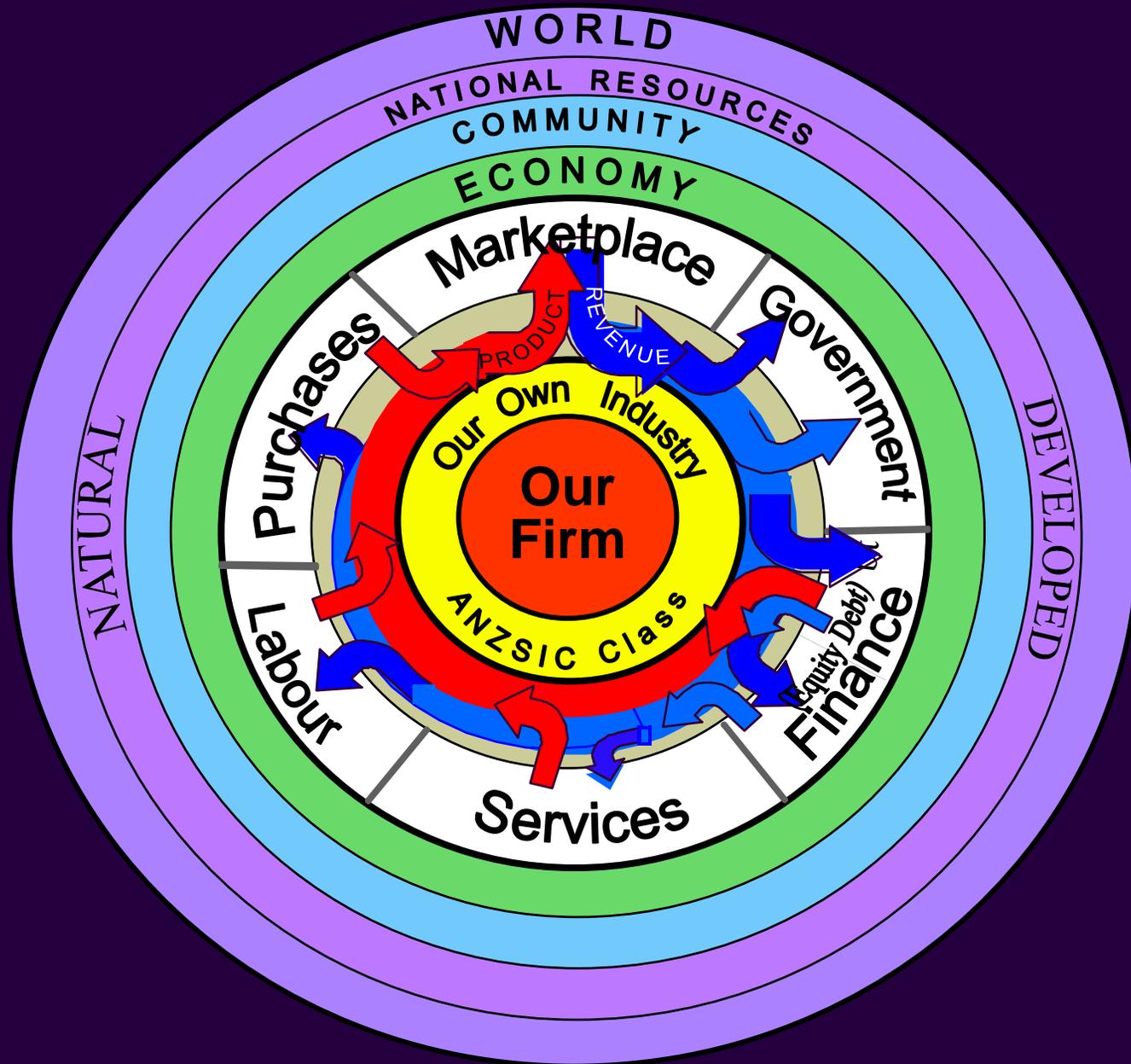


# **The Big Issues:**

Addressing the 10  
Greatest Economic and  
Social Challenges  
Facing Australia

**Wednesday 15 August 2007**

# The Business Environment For A Firm



# The Most Important Environments

	<b>Score</b> (1-10)
<input type="checkbox"/> <b>National Resources</b> (natural & developed)	<b>7.94</b>
<input type="checkbox"/> <b>Industry Environment</b>	<b>7.67</b>
<input type="checkbox"/> <b>Economic Environment</b>	<b>7.64</b>
<input type="checkbox"/> <b>World Environment</b>	<b>7.61</b>
<input type="checkbox"/> <b>Enterprise Environment</b>	<b>7.31</b>
<input type="checkbox"/> <b>Finance Environment</b>	<b>7.14</b>
<input type="checkbox"/> <b>Market Environment</b>	<b>7.03</b>
<input type="checkbox"/> <b>Purchases Environment</b> (goods/materials/equipment)	<b>6.91</b>
<input type="checkbox"/> <b>Labour Environment</b>	<b>6.86</b>
<input type="checkbox"/> <b>Government Environment</b>	<b>6.84</b>
<input type="checkbox"/> <b>Community Environment</b>	<b>6.65</b>
<input type="checkbox"/> <b>Services Environment</b>	<b>5.66</b>

**From IBISWorld's business environment database (BED), the 100 most accessed issues (of 650) from its tens of thousands of online users were used as the basis of the survey.**

## World Environment

WorldEconomy  
World Trade  
WorldFinance  
WorldPeople  
WorldGovernment  
WorldLabour  
WorldEcology  
WorldDisease  
WorldDisasters  
WorldWar/Terrorism  
WorldSecurity  
WorldReligion  
WorldCommunications  
WorldOur Region

## National Resources

Minerals  
Agriculture  
Forests  
Fishing  
Water  
Tourism  
Ecology Issues  
Communications  
Intellectual Property  
Labour Skills  
Transport  
Energy

## Community

Population  
Immigration  
Age Structure  
Family Formation  
Households  
Religious Adherence  
Incomes  
Expenditure  
Personal Savings  
Debt  
Wealth  
Use of Time  
Sport  
Health  
Drugs  
Crime

## Economy

GDP  
Industry mix  
Inflation  
Consumption  
Productivity  
Investment  
Housing  
National  
Australian Trade  
Current Account

## Markets

Consumer  
Industrial  
Government  
Export  
Marketing  
**Labour**  
Workforce  
Unemployment  
Wages  
Hours of Work  
Generations  
Unionism  
Contractualism  
WorkingConditions

## Finance

Availability  
Interest Rates  
Exchange Rates  
Derivatives  
Investment Flows  
Returns  
Auditing  
Performance

## Goods

Local  
Imports  
StrategicGoods

## Services

Outsourcing  
Franchising Services  
Subcontracting

## Government

Ideologies  
Parties  
Budget  
Taxation  
Priorities  
Federalism  
Republic  
Regulatio  
Subsidies  
Defence  
Health  
Accountability

## Industry

Growth  
WBP  
Old Sectors  
Key Industries

## Enterprise

WBP  
Mix  
Government  
Profitability  
Governance

## Among the 100 specific issues . . . .

- ❖ Religion rated last (100<sup>th</sup>)
- ❖ A Republic rated 2<sup>nd</sup> last (99<sup>th</sup>), having been important as recently as November 6, 1999 (referendum)
- ❖ Unionism rated less than 5 points (out of 10) and ranked 97<sup>th</sup>.
- ❖ Yet Contractualism scored 6.56 points and ranked 83<sup>rd</sup>
- ❖ Taxation was a long way down 38<sup>th</sup>.
- ❖ Water was Number 1, but almost certainly would not have been in the top 10 twenty years ago, or even 10 years ago

# Ranking

## **CEDA Trustees**

- 1. Water**
- 2. Global Economy**
- 3. World People Issues**
- 4. Ecology (global)**
- 5. World Trade**
- 6. Labour Skills**
- 7. Energy**
- 8. Productivity**
- 9. Workforce**
- 10. Government Priorities**
  
- 11. Health**
- 19. Communications**
- 57. Federalism**

## **Expert Panel**

- 1. Water**
- 2. Labour Skills**
- 3. Ecology (global)**
- 4. Federalism**
- 5. Productivity**
- 6. World People Issues**
- 7. Health**
- 8. Communications**
- 9. Energy**
- 10. Government Priorities**

# **1. Water** (average score 9.3)

**Business Environment: Resources**

**How can Australia secure its water certainty?**

- ❖ Would better “pricing “ of natural resources, such as water, lead to more efficient water use in agriculture, industry and households? Could water pricing lead to inequality of access?**
- ❖ To what extent is dam building and desalination wasteful and expensive? Does Australia’s water future lie in recycling and should recycled water be forced on the community without political referendum?**
- ❖ Given that agriculture is the largest single user of water in Australia, does the country’s agricultural future lie in the tropical areas of water certainty?**
- ❖ Should the Australian population move closer to its water resources, or should water catchments and storage be moved to the population?**

## **2. Economy** (average score 9.08)

**Business Environment: World**

**What are the risks to the world economy over the next 5-10 years?**

- ❖ Within a generation, the balance of economic power will swing towards developing nations, notably Brazil, china and India. What consequence will this movement have with regard to world trade flows, Australian manufacturing output and domestic investment?**
- ❖ Is the biggest threat to global growth the preference of the OECD for consumers to spend rather than save? Can deficit spending and an aging population destabilise the world economy?**
- ❖ Is Australian prosperity linked inextricably to global growth, given Australia's limited market size, industry concentration (in many sectors) and reliance on resource exports?**

# 3. People (average score 9.02)

**Business Environment: World**

- ❖ **What risks are linked with demographic change?**
  - **Should all factors of production move freely across borders? To ensure long-term economic and demographic stability, should Australia allow unrestricted immigration?**
  - **When people talk of “terrorism”, do they really talk of “poverty”? Is the biggest cause of political instability the disenfranchisement of the developing world?**
  - **The developed world is ageing. Will the financial burden on the working population create an aged underclass and stretch resources demand?**
  - **Is the rise of China (and other developing nations) overstated and fed by excess liquidity? How important is it that China lacks a consumer class, democratic choice and legal certainty?**

## **4. Ecology** (average score 8.69)

**Business Environment: World**

**How should policy makers tackle climate change?**

- ❖ Is the government ill-equipped to deal with the economic and social implications of a changing climate? How far should growth be challenged by increased and new taxes and regulations aimed at tackling environmental change?**
- ❖ Is a global policy and policing body — to which Australia is part — necessary to ensure carbon emissions are cut and signatories play by rules?**
- ❖ Is emissions trading an accurate measure of the “price” of polluting, given that it fines the buyer for polluting and rewards the seller for reducing emissions? Is the Australian economy large enough to support a carbon-trading scheme?**
- ❖ To what extent should developed countries seek to limit deforestation and other environmentally questionable practices?**

# **5. World Trade** (average score 8.58)

**Business Environment: World**

**What are the risks/opportunities in 5-10 years?**

- ❖ To what extent is trade liberalisation set to occur? Will this liberalisation be global in nature, or limited to the immediate region? How far away is complete free trade in goods?**
- ❖ To what extent is economic growth of developing countries limited by the restrictive trade practices of developed nations?**
- ❖ How important is trade liberalisation in services, and what are the implications for Australia (a service economy with commodity export profile)?**
- ❖ Where are the trading opportunities and threats for exporters? To what extent is Australia export- competitive? Could the government do more?**
- ❖ Is the World Trade Organisation the best body to develop policy and police signatories? Is it an effective body in its current incarnation?**

# 6. Labour Skills

(average score 8.58)

Business Environment:

Resources

How prepared is the labour force to drive economic growth?

- ❖ Is there sufficient emphasis put on continuous training in the workplace to ensure that the Australian workforce is flexible and competitive? How real is the skills shortage?
- ❖ How flexible is the Australian workforce and to what extent will industrial relations reform be an issue over the next 5-10 years?
- ❖ Will the union movement — as we know it — survive into the next 10 years and what implications does this have for the economy and politics?
- ❖ Is there too great an emphasis on university education (regardless of the degree subject) to the detriment of qualifications in trades?

# 7. Energy (average score 8.45)

Business Environment: Resources

How can policymakers get clean, affordable energy?

- ❖ Renewable energy is expensive and inefficient. Does the limited number of short-term viable alternatives to fossil fuels mean private and public money should be diverted to nuclear power?
- ❖ Has household energy efficiency gone backwards? Are bigger, air-conditioned homes a big threat to Australian energy sustainability and do people realise that lifestyle sacrifices are inevitable? Should energy pricing be based on “demand-side” factors?
- ❖ Australia’s ecological “footprint” is one of the largest in the world thanks to the production and export of “dirty” energy. Is a carbon export tax on the mining sector necessary? Could the revenue be redirected back into subsidies for alternative and renewable energy production?

# 8. Productivity (average score 8.43)

Business Environment: Economy

How can policymakers ensure comparable productivity growth with best performing countries?

- ❖ How does Australian labour productivity compare to world's best practice? What are the leading and lagging industries?
- ❖ Is productivity growth hindered by geography?
- ❖ What are the most effective methods of increasing workforce productivity and how does Australia perform against those methods now?
- ❖ How important is it to consider the social and environmental cost of increasing productivity, and is this being done at present? If not, what are the long-term implications?
- ❖ Are Australian universities competitive? In what subjects do they excel and lag? Does Australia produce enough science and mathematics graduates to push innovation?

# 9. Workforce (average score 8.36)

Business Environment: Labour

**How can policymakers increase workforce participation?**

- ❖ **How can government increase the level of workforce participation among females, indigenous and senior Australians, and what are the costs and benefits of doing so?**
- ❖ **What is the economic and financial effect of early retirement and should early retirement be encouraged or discouraged?**
- ❖ **Is the geographical distribution of the workforce problematic? Does policy concentrate effectively in growth in rural and regional urban areas?**
- ❖ **What industries are likely to suffer skills shortages over the next 5-10 years? Where should public investment be made to prevent us shortage?**

# 10. Long-Term Priorities (average score 8.3)

**Business Environment:      Government**

**What is going to be the biggest policy challenge over the next 5-10 years?**

- ❖ Do Australian politicians correctly prioritise long-term responsibilities, and how well prepared is Australia for the next 5-10 years?**
- ❖ Is the mix of the public and private sectors in certain sectors correct? Can private sector finance and experience aid the public sector.**
- ❖ Are there strategic policy areas in which government is too focused on the electoral cycle? Should they be helped by a committee of government, business and community groups?**
- ❖ Does the public sector provide strategic direction about Australia and the global marketplace?**
- ❖ Is the level of government regulation of business at the right level?**

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