agencies in taking a proactive approach to consumer safety; and

- strengthened the enforcement arrangements for prescribed industry codes of conduct, like the Franchising Code of Conduct, by implementing the Government's response to the report of the Parliamentary Joint Committee on Corporations and Financial Services into conduct in Australian franchising.

The third and final instalment of this package is the Competition and Consumer Legislation Amendment Bill 2010 which deals specifically with creeping acquisitions and unconscionable conduct.

The Bill had not passed the Parliament when the House of Representatives was dissolved prior to the Federal Election on 21 August 2010.

This purpose of this bill is to:

- strengthen those sections of the Competition and Consumer Act (formerly the Trade Practices Act 1974) relating to mergers and acquisitions in order to remove any uncertainty, and strengthen the ability of the ACCC to consider local markets and multiple markets when considering acquisitions;
- implement the recommendations of the government-appointed expert panel, which inquired into the unconscionable conduct provisions of the TPA, and recommended that a list of interpretive principles be included that may assist the courts in applying the unconscionable conduct provisions; and
- remove the distinction between business and consumer transactions with respect to unconscionable conduct by consolidating the two relevant sections – formerly s.51AB and 51AC of the TPA.

In June ACCI made a submission to the Senate Economics Committee inquiring into this bill voicing some concern about the insertion of a list of interpretive principles. Our concern is that it would greatly widen the ability of courts to interpret those sections relating to unconscionable conduct beyond the original intention, which was to limit the misuse of market power while allowing for natural market forces. It was also felt that the amendments to the TPA relating to creeping acquisitions would expand the power of the ACCC to limit a process that is important for the efficient functioning of the Australian economy.

The fact that submissions in response to the Government's two discussion papers on the issue of creeping acquisitions indicated, "that there was no clear consensus of support for any individual model, and views varied as to whether, in practice, there was a substantive problem to be addressed" led ACCI to question the need for these amendments.

FOOD INDUSTRY

The Federal Government is undertaking several reviews and reform programs in the area of Food Policy. ACCI's advocacy in this area has been guided by advice from the Chairman of the ACCI Food Working Group, Mr Iain MacGregor. Our responses to many of these issues has been in line with the underlying principles of the ACCI Food Policy.

COAG FOOD REFORMS

In 2009, COAG agreed to a process aimed at achieving nationally consistent food regulation in Australia. A key component of this process has been to develop options to enable by 1 July 2011 a Centralised Interpretive Advice (CIA) system to be implemented in relation to food standards.

ACCI attended a roundtable discussion in March, where the focus of discussion centred primarily on who should perform this CIA function and the scope of the advice provided.



The position put forward by ACCI was that:

- Food Standards Australia New Zealand (FSANZ) should be the lead Commonwealth Agency responsible for providing advice of food standards. FSANZ formulates policy in relation to Food Standards Code and it should be responsible for interpreting it;
- the process for providing this advice to businesses should be simplified and streamlined; and
- FSANZ must be adequately equipped to deal with the requests for information and queries from business which will ensue from a possible widening of its responsibility.

In a letter in which ACCI provided comment on the Regulation Impact Statement on the Food Regulatory Reforms Centralised Interpretive Advice on Food Standards we reiterated our position that, "whenever there is a proposal to revise the regulatory framework, it must be ensured that any changes do not increase the regulatory burden on business but, where possible, either streamline the process or indeed reduce the burden."

ACCI expressed its concerns about the "Payment for Advice" option. We accepted that FSANZ was best placed to provide advice on the Food Standards Code (the Code) but as the authors of the Code, FSANZ is responsible for providing appropriate advice to businesses that are trying to ensure that they act within the confines of that Code.

We are not aware of other government regulators charging for advice on regulations that they have developed and do not agree that industry should have to pay for such advice on the Code standard review and development which should be FSANZ's responsibility.

Larger businesses may be in a better position to pay for advice but many small businesses may not be able to afford to pay for such advice and may end up interpreting the Code their own way without benefiting from consultation.

The provision of timely advice is also an issue of great concern for businesses seeking advice or action on the Food Standards Code. It can currently take excessive amounts of time to progress issues through FSANZ and even State Government Departments. An example being that in one instance a request for advice on food preparation in disabled peoples home took over 6 weeks to get a response. Timeliness of advice is absolutely imperative for business.

Food Labelling Review

The establishment of the Food Labelling Review was agreed on by the Australia and New Zealand Food Regulation Ministerial Council on 23 October 2009 and is headed by the former Australian Health Minister, Dr Neal Blewett AC.

The aim of the Panel is to undertake a comprehensive examination of

food labelling law and policy. The Review Panel has completed two rounds of public consultation and in November 2009 more than 6000 submissions had been received. The second round of submissions received were in response to the Panel's Issues Consultation Paper.

Several ACCI members made submission to this review and attended the public consultation forums which have been held in Australian and New Zealand.

ACCI provided a letter of support for our member the Australian Food and Grocery Council and expressed the following points:

- For those involved in the food industry and affected by constant changing food regulation there is a definite need for a consistent overarching food labelling and regulation policy. More effective management of food labelling issues will ultimately result in a benefit to consumers, a reduction in business costs and an improvement in enforcement.
- The Review has the opportunity to establish policy principles fundamental to sensible food labelling and the potential to transform what has become a battleground in food labelling into a much needed and trusted mechanism allowing consumers to identify the foods they seek, and understand how these foods can contribute to healthy diets and lifestyles.
- It is essential for business that any overarching food labelling policy be consistent. National uniform enforcement of food labelling does not occur in Australia and results in eight possible interpretations of food standards, causing great uncertainty and cost for business. A central interpretive advice authority that can provide consistent advice to food companies and enforcement agencies is essential.
- The disarray so characteristic of the public debate on food policy needs to be overcome and the recommendations of this review must lead to the development of a food regulation policy that guides food labelling regulation in all its guises once and for all.
- The adoption of any new regulations proposed by this review must not expose businesses operating in these industries to any unintended consequences, particularly costs.

The Review Panel is still considering stakeholders' perspectives provided in the written submissions and other information gathered during the course of the Review process.

The final report of the Review Panel will be provided to Government through the Australia and New Zealand Food Regulation Ministerial Council in December 2010 and to COAG in early 2011.

Food Health Dialogue

The Australian Government initiated in 2009 a Food Health Dialogue, the aim of which is to provide the food industry with an opportunity to work collaboratively with the Government to address some of the issues around food and health. The Dialogue looks specifically at:

- product reformulation;
- portion standardisation; and
- consistent consumer messaging to promote a healthy living agenda.

It is expected that working groups will be established to address some of the different issues which fall under the specific terms of reference at which time stakeholder groups will be invited to participate.

National Food Strategy

During the 2010 Federal Election campaign, the Minister for Sustainable Population Hon Tony Burke MP announced a proposal to develop a National Food Plan.

The consultation process will involve key industry players such as farmers, manufacturers & processors, distribution and logistics companies, retail and food service companies and agricultural and food scientists. It will look at all aspects of food policy as well as the opportunities and risk to the long term sustainability of Australian food production.

ACCI subsequently wrote to the Minister strongly advocating the importance of the Government taking into consideration the advice and expertise of the small business sector in this process. It is the smaller and middle ranking businesses that are most exposed to the costs of regulatory change and they should have a voice on any such panel.

Standard Business Reporting

In July 2008, a COAG communiqué signaled support for Standard Business Reporting (SBR) as a mechanism for reducing the regulatory burden on business.

SBR is a multi-agency program that it is estimated will save Australian business \$800 million per annum on an ongoing basis when fully implemented. SBR will reduce the regulatory reporting burden for business by:

- removing unnecessary and duplicated information from government forms;
- utilising business software to automatically pre-fill government forms;
- adopting a common reporting language, based on international standards and best practice;
- making financial reporting to government a by-product of natural business processes;
- providing an electronic interface to enable business to report to government agencies directly from their accounting software, which will provide validation and conform receipt of reports; and
- providing business with a single secure online sign-on to the agencies involved.

SBR is being co-designed by Australian and state and territory government agencies in partnership with business, software developers, accountants, bookkeepers and other business intermediaries from across Australia.

Led by the Australian Treasury, the agencies participating in SBR are the Australian Bureau of Statistics, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office and all state and territory government revenue offices.

ACCI welcomed the commencement of SBR, which the government delivered within the scheduled timeframe, on 1 July 2010. SBR now offers the opportunity of significant cost savings for business as the processes for dealing with government reporting requirements are streamlined.

This will assist a range of Australian businesses but also accountants, tax agents and bookkeepers and will lower costs and improve efficiency. The greatest uptake of SBR by business will relate to Business Activity Statements, Tax File Number Declarations, PAYG, and payroll tax returns.

The SBR project has been ambitious involving considerable consultation and coordination between the Commonwealth and State levels of government and the wider business community. It is a positive move towards a more seamless national economy which ACCI fully supported.

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Small Business



Greg Evans
Director of Economics & Industry Policy

Through our membership, ACCI represents over 280,000 enterprises employing less than 20 people, which is more small businesses than any other business organisation in Australia.

According to the latest ABS data, 96 per cent or 1.93 million businesses in Australia are small businesses, and 1.89 million businesses (94% of the total) had an annual turnover of less than \$2 million.

Small businesses are a key driver of economic growth in Australia and their continued operation and success is essential to Australian wealth creation.

During 2010, a large proportion of small businesses continued to experience the negative flow-on impacts from the global financial crisis. Credit was more difficult and more expensive to obtain, consumer demand was lower, and many business owners were forced to make difficult decisions about staffing.

Informed by our regular small business survey, feedback at policy committee meetings and other correspondence with members, ACCI has promoted policy solutions and lobbied government throughout the year in an attempt to ease the pressures on small business.

Particular issues included small business access to finance, the impact of the Carbon Pollution Reduction Scheme, taxation and competition policy.

ACCI SMALL BUSINESS COMMITTEE

The ACCI Small Business Committee under the chairmanship of ACCI Board member Bruce Fadelli AM met throughout the year.

Issues discussed included ongoing tax reform priorities, the impact of the global financial crisis on the Australian economy and business trading conditions, difficulties for small business in obtaining credit for investment and working capital, the impact of Henry Review recommendations and the Board of Taxation review into personal services income tax rules on small businesses.

Small business issues have also been the focus of other forums, most notably the Joint Economics, Taxation, Industry Policy and Environment Committee meetings.

SMALL BUSINESS COALITION

In 2010, the Small Business Coalition (SBC) reconvened and currently has 12 members. The SBC is chaired by ACCI Small Business Committee chairman Bruce Fadelli AM, with ACCI acting as the SBC secretariat.

In its June 2010 meeting, SBC members agreed that the SBC should operate through teleconference or email communications when matters concerning small businesses arise. The SBC will provide support to members' individual submissions on small business issues, provided that the prepared submission's comments, recommendations and suggestions reflect SBC member consensus and that the matters are relevant to general small business policy rather than being industry-specific.

Amongst the policy priorities discussed in the SBC during the year were small business access to finance, changes in trust income tax rulings by the ATO, proposed changes to the personal services income tax rules, and the Henry Review tax recommendations. The SBC counts amongst its members professional accounting bodies which bring a valuable dimension in relation to practical tax administration issues.

SMALL BUSINESS TAX BREAK

The Small Business and General Business Tax Break (or Investment Allowance) was announced in December 2008 as part of the Australian Government's Nation Building Package response to the global financial crisis and further enhanced in February 2009 as part of the Nation Building and Jobs Plan.

This initiative was first put forward to the Government by ACCI at the height of the crisis and provides a tax deduction for investing in new tangible depreciating assets, with the deduction rates varying according to the business turnover as well as when that business invests in the asset and has it ready for use.

In the May 2009 Budget, the Australian Government announced an increase in the tax break from 30 per cent to 50 per cent for small businesses that have an annual turnover of less than \$2 million, acquire assets costing at least \$1,000 per asset from 13 December 2008 until 31 December 2009, and install those assets or have them ready for use by 31 December 2010. The tax break remained unchanged for all other businesses.

ACCI noted that the tax break has provided an incentive for small businesses in particular to bring forward their planned capital expenditure. The Australian Taxation Office advises that as at 30 May 2010, 234,929 businesses had claimed the tax break in their 2008-09 tax returns, with some 208,280 of these small businesses. Of the \$5.040 billion worth of bonus deductions that have so far been claimed, \$2.841 billion has been claimed by small business.

SMALL BUSINESS ACCESS TO FINANCE

During 2009 and 2010, ACCI extensively used media opportunities to highlight the issue of credit accessibility for small business borrowers and its impact on small business investment and working capital as major lenders tightened their lending criteria.

ACCI is concerned that the decline in retail banking competition following the exit of non-bank lenders and foreign banks, as well as recent merger and acquisition activities, will further limit the avenue for small business to access finance. Moreover, small business borrowers did not enjoy the full reductions in borrowing rates in the previous monetary loosening cycle but were required to bear the full brunt of cash rate increases from October 2009.

ACCI was the first business organisation to publicly urge the Government to commission a Productivity Commission inquiry into small business finance availability and banking competition back in November 2009. Subsequently on 3 February 2010, the Senate Economic Reference Committee established an inquiry into small business access to finance.

ACCI, with input from members, prepared a detailed submission to the Senate inquiry on 30 March 2010. In the submission, ACCI outlined a series of recommendations including:

- i. **Promote competition:** The Government needs to ensure that competition in the Australian retail banking system is not further eroded by future merger and acquisition activity. Nonetheless, ACCI acknowledges competitive conditions may improve as the economy further recovers providing the opportunity for a larger number of lenders to re-enter the market including those servicing SMEs;
- ii. **Further examination by the Productivity Commission:** In addition to this Senate inquiry process, the Government should commission the Productivity Commission to conduct an inquiry to examine the degree of competition in the provision of SME financing. This study should examine:
 - a. the impact of an increasing number of participants in lending markets;
 - b. the implication of re-pricing of risk to businesses;
 - c. the changes that have occurred in the cost and availability of finance to SMEs over time; and
 - d. international experiences in assisting credit flows to SMEs and their advantages and disadvantages if applied in Australia.
- iii. **Monitor the impact of international regulatory changes:** In the face of anticipated regulatory changes by banking supervision

agencies, policymakers need to be aware that supervision and examination policies may unintentionally impede small business lending practices;

- iv. **Policymakers need to be aware of SME impact:** While banks should be prudent when making lending decisions, policymakers need to convey a simple message – banks should strive to ensure credit flows to creditworthy small business borrowers.
- v. **Banks must improve lending skills:** Australian banks should implement education and training programs to improve risk assessment skills amongst their business lending managers and credit departments, in particular on small businesses and start-up lending;
- vi. **Policymakers should continue and improve liaison with business:** The RBA and/or related government departments or agencies should conduct regular forums to better understand difficulties faced by small business which will inform additional efforts designed to help the small business sector. Access to better data on finance availability issues is also important including, where possible, some measurement of declined applications and related reasoning; and
- vii. **Government to note international programs dealing with SME finance availability:** The Government needs to note other international policies, practices and strategies that are designed to assist small business in obtaining finance when private lenders are not able to provide the required capital. These have been extensive in many advanced economies.

On 10 May 2010, ACCI gave evidence at the Senate Economic Committee public hearing in Canberra and reiterated our concerns.

The Senate Committee's final report, which was released on 30 June 2010, substantially quoted ACCI's submission. The Committee agreed with ACCI that while noting other countries' direct government intervention into small business finance, banking competition should be promoted within the existing Australian banking system.

The Committee recommended that:

- i. banks abolish exit fees on variable-rate loans. If banks do not do so by the end of 2010, then guidelines or regulations, or if necessary new legislation, should be used to compel them to do so;
- ii. the Government retain the 'four pillars' policy of not allowing a merger between any of the four major banks;
- iii. a moratorium be placed on approval of any further takeovers in the banking industry for one year, unless the bank being taken over is at imminent risk of failure;
- iv. the Trade Practices Act be amended to inhibit firms achieving market power through takeovers or abusing market power and that 'market power' be expressly defined so that it is less than market dominance and does not require a firm to have the unfettered power to set prices. A specific market share, such as, for example, one third (set based on international practice), could be presumed to confer market power unless there is strong evidence to the contrary;
- v. the Government request the ACCC, APRA and the Reserve Bank to provide a joint annual report to parliament on competition in the retail banking market in Australia, and the provision of finance to small business, but taking care not to increase unduly the reporting burden on financial institutions; and
- vi. the Australian Bankers' Association meet with small business representatives to develop a code of practice for lending to small business.

Data from the Reserve Bank has indicated that the increases in lending rates relative to the cash rate are much larger for small business

loans than housing loans since June 2007. Since mid-2007, the standard variable rate on home lending has increased by around 110 basis points (bps) relative to cash rate, while the variable rate of small business residentially secured lending has increased by around 205 bps.

Aside from higher interest rate charges, businesses are also facing higher bank charges or fees. Since June 2007, the ACCI Small Business Survey has found that Charges by Lending Institutions consistently ranked within the top ten constraints on small business investment in plant and equipment. These findings were echoed by a 2010 Reserve Bank survey on banking fees which found that businesses paid \$7.6 billion in banking fees and charges in 2009, up 13 per cent on 2008. The growth was more rapid than in the household sector where total fees were \$5 billion, up just 3 per cent compared with the year before.

ACCI has used the Reserve Bank report to reiterate our concerns that banks are unfairly targeting small business and businesses are being hit with increased fees to subsidise the banks' moves to cut retail deposit fees amidst fierce competition to attract retail deposit funding. ACCI's critiques on banking fees featured prominently on the Australian Financial Review and the Australian newspapers during the year.

RETENTION OF SMALL BUSINESS CGT CONCESSIONS

Australia has the highest reliance on capital taxation in the OECD, with around 35 per cent of all tax revenue derived from taxes on capital income, including the capital gains tax (CGT).

As a share of GDP, the total tax burden in Australia on capital is around 11 per cent, the fourth highest in the OECD. By contrast, the tax burden on labour is 12 per cent and the total burden on consumption tax is 9 per cent, the fourth lowest in the OECD.

In 2006-07, CGT raised \$17.3 billion, a 6.6 per cent share of total Commonwealth taxation revenue. There has been a significant increase on the \$4.6 billion in CGT raised in 1998-99, the year before the Ralph reforms, when CGT amounted to only 3.3 per cent of Commonwealth taxation revenue.

Arguably, CGT is the most economically damaging tax for Australia's small business sector. It is an active disincentive to risk taking and entrepreneurship, which deters investment. On the sale of an asset or business, it also detracts from the amount of capital which may be used to invest in other productive assets generating much higher return.

Currently, small business is provided relief from CGT through a general 50 per cent CGT discount as well as a range of small business concessions including:

- i. The 15-year exemption where a small business that owns an asset for more than 15 years can disregard any capital gains;
- ii. A further 50 per cent discount for the sale of active business assets;
- iii. A retirement exemption for capital gains made on active assets up to a lifetime limit of \$500,000 per individual; and
- iv. A small business roll-over, which allows deferral of a capital gain made on an active assets if within two years the proceeds are reinvested in another business asset.

In 2007-08, 29,681 small business proprietors claimed the small business CGT concessions to the value of \$4.4 billion, an increase of 29.4 per cent from 2006-07. This demonstrates that these concessions are significant, and widely utilised by taxpayers. Most small businesses claimed the small business active assets reduction

which had the lowest average amount per claimant of \$74,657. In contrast, the small business 15 year exemption was the least claimed concession, but had the highest average amount per claimant of \$515,590.

ACCI is concerned that the Henry Tax Review's recommendation to remove the two small business CGT concessions, active assets 50 per cent reduction and 15-year exemption concession, will increase small business' CGT burden. This in turn will have a wider and more serious impact on investment, and diminish incentives for entrepreneurship and job creation.

Capital gains are taxed on realisation basis and thus give an incentive for the owners of taxable assets to hold on to them to avoid paying the tax rather than selling them to those who value them more highly. This lock-in effect also means that investors do not shift their funds to other investments (such as high growth firms) that offer the highest rate of return. Thus CGT decreases the efficiency of capital market, results in capital asset misallocations, and reduces productivity and economic growth.

Moreover, many small business owners can have negligible superannuation savings and use the value built up in their business for post-retirement income. The potential narrowing of the options available to reduce the impact of CGT will make achieving a reasonable retirement income more difficult.

ACCI has been the only business organisation to raise the substance of this issue and highlighted our concerns on the abolition of small business CGT concessions through direct correspondence with Treasurer Wayne Swan as well as in the national media, including prominent letters to the editor published in Australian Financial Review in July and August 2010.

SMALL BUSINESS WAGES

The decision by Fair Work Australia to increase the minimum wage and more than one thousand award wages by \$26 per week (described in more detail in the Workplace Relations section of this Annual Report), went well beyond what was responsible or justified.

The pay rise has no natural funding basis given the complete absence of productivity trade-offs, and in reality is at least \$31.20 per week after it flows onto wage add-ons such as leave loadings, superannuation, payroll tax and workers' compensation premiums.

ACCI estimated that it would add \$2.5 billion to the annual wages bill of Australian small businesses, who were already in the slow lane of the two-speed recovery, struggling with higher penalty rates and labour cost rises from 1 July due to the reorganisation of awards and higher interest rates.

SMALL BUSINESS SURVEY

The quarterly ACCI Small Business Survey gauges business conditions within firms that employ fewer than 20 employees.

With more than 2.5 million employees across the small business sector, this represents a crucially important, but often hidden, segment of the national economy.

In 2010, ACCI's Small Business Survey was released in February, May, August and November, with survey results providing an insightful indication of how small businesses are increasingly lagging behind larger enterprises.

More details about the findings of the Small Business Survey in 2010 can be found in the ACCI Business Surveys chapter.



SMALL BUSINESS PRIORITIES FOR THE NEW AUSTRALIAN GOVERNMENT

On July 2010, ACCI publicly released the small business priorities for the next Australian Government based on the findings from the triennial ACCI Pre-Election Survey.

The highest priorities for small businesses for the next Australian Government are:

- i. sound economic management;
- ii. the level of taxation; and
- iii. workplace relations and regulations.

The survey results also suggest that an economic reform and management program which returns the Commonwealth budget to surplus and minimises wasteful spending, takes pressure off interest rates and provides tax relief, would be well received by small business owners.

Against the background of Henry Tax Review, small businesses rated income tax reform, company tax reform and capital gains tax reform as the top three tax reform priorities to be pursued by the next Australian Government.

Moreover, compared with other businesses, small businesses had

the highest level of concern about the current level of superannuation guarantee charges, with 80 per cent of small businesses expressing major and moderate concerns. The percentage of small businesses with major concerns increased from 21.2 per cent in 2007 to 48.0 per cent in 2010, suggesting that the Government's proposal to increase the employer superannuation levy from the current 9 per cent to 12 per cent over the next decade was eroding small business support for the superannuation system.

ACCI will keep these issues on the public agenda over the term of the next parliament.

ACCI SERVICES BLUEPRINT

Similar to many advanced economies, the services sector has now become the most important sector to the Australian economy. Today, services account for more than 75 per cent of Australia's output, more than a quarter of the nation's total exports, and almost four in every five jobs created in the economy.

Despite the services sector dominating Australia's economic activity and jobs creation, the sector is not well understood or studied. As services contributions to the economy continue to grow and the linkages between services and other industries deepen, ACCI considered that it was now time for stakeholders to understand the

characteristics of the services sector and ensure that we have the appropriate policy settings in place to deal with the growing policy challenges.

Moreover, small businesses account for a larger proportion of businesses in the services sector than in the mining and manufacturing industry. At the end of 2006-07, 96 per cent of services businesses were small businesses compared to 93 per cent of businesses in mining and 96 per cent of businesses in manufacturing.

Therefore in 2010, ACCI, with input from members, developed a policy blueprint for the services industry. The blueprint looked at both the domestic service economy and Australia's trade in services with the aim of highlighting the importance and challenges facing Australian service providers. It included a national audit that disaggregated our services economy and identified the major issues facing the different services industries.

The study addressed the issues and challenges confronting the services sector in general, including taxation policy, regulatory environment, trade in services, government assistance, workplace relations and regulations, and human capital development and skills shortages. Since services are not homogenous, the study also discussed some of the industry-specific issues and challenges for the following services industries:

- i. construction services industry;
- ii. business services industry, including engineering consultation services and accounting services;
- iii. tourism, hospitality and events industry, including accommodation and food services and passenger transport services; and
- iv. distributive trades industry, including retail and wholesale trade industry.

ACCI - ATO KEY RELATIONSHIP MANAGER

Following member support for the position when it was reviewed in January 2009, ACCI retained its ATO Key Relationship Manager over the course of 2010.

This service enables ACCI members to have a direct contact in the Australian Taxation Office to answer taxation-related questions.

Tony Watkins has worked as ACCI- ATO Key Relationship Manager since August 2009, and brings to his role many years' experience assisting small business operators, community groups and tax professionals.

The role of the Key Relationship Manager is to assist small businesses to:

- meet their taxation obligations; and
- adopt best practice in regard to their taxation obligations and change when applicable (e.g. moving from a sole trader to company tax structure, employing staff, and meeting superannuation obligations).

ATO COMMISSIONER'S SMALL BUSINESS CONSULTATIVE GROUP

ACCI is a member of the ATO Commissioner's Small Business Consultative Group, which meets quarterly to hear business feedback from members as well as provide industry with information on the update of ATO work programs and latest assistance measures the ATO is providing to businesses.

ACCI welcomed the extension of the following two measures for another 12 months to 30 June 2011, which were first introduced by the ATO in 2009 to assist small business:

- the twelve-month general interest charge (GIC) free payment arrangements for businesses with an annual turnover of less than \$2 million. This measure has been implemented so that GIC charges do not cause a business to become insolvent during the difficult economic environment; and
- deferral of the payment due date on activity statement liabilities for businesses with an annual turnover of less than \$2 million. This measure provides relief to businesses experiencing financial difficulties and at the same time keeps them in the tax system.

In 2010, ACCI continued to provide feedback on small business tax administration and compliance concerns.

Other issues discussed included measures to improve employers' tax and superannuation obligations, the modification of GST-simplified accounting methods, a business tax return labels review, an update on the Standard Business Reporting initiative, the ATO's data matching and pre-filing programs, and business concerns about recent ATO rulings on trusts.

ACCC SMALL BUSINESS CONSULTATIVE COMMITTEE

ACCI is represented on the Australian Competition and Consumer Commission's (ACCC) Small Business Consultative Committee.

The first meeting of the committee for 2010 was held on 18 June, chaired by ACCC Deputy Chairman Michael Schaper, and addressed by video link by the Chairman, Graeme Samuel. The committee counts amongst its members several of ACCI's member organisations as well as professional and industry bodies. It provides a very useful line of communication between those groups representing small business and the regulator.

At the June meeting, the ACCC addressed some of the current issues facing the ACCC as well as some of the cases with which the ACCC has been recently dealing. The Chairman specifically raised the issue of the component pricing law which became law in May 2009 and has not been strictly regulated by the ACCC to give businesses the opportunity to familiarise themselves with the required changes. However, the ACCC will now be enforcing the new law in relation to component pricing, particularly in relation to the inclusion of a surcharge for all meals and drinks on Sundays or public holidays. Under the law, it is not enough for the menu to indicate that a surcharge will be included in the final price of the meal. Now, a single price, inclusive of the surcharge, must now be displayed for each item. Information about the ACCC's intentions to start enforcing this policy was passed on to ACCI members directly affected by this change.

SUPERANNUATION CLEARING HOUSE FOR SMALL BUSINESS

ACCI continues to support measures to reduce the regulatory burden on employers and in May supported legislation to establish a superannuation clearing house for small businesses. Small businesses are now able to register with Medicare Australia, the scheme's administrator, and pay their multiple superannuation contributions for employees in a single online transaction. The clearing house then sends the relevant contributions to the nominated superannuation funds.

Dick Grozier from the NSW Business Chamber played an invaluable role on behalf of ACCI in representing employers on the Superannuation Clearing House Working Group established to oversee the introduction of this small business initiative. ACCI also continued its lead role in 2010 as part of its membership of the Australian Tax Office's Superannuation Consultative Committee.



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Education & Training



Mary Hicks
Director - Employment, Education & Training

EET COMMITTEE

ACCI's Employment, Education and Training (EET) Policy Committee is comprised of CEOs and senior employment, education and training executives within ACCI member organisations under the chairmanship of Mr Russell Varley and deputy chairmanship of Mr John Hart.

The EET Committee is the force behind ACCI's high-level cutting-edge policy development in education and training focusing on industry expectations, skills and labour market needs and workforce development.

The submissions made to government and other relevant agencies are developed through this collective process.

For example, in 2010, ACCI developed submissions on Industry Skills Councils (ISCs), the Australian Qualifications Framework (AQF), Australia's VET Workforce, and Australian Apprenticeship Centres (AAC).

The EET Committee was also responsible for developing and administering the ACCI Skills Survey.

SUBMISSIONS

Australian Qualifications Framework

In 2010 the Australian Qualifications Framework Council (AQFC) examined the architecture of the Australian Qualifications Framework (AQF) through the Strengthening the AQF Project and asked for submissions.

ACCI prepared a submission in August, advocating the maintenance of VET standards

and the involvement of employers. ACCI argued that the Senior Secondary Certificate should remain a separate learning outcome to the industry-derived VET and higher education sectors. Positioning the Senior Secondary Certificate alongside VET and Higher Education outcomes would lead to the appearance of equivalency.

Other industry bodies, including the ACTU, argued against the equivalence of Certificate III with a Year 12 outcome. However, the AQFC disregarded the position of industry on this issue and deemed that Year 12 and Certificate III are equivalent. Ministers were to consider the recommendations of the AQFC at its November meeting and if accepted, the revised AQF will be implemented.

ACCI also provided feedback on the AQFC Users Survey which tested the levels criteria and the qualification type descriptors of qualifications.

Industry Skills Councils

ACCI made a submission to the Senate Education, Employment and Workplace Relations References Committee Inquiry into Industry Skills Councils (ISCs) in August.

ACCI agreed that ISCs have an integral role to play in Australia's Vocational Education and Training (VET) sector in identifying, endorsing and recording industry benchmarked skills. Additionally, ACCI supported a role for ISCs in undertaking industry environmental scans and supporting a workforce development approach to building the skills required for improved enterprise productivity.

Their purpose is to serve the needs of industry

so that productivity can be increased and the best use made of human capital. They play an integral role in Australia's industry led training system.

While ISCs are part of an industry-led training system, business and industry groups remain the specific voice of industry.

The enquiry was extended due to the 2010 election and recommendations from the Inquiry are expected in late 2010.

PRODUCTIVITY COMMISSION REVIEW

The COAG Working Group on the Productivity Agenda requested the Productivity Commission undertake a research study examining workforce issues in the Vocational Education and Training (VET) sector. The Commission is to provide advice on workforce planning, development and structure of the VET workforces in the short, medium and long-term.

ACCI made a submission to the Review in August, arguing that the Australian VET sector plays a critical role in the development of the skills and knowledge essential to meet the human capital needs of Australian business. It provides a diverse range of educational outcomes, from language, literacy and numeracy and foundational skills development, to traditional trades training and professional and paraprofessional qualifications.

The range of applications in VET delivery and the breadth of industry coverage in VET make it hard to define what makes the modern VET practitioner. At present, there is no targeted

and consistent collection of data on the VET workforce.

ACCI sees the need to strengthen the industry-based knowledge and skills of VET practitioners. In order to ensure that VET practitioners have up-to-date and relevant skills that mirror industry practice, it is necessary to ensure that teachers and trainers are exposed to current industry practices through release-to-industry programs.

There would also be considerable benefit in establishing a national professional development strategy that concentrates on knowledge and skills development in their industry area along with developmental pedagogy to assist VET practitioners in delivering skills and knowledge to learners.

Productivity Places Mid-term Review

ACCI provided feedback during the year to the Department of Education, Employment and Workplace Relations (DEEWR) about the Productivity Places Program as required under the Mid-term review of the National Partnership (NP) Agreement for the Productivity Places Program (PPP).

ACCI said it was essential that the Productivity Places Program worked to ensure the effective transfer of skills in demand to those outside the workforce and existing workers in order to boost the skills base of the Australian population, increase workforce participation and satisfy the labour needs of Australian industry.

ACCI acknowledged the PPP was a major resource commitment on behalf of the government to boost Australia's skills capacity and recognises its potential to grow the supply of skilled labour.

ACCI highlighted many of the ways better use of the PPP can be made to achieve the government's objectives of targeting and addressing skill shortages. The PPP provided a significant boost to Australia's training effort and opportunities to improve the productive capacity of the workforce. With further enhancements, better use of the funds available could add to this training momentum.

Skills Survey

Amidst the ongoing national debate about skill shortages and a better educated workforce, ACCI considers that there exists a misconception about the amount of investment made by employers to invest in the development of the skills capability of the workforce.

To ascertain the extent of employer investment and to develop a benchmark for future comparisons, in the second half of 2010 ACCI undertook a special Skills Survey.

The ACCI 2010 National Workplace Skills Survey collected information about the level of investment by Australian businesses in training their staff as well as information about the level of skills within the current workforce, skill shortages, professional development of teachers, and the quality of educational providers.

The information gathered will be used by ACCI to form a statistical, evidence base to lobby government on the development of effective workforce development policies, and the results will be made broadly available to employers, governments, registered training organisations and the community.

The results of this survey were made public in late 2010 and can be found on the ACCI website.

ACCI Pre-Election Survey Skills Findings

ACCI's triennial Pre-Election Survey showed that skills development is a priority for employers.

Generally, employers believed that excellent foundations have been laid by successive governments on skills development, through education and training, the Australian Apprenticeships system and literacy and numeracy programmes in schools and the workplace. However, skills shortages have re-emerged as a major issue. 82% of businesses had either "major or moderate concerns" with recruitment of employees with appropriate skills.

Language, Literacy and Numeracy (LLN) was also a major concern with nearly three out of four employers concerned about employees having "good" levels of numeracy and literacy. Australian employers confirmed that issues around literacy and numeracy reduce the productive capacity of some employees to perform workplace tasks.

The costs of training were a major concern to 36% of businesses but there was also wide recognition (45%) of government funding, and strong support for training of apprentices to be focused on skills competency (60%).

Support for a National Curriculum

Throughout 2010 ACCI gave its support to the roll-out of the proposed national curriculum for English, maths, science and history for students from kindergarten to year 10 saying that it provided better mobility for the large number of Australians who move between States and Territories each year. It also represents a real opportunity to lift standards and improve on Australia's already good reputation in the education sphere.

A well-structured national curriculum provides a platform for improving educational standards

and young people's employability and will also help employers better understand a student's educational outcomes. Improving Australia's literacy and numeracy rates will provide the building blocks for the acquisition of workplace skills.

ACCI's Education Policy Blueprint Skills for a Nation advocates the implementation of a national curriculum. There needs to be an acknowledgement by all governments that increasing public confidence in school education will occur through explicit and defensible standards that guide improvement in students' levels of educational achievement and through which the effectiveness, efficiency and equity of schooling can be measured.

INTERNATIONAL REPRESENTATION

OECD International VET Conference Leipzig

An international conference on Vocational Education and Training (VET) took place in Leipzig, Germany on 27-28 September 2010. The conference built on four years of VET policy review in 17 countries and provided the context to launch the final comparative VET report. The conference also provided a platform for discussion and dialogue on how VET can help countries achieve their economic and social objectives.

ACCI's Director of Employment, Education and Training Mary Hicks was invited to attend, as an international expert.

ILO GLOBAL DIALOGUE FORUM ON STRATEGIES FOR SECTORAL TRAINING AND EMPLOYMENT SECURITY

A Global Dialogue Forum on Strategies for Sectoral Training and Employment Security was held at the International Labour Office in Geneva on 29 and 30 March 2010.

The Forum examined current and future skills needs across different sectors as a basis for proposing skills development and vocational education strategies to support post-crisis employment security and enhanced business productivity and competitiveness.

The Meeting was composed of ten Employer participants and ten Worker participants appointed by the ILO Governing Body. Mary Hicks was one of the ten Employer Representatives from around the world to attend the meeting.

NATIONAL QUALITY COUNCIL

Mary Hicks was formally appointed as Deputy

Chair of the National Quality Council in December 2009.

Australian Quality Training Framework (AQTF) Changes

ACCI worked as part of a joint National Senior Officials (NSOC) and National Quality Council Committee to revise the Conditions and Standards for Australian Quality Training Framework (AQTF). This work resulted from a Council of Australian Governments (COAG) decision that more robust arrangements needed to apply following the collapse of several Registered Training Colleges (RTOs).

The Conditions and Standards were revised to strengthen the Australian Quality Training Framework (AQTF) and provide additional protection for all students undertaking Vocational Education and Training in Australia.

The New Essential Conditions and Standards for Initial Registration and Continuing Registration of Training Organisations came into effect from 1 July 2010.

Other NQC Matters

In 2010 the NQC went through a transition period in preparation for the move to a National VET Regulator (NVR).

The work of the NVR will be supported by a National Standards Council (NSC). ACCI has been actively involved in providing a business and industry perspective into national regulatory policy development during 2010. New arrangements will take effect during 2011.

ACCI and its network of member organisations have worked hard this year on quality of assessment and training package reform areas.

ACCI COMMITTED TO APPRENTICESHIPS

Work with ACCI Network and Apprenticeship KickStart

ACCI and its network of organisations worked collaboratively with Minister Mark Arbib, the then Minister for Employment Participation, to achieve an increase in the uptake of apprentices during the summer of 2009-10 for school leavers aged 15-19 years of age.

The Apprenticeship Kickstart program was designed to counteract the impact of the global recession on Australian Apprenticeships commencements and retention.

The program exceeded its target of enrolling 21000 apprentices during the summer of 2009/10.



Mature Aged Apprenticeship Work

ACCI undertook an investigation of the views and opinions of employers with regard to increasing existing worker and mature age apprenticeship pathways and examining options that actively encourage the engagement of mature age people and existing workers in apprenticeships.

As part of the project, a survey was conducted to gauge employers' attitudes regarding pathways for mature age and existing workers as apprentices.

The survey covered a wide selection of businesses, with respondents drawn from a range of industry areas such as construction (23%), manufacturing (22%) and retail (11%).

The survey also had a good spread of small, medium and large businesses - 57.4% of respondents were employers in small businesses with less than twenty employees, 26.56% were employers from medium-sized businesses with 21-200 people and 16% were employers from large businesses with more than 200 employees.

A major finding from the research is that most employers believe that mature age and existing worker apprentices have much to offer. "Basically life experience, they know that that's what they want to do, they're just more mature" was one of the hundreds of positive comments about mature age apprentices made by employers in interviews conducted for this research project.

Major findings from the ACCI Mature Aged Apprentice research are that most employers:

1. believe that mature age apprentices have much to offer;
2. respect the attributes of mature age apprentices that come with age and experience; and
3. value the benefits that mature age apprentices bring to their businesses.

Worth their Weight in Gold – Re-Engagement and Retention Strategies for Disengaged Apprentices

From February to June 2009 ACCI undertook an investigation of re-engagement and retention strategies for disengaged former apprentices.

The research showed that it is possible and important for employers to take a positive and systematic approach to re-engaging and retaining previously disengaged apprentices.

This research was ground-breaking as there is almost no focus on disengaged apprentices in the international literature.

The research is also of high value because of the very detailed set of practical strategies it identified for employers to follow for each of the critical dimensions of an apprenticeship.

Copies of the project reports and the accompanying case studies, which were released in December 2009 by ACCI President David Michaelis and then Federal

Minister for Employment Participation Senator Mark Arbib, are available on the ACCI website.

MCTEE Apprentice Action Group

At its meeting on 7 December 2009, COAG agreed to a range of actions to maximise the number of apprenticeships who commence and complete apprenticeships and strengthen the Australian Apprenticeships system.

These actions were based on the final Report and Recommendations of the COAG Australian Apprentices Taskforce.

In 2010 implementation of the agreed COAG recommendations was overseen by an Action Group of the Ministerial Council for Tertiary Education and Employment (MCTEE).

ACCI provided business and industry feedback to the Action Group on a range of recommendations around the apprentice training plan, employer incentives, pre-apprenticeship pathways and the design of a more seamless apprenticeship system.

ACCI Education and Training Advisers Project

ACCI operates the Education and Training Advisers (ETAs) Projects in conjunction with DEEWR, specifically through an Industry Training Strategies Programme. The activities of the ETAs address the five priority areas of:

- increasing employer confidence in and understanding of the Australian Government's national vocational education and training policies and priorities and the National Training System;
- promoting the flexibilities and advantages for enterprises'/employers' workforce development approaches through engagement with the National Training System and the use of training packages, including promoting innovative activities to improve take-up of Australian Apprenticeships by enterprises'/employers;
- working with enterprises/employers to build their capacity to address the current and future skills needs of their workforce and target projects to assist in reducing skills shortages in specific industry sectors, occupations or regions;
- promoting and encouraging increased participation in Australian Apprenticeships, of disadvantaged and specifically targeted groups including support for the increased participation of Indigenous Australians in formal and nationally recognised vocational education and training; and
- developing and distributing training information and related advice.

The national network of ETAs has participated in a range of forums/workshops/committees that have addressed a range of state vocational education and training matters. The ETA network has broadened its scope of influence to allow ACCI and its member bodies to make a valuable contribution to:

- creating partnerships between schools and local employers;
- VET in schools and school based New Apprenticeships;
- Indigenous employment and training;
- workforce development;
- informing employers and employees of their rights and obligations under the contract of training;
- employer recruitment practices;
- employability skills;
- promotion of career advice;
- improving access to new apprenticeships;
- providing information to employers to simplify the confusion with state and federal government initiatives in the training system;
- proposals in relation to people with disabilities' access to VET;
- issues relating to National Industry Skills forum; and
- proposals to address regional skill shortages.

UNIVERSITIES AND WORK INTEGRATED LEARNING (WIL)

IRU and ACCI

The Innovative Research Universities (IRU) and ACCI agreed to proceed with a joint to raise employer awareness of the benefits of integrating WIL into workforce strategies – for dissemination across IRU and ACCI websites. The work includes case studies of WIL employer/university success stories.

Work-Integrated Learning (WIL) is an umbrella term normally used to describe directed or supported educational activities that integrate theoretical learning with its application in the workplace. These educational activities provide a meaningful experience of the workplace that is intentional, organised and recognised by the institution, in order to secure learning outcomes for the student that are both transferable and applied.

In 2009, ACCI and the IRU signed a Memorandum of Understanding to create better linkages between the business community and the higher education sector in order to develop, enhance and promote WIL experiences for students and businesses.

The Australian Collaborative Education National Conference (ACEN)

ACCI's Director of Employment, Education and Training Mary Hicks delivered a keynote presentation on employer participation in the curriculum development of Work Integrated Learning (WIL) in October.

Ms Hicks outlined the role of employers in contributing towards curriculum development in Work Integrated Learning. Around the world there is growing interest in the area of WIL and in particular how to provide learning in the workplace.

Overseas, German companies are creating their own qualifications that are a blend of VET and higher education because it is what fits best with their business. In Sweden, workplace learning can constitute up to one third of a student's qualification. In Australia there is an opportunity to work with stakeholders on a quality framework for the provision of WIL but much more work needs to be done. Within the context of a quality framework, individual employers and business and industry groups can make a structured contribution towards a quality WIL outcome.

However, in establishing a quality framework there are many unanswered policy questions such as what is the role of Skills Australia, should the scope of ISCs be broadened to encompass WIL activities in higher education, should higher education teachers have qualifications for teaching including in assessment, and what formal structures should be developed in order to enable employers to contribute towards curriculum in a meaningful way.

ACCI looks forward to many future discussions to work collaboratively with the higher education sector to answer these and other policy questions once the work of developing a quality framework has begun.

National WIL Portal

The National WIL Portal will link industry, the community and professions with the Higher Education and Vocational Education sector via web-based technologies to increase work integrated learning opportunities for students.

Ease of communicating opportunities and growth of the work-integrated learning community of practice will be facilitated by this streamlined portal interface. The portal will provide a national doorway for industry and the community into universities, provide resources and professional development activities to stakeholders, and links for international placements. It was to go live late in 2010.

ACCI participated in the WIL Portal Advisory Group.

STAKEHOLDER RELATIONS

Skills Australia

ACCI has contributed to the work of Skills Australia via participation in its Virtual Secretariat and the Strategic Industry Forum.

In September 2010, ACCI's Chief Executive delivered a keynote address to the Skills Australia Using Skills Productively conference, outlining the challenges in skills development for SMEs.

ACCI Chief Executive Peter Anderson said that the best way to assist small businesses to develop workplace skills was to recognise employer training efforts and provide businesses with ongoing support to expand their skill base.

In the aftermath of the August Federal Election, Mr Anderson told the conference that

"One lesson that does emerge from this... Federal Election debate about population and labour migration is...the real need for Australian industry, and the training and education system more broadly, to speak directly to the community about the investment that industry puts into skilling Australians and our workforce. It alarmed me during the election campaign to think that the public is left with the impression that employers neglect domestic skill development for overseas options. It's not factual and it's not rational."

For an employer, skills development equates to managing the talent pipeline, ensuring that they can get the right people in the right jobs. Training ensures that the talent pipeline keeps flowing. Maximising efficiencies in production output and quality should be the focus of employment and training strategies.

Given the complex bureaucracy surrounding the VET system, it is not surprising that SMEs are often disengaged from the training system. However, productivity gains can be driven through up-skilling the existing workforce to ensure that there is a best fit between the skills base required within the workplace and the existing workforce.

This can be achieved by engaging Australian business and industry, and working closely with training providers, to ensure that training directly matches the skills needs of individual employers.

WorldSkills Australia

The WorldSkills Australia National Competition was held in Brisbane from 7-10 May 2010.

The competition provides an opportunity for young apprentices and other VET learners to showcase their skills and strive for excellence.

The competition brought together 500 of Australia's best young skilled apprentices and trainees aged 16-23 from 30 regions and across 50 trade and skill categories.

It coincided with the 2010 National Careers and Employment Expo making the WorldSkills Australia National Competition Brisbane 2010 the biggest skills and careers expo in the southern hemisphere.

The WorldSkills Australia Try'aTrade program ran over the three days in conjunction with the National Competition. This program consisted of 30 interactive skill and trade categories and involved over 60 skilled tradespersons, industry experts and apprentices and up to 25,000 participants 'having a go' at various skills through mini-projects.

Present at the competition were Australia's Skillaroos who last year competed in Calgary and who came fifth in the world.

ACCI Director Mary Hicks is a member of the WorldSkills Board of Directors.

Career Development Association of Australia (CDAA)

ACCI continued to build strong relations with the Career Development Association of Australia. This included participation in the CDAA National Career Conference held in Adelaide on 7-9 April 2010.

PACIFIC OUTREACH

Endeavour Awards Recipient - Mele Taumoepeau

ACCI successfully brokered an Endeavour Award Scholarship for Mele Taumoepeau, from the Tongan education sector, to undertake a study tour examining the Australian Vocational Education and Training sector to assist in the development of the TVET sector in Tonga.

A highlight of the study tour was attendance at this year's ACPET conference where new developments including the move to a National VET Regulator were vigorously debated. Ms Taumoepeau also visited the QANTAS Registered Training Organisation in Sydney.

Australia Pacific Technical College

The Australia-Pacific Technical College (APTC) was established in July 2007 with Australian Government funding and the backing of the leaders of the Pacific Islands Forum (PIF). The APTC was charged with increasing the supply

of skilled workers in targeted sectors in the Pacific region and increasing productivity.

Stage 1 of the APTC, covering four years, is scheduled for completion in June 2011. A Mid-Term Review (MTR) in 2009 found that the APTC was performing well against its goals and key results areas, and was yielding both anticipated and unanticipated benefits for individuals, firms and for national training institutions. The MTR supported continuation of the APTC to Stage 2. ACCI is a member of the APTC Advisory Group.

Department of Education, Employment and Workplace Relations

ACCI continues to place a high value on maintaining good working relationships with DEEWR senior personnel. The range of interactions included a regular exchange of information, participation in consultations, participation in advisory, steering and working groups, judging competitions, and being part of selection panels for grants.

Green Skills

Following COAG acceptance of the Green Skills Agreement, the 2010-11 Green Skills Agreement Implementation Plan was developed and outlines initiatives across government, industry, public and private VET providers that will meet the objectives of the Agreement.

In providing a national framework for the development of green skills within the VET sector, this Plan will align the efforts of all parties, allow identification and sharing of best practice, and help avoid duplication and wasted resources. ACCI is a member of the Implementation Action Group.

Employment

“While government has a responsibility to put in place a conducive regulatory framework and adjust labour market programmes to meet these goals, industry should not wait for government to provide all of the answers or supply the skilled labour. Thinking ahead about work systems, helping staff manage retirement transitions and thinking laterally about retraining and skill development will help businesses get a edge on their competitors by tapping early into the mature aged labour pool.”



Mary Hicks
Director - Employment, Education & Training

INDIGENOUS EMPLOYMENT

Business Leaders Forum - Indigenous Employment Forum - "Everybody's Business"

ACCI attended the Indigenous Employment Forum on 23-24 February at Parliament House in Canberra. The forum brought together Ministers, the business community and Indigenous leaders to discuss training and employment for Indigenous Australians.

The idea of the Forum was to bring stakeholders together from across a range of disconnected policy areas. As a result, the Indigenous Employment and Enterprise Network Action Group was formed. The purpose of the Indigenous Employment and Enterprise Action Group is to take responsibility for driving actions to close the gap in Indigenous employment through the Indigenous Employment and Enterprise Network. Its initial focus was on the roadmap actions developed during the Business Leaders Forum held in February 2010.

The road map identified key actions to close the gap on Indigenous employment, around school to work transitions and employment pathways, mentoring and role models, developing local (regional) partnerships/clusters, building and growing Indigenous enterprise and training (skills development).

Business Leaders Forum Action Group meeting – Indigenous Employment Action Group

This group was established following the Indigenous Employment Forum to take forward priority actions identified in five areas:

- school to work transitions and employment pathways;
- mentoring and role models;
- developing local partnerships / 'clusters';

- building and growing Indigenous enterprises; and training.

ACCI's Employment, Education and Training Director Mary Hicks was appointed by the then Minister for Employment Participation Hon. Mark Arbib as a member of this group.

DISABILITY

Hotline for Skilled Employees with a Disability

Early in 2010, the Victorian Employers' Chamber of Commerce and Industry (VECCI), ACCI, and the National Disability Services (NDS) held a forum to launch an employer hotline with the aim of promoting and increasing the participation of people with a disability in employment and/or training.

This event covered the following:

1. Promoting the benefits of employing people with a disability as a key response to dealing with an ageing workforce.
2. Providing employers with information and advice on how to manage workers' compensation and mitigate risk in recruiting and retaining employees with a disability.
3. Promoting persons with a disability as a normal feature of meeting employment and recruitment needs.
4. The NDS 1800 hotline for employers.
5. VECCI's Building a Skilled Workforce employer information kit (launch).
6. Australian Government revised Employer Disability Support fact sheets.

ACCI was pleased to support a leading member organisation with this important initiative.

Disability Employment Services (DES) Reference Group

The Disability Employment Services Reference Group was formed in April to provide the Minister for Employment Participation with strategic advice on the future directions of Disability Employment Services and other broader related issues.

In particular, the Reference Group considers:

1. future purchasing arrangements;
2. performance management;
3. ways of better engaging with key stakeholders including consumers, employers and providers; and
4. matters covered in the National Mental Health and Disability Employment Strategy.

The advice of the Reference Group is a key part of forming sound, evidence-based policy for the future of Disability Employment Services.

ACCI is a member of this group.

SKILLED MIGRATION

Skilled Occupation List

The then Minister for Immigration and Citizenship, Senator the Hon Chris Evans announced in February 2010 a number of changes to the permanent skilled migration program including a new and more targeted Skilled Occupation List (SOL), to be developed by Skills Australia.

The SOL, to be used for general migration purposes, identifies occupations which are of 'high value' and will assist in meeting the medium and long term needs of the Australian economy.

The criteria used to identify these 'Specialised Occupations' are:

1. Long lead time. These are skills which are highly specialised and require extended learning and preparation time over several years;
2. High use. These are skills which are deployed for the uses intended (i.e. there is a good occupational 'fit');
3. High risk. This is where the disruption caused by the skills being in short supply imposes a significant risk to the Australian economy and/or community; and
4. High information. This is where the quality of information about the occupation is adequate to the task of assessing future demand and evaluating the first three criteria

Skills Australia has been asked to review the list on an annual basis and to provide input to the government in time for DIAC to update advice, as necessary, by February each year.

The changes to the SOL were accompanied by an announcement that a more demand-led approach would be encouraged through greater access to the Employer Nomination Scheme (ENS) by employers. ACCI was pleased to see improved access to the ENS but pointed out to government that the ENS applies more to medium and long term employment arrangements and might restrict employers from meeting short term needs.

ACCI has strongly urged that any changes to skilled occupation lists or skilled migration programs continue to ensure that employer demand for overseas labour is truly being met.

ACCI also provided feedback to Skills Australia and DIAC during the development phase of the SOL around the potential risk to some industries, particularly tourism, which could potentially suffer by not being included in the SOL.

ACCI will be keeping a watching brief on the implementation of the new SOL to ascertain the impact on the business community.

Job Readiness Program

The Job Ready Program came into effect from 1 January 2010 and affects people who are resident in Australia and who wish to obtain a skills assessment for a permanent visa. The main group of people affected will be international students completing vocational qualifications in Australia and who wish to apply for General Skilled Migration.

The Job Ready Program is a 4-step process:

- Provisional Skills Assessment;
- Job Ready Employment;
- Job Ready Workplace Assessment; and
- Job Ready Final Assessment.

ACCI, along with other stakeholders, has been involved in the development of the Job Readiness assessment process.

Senate Enquiry into the Migration Amendment (Visa Capping) Bill 2010

On 26 May 2010 the Senate referred the Migration Amendment (Visa Capping) Bill 2010 to the Legal and Constitutional Affairs Committee for inquiry and report.

The Bill sought to amend the Migration Act to enable the Minister for Immigration and Citizenship to cap visa grants and terminate visa applications based on the class or classes of applicant applying for the visa. The Bill would have enabled the Minister to make a legislative instrument to determine the maximum number of visas of a specified class or classes to be granted in a financial year to visa applicants with specified characteristics, and treat outstanding applications for the capped visa as never having been made.

ACCI provided a submission to the enquiry. However, the enquiry was terminated when the Parliament was prorogued during the election.

In the ACCI submission ACCI argued that Australian industry needs a demand-driven migration system to meet the immediate and longer term skills needs of industry through having an available pool of highly skilled labour able to gain entry to Australia as well as allowing employers to pick the best applicants (i.e. those with the right skills) through Employer Nominated and Temporary Skilled Migration pathways.

It is essential that strong consultative mechanisms that engage key industry stakeholders are in place to ensure a balanced migration intake that meets Australia's skills needs.

ACCI is concerned about the potential for the Bill, which provides for ministerial discretion in making decisions, to have the effect of depriving industry sectors of skilled workers. ACCI believes that it is not appropriate for this discretion to vest at ministerial level without a prior obligation to consult, as it has the potential to "cap and kill" occupational streams and visa categories. Should this approach be adopted we consider there must be a formalised mechanism put in place which involves initial consultation with industry and other stakeholders.



Legal Affairs



Daniel Mamone
Manager - Workplace Policy & Legal Affairs

DISCRIMINATION, EQUITY, HUMAN RIGHTS

Bill of Rights / Charter of Human Rights – ACCI Success

In April, the Federal Attorney-General in responding to a lengthy report by the National Human Rights Committee which was commissioned in 2008-09, announced that the Australian Government would not introduce a statutory Human Rights Act or Charter.

Instead, he outlined “*Australia’s Human Rights Framework*”, which sets out a number of “*key measures as part of the Government’s commitment to protect and promote human rights both domestically and internationally.*”

Key Government commitments included:

- investing over \$12 million in a comprehensive suite of education initiatives to promote a greater understanding of human rights across the community;
- establishing a new Parliamentary Joint Committee on Human Rights to provide greater scrutiny of legislation for compliance with our international human rights obligations;
- requiring that each new Bill introduced into Parliament is accompanied by a statement of compatibility with our international human rights obligations;
- combining federal anti-discrimination laws into a single Act to remove unnecessary regulatory overlap and make the system more user-friendly; and
- creating an annual NGO Human Rights Forum to enable comprehensive engagement with non-government organisations on human rights matters.

The Government’s decision not to create a statutory Human Rights Act/Charter is an important victory for the business community and the private sector.

ACCI was the only business organisation to have contributed to this important policy debate outlining why statutory intervention was unwarranted and risky. It was pleasing that many recommendations by ACCI were adopted as part of the Government’s response, including enhanced education, information and Parliamentary oversight.

The National Human Rights Committee inquiry was estimated to have cost \$2.8 million dollars. Many pro-charter lobbyists heavily advocated for direct legislative change in this area which would have been prejudicial to business and employers’ interests. ACCI will closely consider the proposals outlined in the Government’s Human Rights Framework document, including the creation of a Joint Committee on Human Rights, statements of compatibility, and the ability for information to be used by courts and tribunals when interpreting statutory provisions.

Whilst it can be difficult to advocate against proposals that may affect business, particularly on sensitive and emotive topics such as human rights, ACCI continues to provide a strong and legitimate voice for all businesses, particularly when profound changes to our legal system are proposed.

Single Anti-Discrimination Act

ACCI met with senior officials from the Department of Finance and Deregulation and Attorney-General’s office in June following the announcement of a single federal anti-discrimination Act to replace the existing separate Acts.

The Government indicated that it will conduct a series of meetings with key industry stakeholders to inform the development of the legislation, with an aim of publicly releasing draft legislation in 2011 for comment.

ACCI will continue to provide leadership and input in the development of exposure legislation and will ensure that any attempts to harmonise legislation does not come at the cost of unintended consequences, nor prejudice employers or business.

Proposal for an Australian Standard on “Gender Inclusive Job Evaluation”

In June, ACCI was quick to respond to a proposal by a federal agency for a new Australian Standard on Gender Inclusive Job Evaluation.

Whilst employers remain committed to eliminating discrimination and enhancing gender equality in the workplace, ACCI did not support the proposal for a new Standard which appeared to be a back-door method of introducing regulation on employers.

Consultative Forum on Mature Age Participation

ACCI participated in a February Consultative Forum on Mature Age Participation which was established by the Treasurer Hon Wayne Swan MP, to advise on measures to help mature age workers who want to remain in the workforce.

The forum was announced as part of the Productive Ageing Package aimed at addressing the economic challenges of an ageing population by helping to retain the expertise of older Australians in the workforce and transfer it to younger Australians.

ACCI has had significant interest in promoting mature aged employment and training strategies and has recently completed a research study into mature aged apprenticeship pathways which is soon to be released.

The Forum focussed on the following issues:

- employer and community attitudes toward mature age people; age-based discrimination,
- re-skilling and career transitions for mature age people; suitability of training,

- personal barriers to participation (health, injury and disability or care-giving responsibilities),
- industry and occupation-specific responses for supporting workforce participation of mature age people; new labour market opportunities; small business development,
- retention of the expertise of older workers (for example, through mentoring, flexibility and part-time work),
- employment-related assistance for older workers (including employment services), and
- underemployment and hidden unemployment.

ACCI stated in a media release after the forum that:

“While government has a responsibility to put in place a conducive regulatory framework and adjust labour market programmes to meet these goals, industry should not wait for government to provide all of the answers or supply the skilled labour. Thinking ahead about work systems, helping staff manage retirement transitions and thinking laterally about retraining and skill development will help businesses get a edge on their competitors by tapping early into the mature aged labour pool.”

ACCI will continue to represent the interests of employers and ensure that all policy alternatives are considered before imposing new red tape and compliance burdens on business without any demonstrable benefits to employees or the wider community.

Workers with Mental Illness – Guide for Managers

In May, the President of the Australian Human Rights Commission released a voluntary guide for employers titled, 2010 Workers with Mental Illness: a Practical Guide for Managers.

ACCI was part of a consultation reference group and provided feedback on the voluntary Guide. The guide is a useful resource to assist employers understand various obligations under workplace relations, OHS, privacy and anti-discrimination laws as well as provide an overview of the medical and social aspects of mental illness.

PRIVACY AND WORKPLACE SURVEILLANCE

New Australian Privacy Principles – Business Exemptions Retained

In June, the Government released the first part of its response to reforming Australia's privacy laws, including the release of exposure draft legislation and a companion guide outlining new Australian Privacy Principles.

Importantly, and following ACCI's consistent advocacy on behalf of business, the Government reaffirmed that any amendments to the Privacy Act during this first stage re-drafting process will not affect existing exemptions for small business (with annual turnover of \$3 million) and employers (employee records). This is a significant win and welcome reprieve for small to medium sized firms who will be shielded from any red tape and compliance burden imposed as a consequence of the Government's first stage re-write of privacy laws. ACCI will continue to play an active role in this area, particularly given that there has not been any evidence to show that businesses and employers should be subject to new laws.

Employer Workplace Surveillance Guidelines

Following a request by the Standing Committee of Attorneys-General (SCAG), ACCI continued to provide relevant industry input into the drafting of voluntary privacy guidelines. The guidelines will assist private and public sector employers navigate legal and non-legal issues associated with workplace surveillance and privacy. Despite the voluntary nature of the guidelines, ACCI has endeavoured to ensure monitoring and privacy is considered a legitimate business purpose in a wide range of circumstances.

Reforming the Civil Justice System – ACCI Advocates the Business Case

ACCI provided a comprehensive business response to the Attorney-General's *Access to Justice Taskforce Report*. The report considers the cost of the civil justice system and ways to improve access to justice for the benefit of the community.

ACCI was the leading business voice to advocate a number of changes to the federal civil justice system, which would simultaneously take pressure off both the demand and supply side of the civil justice system. The ACCI recommendations were framed around five major business principles:

- (1) Business requires certainty in legal compliance;
- (2) Business supports best practice regulation;
- (3) Business supports fewer avenues for litigation and considers the Government as the gate keeper of the supply side of civil justice;



- (4) Business does not support measures which would increase the potential for litigation; and
- (5) Business organisations should be utilised more by federal and state governments to promote Alternative Dispute Resolution (ADR) for civil litigation disputes (both domestic and international), and use the network of Chambers and Industrial Associations to educate business about compliance and regulatory changes across all areas of business regulation.

ACCI specifically recommended that the Taskforce consider the introduction of a new type of regulatory impact statement (RIS) that would accompany any new piece of legislation that creates a new right or avenue of litigation.

This new form of scrutiny would require the Government to justify why creating the new legal right is preferred over non-regulatory policy measures (such as education or voluntary compliance) and what costs it will impose on business (as potential defendants), individuals, and the community.

ACCI also strongly objected to the introduction of protective cost orders and representative actions which would increase the incentives of interest groups to litigate against business.

ACCI Presses for Cost Effective ADR Alternatives to Civil Litigation

ACCI also provided an important voice to the National Alternative Dispute Resolution Advisory Council's (NADRAC) review of Alternative Dispute Resolution (ADR) in the civil justice system.

The Attorney-General requested NADRAC to conduct an inquiry into how the Commonwealth could better promote ADR as an alternative to civil litigation.

ACCI encouraged NADRAC to consider a federal scheme to promote and fund ADR services which would assist small to medium sized businesses and independent contractors to resolve disputes in a more efficient and cost-effective manner.

Business Recognition Awards

Recognising Service by Sylvia Kidziak AM and John Collins

At our Annual Dinner ACCI President David Michaelis launched a new initiative – the presentation of awards to those who have made a special contribution to the national and international work of the Australian business community through their service to ACCI and our members.

The first recipients of this Award were Sylvia Kidziak AM and John Collins. Both Sylvia and John accepted this national recognition with gratitude for the opportunities presented by ACCI, and a continuing interest and commitment to our work.

David Michaelis introduced the Awards and our first recipients in the following terms:

"Over our 100 years we have had wonderful people work with us, and for us. If you cast your mind back one year, you may remember that we launched our history publication *Captains of Industry*. That was a retrospective on past presidents of ACCI. It allowed us to acknowledge them, and the household names that many of their businesses became.

But organisations with the extensive network of ACCI are much more than our past presidents. People serve in many ways, including on internal committees, and on bodies representing our voice to governments, the community and other nations.

Aside from those who are employed in our secretariat, this work is voluntary. It is also time-consuming. Often it also involves personal sacrifice – away from home and family. Time spent in our service means time away from one's own business and source of earnings.

Often, too often, it is done away from the limelight. Tonight, for a few moments we turn that limelight towards some of the many who deserve it. Of the many who would be deserving, there is one common thread – they do this voluntary work because they hold a conviction that the business community – including the small and medium businesses we profile – are vitally important to our nation, and need collective support.

Sylvia Kidziak AM has devoted a large part of her working life to the cause of occupational health, safety and welfare in the workplace and the community.

Her association with health and safety commenced in 1982 through the Chamber movement in

New South Wales. Over the following 26 years she held multiple senior and statutory positions at a State and national level. She completed her service with us only this year. Until then she was the longest serving member of the ACCI Occupational Health and Safety Working Party, and a leader amongst members of the National Occupational Health and Safety Employers' Consultative Forum, which ACCI convenes.

In 2001 she was appointed by the Australian Government at the nomination of ACCI to be one of only three industry representatives on Australia's peak tripartite health and safety body, the National Occupational Health and Safety Commission, and its successor, the Australian Safety and Compensation Council. In these forums she dealt with Ministers and governments at the highest levels, with special attention to chemical safety and industrial diseases.

She also served as a member of the NICNAS Industry Consultative Committee and the government's Chemicals and Plastics Leadership Group.

In 2002 she was one of the driving forces behind the joint adoption by all nine governments

in Australia, the ACCI and the ACTU of the ten-year National OHS Strategy, which

for the first time, and to this day, set national targets for the reduction of death and injury across the country.

At a State level, aside from her work with the Chamber, in 2001 she was appointed as an OHS expert to the Workers Compensation and Workplace Safety Council of New South Wales, and since 1990 served as a member of that State's Dust Diseases Board.

In more recent times she has devoted herself to being an Australian leader on radiation and nuclear safety. In 2006 she was appointed as a member of the Prime Minister's Taskforce on Uranium Mining Processing and Nuclear Energy, and has been Chair of the Radiation Health and Safety Advisory Council since 2002.

On Australia Day in 2001 she was awarded the honour of becoming a Member of the Order of Australia 'for service to community health, particularly to those affected by dust diseases, as a contributor to the development of improved workplace health and safety standards, and through the establishment of associated rehabilitation programmes and compensation measures.'

John Collins is a very special person in supporting global commerce by Australian exporters.

John has given us service since 1964 when he first joined the Chamber of Commerce movement. That is an astonishing 45 years of service, commenced before anyone had even invented the term 'globalisation', and when our current chief executive was only 4 years old!

John joined the Sydney Chamber of Commerce in 1964 to broaden his business knowledge, while being responsible for supporting the Collins family after the sudden death of his father.

In the early days John assisted in an honorary capacity on submissions to the Tariff Board for the TCF Industry. Seeing a need for a united voice, John established the first International Trade Committee in the Sydney Chamber of Commerce.

With selfless devotion of his time, he contributed enormously to small business members' understanding of the developing economy and changing import regulations, plus highlighting the Chamber's profile with their small business members generally. Both the International Trade and Textile, Clothing and Footwear Divisions of the Chamber became self-funding and were quite unique in the 1970s for their specific business specialisation.

In 1982 John was invited to join the Board of the Sydney Chamber of Commerce, was elected Vice President in 1984, and then President of the State Chamber of New South Wales in 1986.

John seized the opportunities for Australian trade with Eastern Europe after the fall of the iron curtain. Annual business visits to Europe, saw John combining Chamber of Commerce relationships and opportunities with Memorandums of Understanding, and exchanges of trade opportunities – for example, with the Ministry of Foreign Trade in Prague, the Czechoslovak Chamber of Commerce and Czechoslovak Chamber of Industry. These culminated in four Czechoslovak Ministerial and Chamber delegations to Australia, hosted by the Chambers, plus the 1990 appointment of a Czech Ministry of Foreign Trade endorsed wool buyer.

At the 1987 Annual General Meeting of the Australian Chamber of Commerce he was elected as 1988-1989 ACC National President. Fortnightly visits to Canberra headquarters later saw negotiations commence with developers to develop the current ACCI site in Barton.

John was deeply committed to the goal of creating and financing a national skills course to impart basic commerce skills to young people. A great career achievement was the Commerce Certificate for School Leavers, which was successfully launched in 1990. The curriculum, teaching notes, syllabus and student handbooks were completed and the courses commenced in Sydney, followed by other States.

On completing his Presidency John continued to represent the Chamber movement on Customer

Councils and user groups. He chaired the Australian board of the International Chamber of Commerce from 1992 to 1995. Until 2002

John represented ACCI on the Federal Treasury Economics Advisory Council, GATT World Trade Ministerial Council Sub Committees, plus the Sydney Port Authority User Group. He continues to sit as a member of ACCI's International Trade Committee.

His role as ACCI representative to Australian Customs Service from 1999 until this year is very highly regarded by the CEOs of both ACCI and the Customs Service for his knowledge, fairness and recommendations.

More recently John successfully led the fight to return \$3 million excess customs contributions

back to industry. A portion of these funds are now available to industry for projects that benefit

Australian International Trade and Services. This is an outstanding legacy of a lifetime of voluntary and selfless achievement and service.



Above: Australian Exports Awards 2009. ACCI President with Peter McDonald, Manager International Business, Capilano Honey Ltd. Agribusiness Export Award 2009

NATIONAL SAFE WORK AUSTRALIA AWARDS

The Safe Work Australia Awards recognise the commitment of Australia's Occupational Health and Safety (OHS) champions to making Australian workplaces safer.

Finalists for each of the four award categories were winners of OHS awards in their individual state or territory.

An independent Judging Panel, on which ACCI is represented, considered each finalist's award submission prior to deciding on a final winner for each category.

The annual Safe Work Australia Awards ceremony was held in on 28 April 2010 at Parliament House in Canberra.

The four award categories were:

- Best Workplace Health and Safety Management System (Private and Also Public Sector);
- Best Solution to an Identified Workplace Health and Safety Issue;
- Best Workplace Health and Safety Practices in Small Business; and
- Best Individual Contribution to Workplace Health and Safety (two awards – one for a person who does not have formal OHS management responsibilities and one award from a person who does).

Further information on the National Safe Work Australia Awards, including a full list of the finalists and winners, is available at <http://www.safeworkaustralia.gov.au/swa/SafeWorkAusWeek/SafetyAwards/>

AUSTRALIAN EXPORT AWARDS

The Australian Export Awards, co-presented by Austrade and ACCI, are acknowledged by the business community as one of Australia's most prestigious industry awards.

2010 marks the 48th year in which ACCI has been proudly involved with these Awards, which promote and celebrate Australian exports and are now one of the longest running business awards programmes in Australia.

Since 1963 the Australian Export Awards have performed an important function in relation to Australian exports. They:

- identify and reward Australia's most successful and innovative exporters;
- recognise the importance of exports and exporting to the Australian economy and further develop community awareness of the importance of exporting to Australia's economic future; and
- promote top exporters as corporate role models in order to encourage other Australian businesses to strive for success in world markets.

ACCI considers it vital that exporting excellence, which underpins the Australian economy, is appropriately recognised. Exporting creates jobs and wealth. The outstanding businesses that export these quality Australian products and services to the world help to establish Australia's trade reputation and build our commercial success.

Consistent with the recovery in global trade after the Global Financial Crisis, the Australian export sector recorded significant growth in 2010, in turn contributing to the strength of the Australian economy.

As noted by the then Minister for Trade the Hon Simon Crean MP the 12 winning companies from each of the categories in 2009 had collectively earned more than \$1.5 billion in export sales during the 2008-09 financial year and employed nearly 2,500 people.

The awards are national and cover all sections of the economy. The finalists from eight State and Territory awards in twelve categories of exporters demonstrate unwavering commitment, dedication and willingness to change and innovate in order to achieve exporting success.

This year's categories were:

- Agribusiness Award
- Arts and Entertainment Award
- Education and Training Award
- Emerging Exporter Award
- Information & Communication Technology Award
- Large Advanced Manufacturer Award
- Large Services Award

- Minerals and Energy Award
- Regional Exporter Award
- Small Business Award
- Small to Medium Manufacturer Award
- Small to Medium Services Award

The Prime Minister's Australian Exporter of the Year is selected by the Prime Minister from the winners of the above categories. In 2009 the Prime Minister's Exporter of the Year Award was won by NOJA Power Switchgear, the winner of the Large Advanced Manufacturer Award category.

The winners for 2010 were announced at a National Awards ceremony at the Sydney Town Hall on 17 November.

ACCI was delighted to honour such outstanding achievement in exporting by co-presenting these awards with Austrade.

Further information on the Australian Export Awards, including a full list of winners, can be found at www.exportawards.gov.au.

2009-10 NATIONAL WORK-LIFE BALANCE AWARDS

The 2009-10 National Work-Life Balance Awards were presented at an awards ceremony in Canberra on 15 March 2010 at Old Parliament House.

ACCI has been involved with these awards since their inception in 1992 and was again represented on the 2009-10 judging panel.

The Awards seek to acknowledge businesses, government and community organisations that:

- recognise the business benefits in responding to the actual work-life needs of their employees;
- make efforts to ensure that managers, supervisors and employees accommodate work-life needs as appropriate; and
- demonstrate a commitment to continuous improvement in the development and implementation of work-life policies, practices and initiatives.

The Awards are currently structured around 13 industry-based categories.

The overall National Winner this year was Probuild Constructions (Aust) Pty Ltd, a member of Master Builders Australia.

Probuild has put in place a highly regarded and successful Work and Life Balance Program which recognises the diverse work and life needs of its employees and offers a variety of initiatives to help them meet the commitments they have at work and outside of work at the different stages of their working lives.

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