About ABI

ABI is the registered industrial relations affiliate of NSW Business Chamber, and is responsible for NSW Business Chamber’s workplace policy and industrial relations matters.

It is also a Peak Council for employers in the NSW industrial system and a transitionally registered organisation under the Workplace Relations Act 1996, and regularly represents members in both the New South Wales and Australian Industrial Relations Commissions.

ABI is a successor to the Chamber of Manufacturers of NSW which was established in 1886 to promote the interests of its members in trade and industrial matters. The Chamber was registered in 1926. Since its inception the Chamber and its successor industrial organisations have played a major representational role in industrial relations in NSW.

NSW Business Chamber is an independent member-based company, and is the largest business association in NSW. Through its membership and affiliation with 129 Chambers of Commerce, NSW Business Chamber represents over 30 000 employers throughout NSW.

ABI in conjunction with NSW Business Chamber represents the interests of not only individual employer members, but also other Industry Associations, Federations and groups of employers who are members or affiliates.

ABI Council, which comprises elected representatives of its membership, has had an opportunity to review the issues raised in this submission. This submission is reflective of the opinions and recommendations endorsed by the Council.

For more information, please contact:

Dick Grozier
Director, Industrial Relations
Australian Business Industrial & NSW Business Chamber
Ph: (02) 9458 7521
dick.grozier@australianbusiness.com.au

Dr Matthew Steen
Policy Advisor, Tax and Competitiveness
NSW Business Chamber
Ph: (02) 9458 7259
matthew.steen@nswbc.com.au
ABI submits that a zero increase in minimum wages is the most prudent action that the Australian Fair Pay Commission (the Commission) can take, given the speed and severity of the economic downturn in Australia, and the confluence of extraordinary structural costs that are impeding business and discouraging employment.

The Commission will be handing down its minimum wages decision in an economic environment where there are increased risks and there is little margin for error. The World Economic Forum’s Global Risks 2009 report has identified the following short-term risks:

- deteriorating fiscal positions in advanced economies, at a time of rising health and pension costs and inadequate public infrastructure;
- a further significant decline in China’s growth;
- an unbroken cycle of asset-price falls, write-downs and deleveraging; and
- deflation fuelled by poor credit conditions, weak aggregate demand and rising unemployment.\(^1\)

The World Economic Forum also warns against losing sight of long-term risks, including those related to climate change, competition for land and water, and resurging economic protectionism.\(^2\)

It is uncontroversial that since the Commission’s last review of minimum wages the economic context has massively altered. This fact has implications for the Commission’s current review directly and also how it should view material about the impact of its earlier decisions when it makes its next wage setting decision. It is an unforgiving time for the Commission’s decision. The penalties for getting it wrong are significantly higher than in the past.

The times are unforgiving in another respect as well. The issue of wage-setting has become more politicised than in the past. The national industrial system is changing. This is the Commission’s last wage-setting decision. Wage-setting will be assumed by Fair Work Australia and its decisions will be based on different statutory considerations. It seems inescapable that when this impending decision is handed down it will be seen in that context, and that sober analysis of the Commission’s decision and its reasons will suffer as a result. Nonetheless, the fact remains that the Commission’s wage-setting parameters remain as they are under the Workplace Relations Act 1996 (WRA). The Commission is to promote Australian’s economic prosperity having regard to

- the capacity of the unemployed and low paid to obtain and retain employment
- employment and competitiveness across the economy
- providing a safety net for the low paid
- providing minimum wages for identified classes of employees.

In its earlier wage-setting decisions the Commission identified the link between wage increases and its employment effects:

> “On the basis of the evidence available, the Commission considers that there is a negative relationship between the level of minimum wage increases and employment in Australia. The basis for any disagreement seems to involve the magnitude of the relationship rather than its existence.”\(^3\)

---

2 ibid., pp. 11, 21f.
3 P 73, Wage-Setting Decision and Reasons for Decision - October 2006, Australian Fair Pay Commission
It also stated:

“When considering the capacity of the unemployed and low paid to obtain and remain in employment, the Commission has taken into account both the demand for and the supply of labour.

The Commission acknowledges that high minimum wages may induce employers to reduce the number of employees they hire and/or retain, as well as adjust the number of hours they offer to their employees. The size of these effects will in part depend on the magnitude of the rise.

By the same token, those without jobs and those in low-paid employment, particularly part-time, will weigh up the net benefits of work relative to the net benefits of being without work.”

In its Wage-Setting Decisions - July 2007, the Commission discussed current material about the impact of increases to minimum wages and high minimum wages on employment of the low skilled. It decided to monitor

“The relationship between the level of minimum wage increases and employment in Australia remains pivotal to the Commission. In conjunction with developing its monitoring strategy, the Commission will focus on promoting Australian research into the impact of minimum wage adjustments on labour demand.”

Monitoring the impact of wage-setting decisions

The Commission has now released three issues of Economic and Social Indicators - Monitoring Reports (Monitoring Reports) assessing the outcome of the Commission’s wage-setting decisions. Typically, employment in low skilled occupations has tended to grow more slowly than for higher skilled occupations across all three Monitoring Reports. In its first Monitoring Report, written against the background of an improving labour market which was showing signs of tightening as indicated by the level of underlying inflation and wages growth, the Commission reported:

“The results from this analysis suggest that employment growth in low skilled occupations has been lower than for all other occupations in recent years, after industry-specific effects on employment are taken into account …However, some caution is needed in the interpretation of the estimates, given the imprecision of the results.”

Labour market conditions had changed for the period of the second Monitoring Report. GDP had declined, labour productivity had slowed and real unit labour costs had risen a little. Employment growth was easing and unemployment on the increase. The Commission reported:

“The results of the model, […] suggest that employment growth in low-skilled occupations has been lower than that in other occupations over the last three years. However, the Commission’s general Wage-Setting Decisions do not appear to have had a discernible negative effect on employment in low-skilled occupations compared with high-skilled occupations.”

By its third Monitoring Report, conditions had deteriorated further. The economic outlook had deteriorated more quickly than contemplated in the second Monitoring Report. Labour productivity
continued weak, real unit labour costs returned to their longer term trend and declined some. Low skilled employment fared relatively well:

“...over the six months to November 2008, growth in the number of employees in low-skilled occupations has slowed significantly, to around 0.5 per cent, with the average number of hours of employment increasing at a higher rate.”

The first Monitoring Report was reporting at a time of a tightening labour market which was following a period of prolonged employment growth and skills shortages. Employment practices reflected that. Other effects were in play as well.

Research conducted by the ABS looking at the strong labour market in 2005 against a background of soft economic growth in 2004 and 2005, found that positive “shocks” to the terms of trade (increases to the terms of trade) and to the TWI (increases to the TWI) both allowed employment rates to continue at higher levels than would otherwise have been the case based on low real unit cost of labour which were a feature of those years.

“...We have found that an increase in the terms of trade has a positive effect on employment but a negligible impact on GDP in the short term.

[... ] why would the terms of trade have a significant effect on domestic employment if domestic output is largely insulated by our floating dollar? This would only be possible if businesses’ employment decisions were, at least in the short term, more influenced by changes in their real incomes than by changes in their volume of output. One possibility is that due to imperfect credit markets, businesses’ investment and hiring decisions are constrained by their cash flows and the increased profitability brought about by a terms of trade effect relaxes these constraints.

When the domestic economy slows, but cash flows from a terms of trade effect are strong, businesses may be able to afford to retain staff they otherwise would have had to lay off. Businesses with a longer term outlook on market conditions may be able to maintain a stable rate of employment growth. In addition, for a given level of domestic output, the additional income induced by a rising terms of trade need not be distributed solely to shareholders (in the form of dividends) and to existing employees (as wages and salaries). It can also be retained for investment and / or hiring purposes. It is therefore not surprising to observe stronger than expected employment growth during periods of a strong terms of trade.”

It seems reasonable to suppose that a contraction “shock” to terms of trade or the TWI would have the reverse effect. Treasury’s latest formal review, the Updated Economic and Fiscal Outlook, (discussed further below) anticipated a fall over 2009 of about 20% in Australia’s terms of trade from the September quarter figures.

Deteriorating economic conditions

The Commission’s third wage-setting decision awarded an increase of $0.57 per hour to minimum rates (a 4.15% increase to the Federal Minimum Wage). The increase took effect from early October 2008. As noted in the second Monitoring Report other “noise” such as industry effects has made assessing the impact of the Commission’s general increases difficult to quantify. Nonetheless, employment figures excepted (and there was only a short period after the increase for which they were available), figures for

---

8 P 16, Economic and Social Indicators - Monitoring Report - July to December 2008
9 P 14, ABS Cat 1351.0.55.014, Analysing the Terms of Trade Effect on GDP and Employment in the Presence of Low Real Unit Labour Costs
10 P 30, Updated Economic and Fiscal Outlook - February 2009
many of the December quarter general economic aggregates were not available for the third Monitoring Report. The impact is difficult to discern. The immediate impact can be expected to be very different from the longer term impact because of rapidly deteriorating conditions.

The Commission had the federal budget papers available for its last decision. The 2008-2009 Federal Budget was written in the context of the then prevailing outlook. As usual the government subsequently released its Mid-year Economic and Fiscal Outlook (MYEFO) in November 2008, and subsequently in February 2009, a revision, the Updated Economic and Fiscal Outlook (UEFO). This is highly unusual in itself. The UEFO commences by stating:

“The outlook for the global economy has deteriorated sharply since the Mid-Year Economic and Fiscal Outlook 2008-09 (MYEFO). The IMF has cut its forecast for global growth three times and is now forecasting a deep global recession.

The weight of the global recession is now bearing down on the Australian economy. Growth is expected to be significantly weaker than previously anticipated and unemployment will be higher. That is why the Government is announcing a $42 billion Nation Building and Jobs Plan to provide immediate support for jobs and growth. Without this significant and timely policy stimulus, Australia would face a more severe slowdown than forecast. With the Nation Building and Jobs Plan, economic growth is only expected to slow to 1 per cent in 2008-09 and ¾ of a per cent in 2009-10. With slower growth, the unemployment rate is forecast to rise to 7 per cent by June 2010.”

Although, as reported in the UEFO, outlook had deteriorated sharply since MYEFO, it, too, reported a significantly changed outlook from the prospects which attended the budget. MYEFO, Part 2: The Government’s Response To The Global Financial Crisis, states:

“The significant fall in consumer confidence over the course of 2008 in Australia as well as the rest of the world raises the potential for weaker growth in household consumption and dwelling investment, as households feel less confident about their capacity to spend and borrow.

The impacts flowing from the global financial crisis have also affected the corporate sector. Businesses continue to face tighter credit conditions and higher funding costs, and falling asset prices have also raised the cost of capital funding from the sharemarket. Business conditions generally, and investment intentions specifically, have become subdued.”

Whereas loss of consumer confidence and confidence in the financial sector were the headline focus of the MYEFO and the objectives for the government’s Economic Security Strategy the issue of business confidence was a focus in UEFO. The extent of the loss of confidence (both consumer and business), the worsening global picture and the inevitability of its impact on Australia are points which are made throughout the UEFO. For example, Part 2: Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now, states:

The centrepiece of the Plan is $28.8 billion in direct Government investment in schools, housing, energy efficiency, community infrastructure and roads and support to small businesses, mainly delivered in 2009-10 and 2010-11. In the interim, the Government will support economic growth by delivering $12.7 billion in payments to low- and middle-income Australians. The plan will support up to 90,000 jobs over the next
two years.

The plan is a rapid response to deteriorating global economic conditions. The global financial crisis has resulted in a global recession, the likes of which has not been seen in generations. This has led to an unprecedented and synchronised downturn in business and consumer confidence, which has become a broader economic crisis.

Doing nothing is not an option. It is becoming increasingly apparent that, while still important, monetary policy action alone will not be sufficient to restore growth in demand within a reasonable time period. The Government’s swift action ensures that fiscal policy, along with monetary policy, is clearly targeted at supporting economic growth and jobs.\(^\text{13}\)

The revised economic outlook in the UEFO (Part 3) commences by stating:

The outlook for the world economy has deteriorated sharply since the Mid-Year Economic and Fiscal Outlook 2008-09 (MYEFO), with a deep global recession now expected in 2009. Despite intervention to support financial markets and stimulatory monetary and fiscal policies, the global financial crisis has driven almost all major advanced economies into recession. The OECD is predicting the number of unemployed could rise by eight million people in advanced economies over the next two years.

It has also become clear that emerging economies will be more profoundly affected by the crisis than originally thought. In particular, the momentum provided to the world from China’s rapid growth has dissipated in recent times. Downward revisions to China’s growth prospects have contributed substantially to a weaker outlook for the world economy and to sharp falls in commodity prices.

Against this backdrop, the risk of Australia following the rest of the world into recession has intensified.\(^\text{14}\)

The table below shows the significant changes in forecasts of key economic variables in the forecasts at the time of the budget, MYEFO and UEFO\(^\text{15}\). The first three columns show the changes which took place in the forecasts for 2008-2009, the fourth (shaded) shows the UEFO forecast for 2009-2010.

---

\(^{13}\) P 9, Updated Economic and Fiscal Outlook - February 2009


\(^{15}\) The table is a composite, taken from Table 3.2 p 30 MYEFO and p33 UEFO.
Since the release of the UEFO the December quarter national accounts were released. These reveal a slowdown of 0.5% from the September to December 2008 quarter, which is the first quarterly contraction in eight years. Year-on-year, the Australian economy grew by 0.3 per cent, the slowest pace since 1991. Only a slight improvement in farm production forestalled an official declaration of recession.16

The accounts reported a non-farm decline in GDP of 0.8% for the December quarter which followed a 0.2% decline in the September quarter17. There was a decline of 5.6% (s.a.) in gross operating surplus

17 Table 41, Cat 5206.0, Australian National Accounts: National Income, Expenditure and Product, ABS
for non-financial corporations against a 6.2% increase for the September quarter.\textsuperscript{18} Non-farm real unit labour costs increased 1.2% (s.a.) following a 0.7% increase in the September quarter.\textsuperscript{19}

Wages’ share of total factor income rose to 53.3% (s.a.) from 52.4% in the September quarter and the profit share declined to 26.9% from 28.0%.\textsuperscript{20} Non-rural exports fell and Australia’s terms of trade (the relationship between the prices of exports and the prices of imports) declined 2.8% (s.a.) against a 6.2% increase in the September quarter.\textsuperscript{21}

It might be argued that because of the propensity of the low-paid to spend additional income there should be a modest increase and that that increase would feed into consumption rates. Economists generally regard the definite positive income effects of a minimum wage increase for the lowest paid as more significant than a possible further fall in business confidence and possible fall in employment. In economic terms, when employment of resources is less than full, the income-employment effect of a general wage increase is said to be more powerful than the substitution effect from labour to capital, especially for low-income earners whose saving rates are negligible.

However, the hitherto mixed results of uncoordinated, nationally based stimulus packages have thrown into relief the closed-economy premise of traditional Keynesian multiplier models.\textsuperscript{22} Recent debates over the effectiveness of the Federal Government’s $10.4 and $42 billion stimulus packages have drawn attention to the potential for increases in workers’ consumption to leak out of national income as expenditure on imports.

Moreover, the international integration of the financial sector means that it is wrong to assume that additional funds used by households to retire debt or boost precautionary savings will flow in to the national money supply and thence to the domestic economy. As Professor Bryan and Dr Rafferty have put it:

\begin{quote}
*The extent of global integration of capital markets, and the growing dominance of derivatives markets within this process, means that the notion of a national capital market is an anachronism.*\textsuperscript{23}
\end{quote}

In short, an increase in the low-paid employee’s marginal propensity to consume, whether impelled by government transfers or wage increases, is no guarantee of an increase either in the flow of national income or the stock of national savings.

The ambiguous domestic effects of income multipliers heighten the importance of favourable structural reforms to maintaining business competitiveness and therefore employment. Former US Secretary of Labor, Robert Reich, has argued that macroeconomic policies are far less important to national wealth than structural reforms that foster agile and adaptive firms and high-skilled workforces:

\begin{quote}
*This new reality has already dawned upon officials ... They have learned that macroeconomic policy cannot be invoked unilaterally without taking account of the savings that will slosh in or out of the nation*
\end{quote}

\textsuperscript{18} Table 19, Cat 5206.0, \textit{Australian National Accounts: National Income, Expenditure and Product}, ABS
\textsuperscript{19} Table 2, Cat 5206.0, \textit{Australian National Accounts: National Income, Expenditure and Product}, ABS
\textsuperscript{20} Table 41, Cat 5206.0, \textit{Australian National Accounts: National Income, Expenditure and Product}, ABS
\textsuperscript{21} Table 2, Cat 5206.0, \textit{Australian National Accounts: National Income, Expenditure and Product}, ABS
\textsuperscript{22} See, for example, Wolfgang Münchau, ‘Collective action on the crisis is our best hope’, Financial Times, 16 March 2009, \texttt{<http://www.ft.com/cms/s/0/7106b8ee-0e52-11de-b099-0000779fd2ac.html>}
as a result. Cooperative management is essential simply because there are no longer separate economies to be managed.”

Conversely, national income and employment depend on attracting and retaining high-value businesses connected to ‘global webs of enterprise’, businesses that must operate without large fixed costs and have access to creative and flexible workforces.

Therefore, the Commission’s deliberation about raising minimum wages must not only consider the severity of the current global financial crisis and resultant slump in growth, it must also take account of the broader trend towards deep international economic integration and new forms of global competition.

It is in this context of sharp downturn and structural change that business confidence and preparedness to invest becomes critical. The Federal Minister for Finance has stated that:

“Political leaders on both sides do have a responsibility to do everything they can to maintain confidence in a very, very challenging period for the Australian economy.”

Former NSW Treasurer, Michael Costa, has also drawn attention to the importance of confidence in the prevailing conditions:

“Confidence building may turn out to be the only effective role for government in directly responding to today’s economic conditions.”

More recent statements on outlook have continued to predict further deterioration.

“…the relatively positive outlook for China [forecast 6.5% growth] has been overshadowed by warnings from both the World Bank and the International Monetary Fund that the global slowdown is getting worse.

World Bank president Robert Zoellick said a likely contraction in the global economy of at least 1 per cent this year underlined the importance of stabilising the international banking system to ensure the massive stimulus spending worked.

And IMF deputy managing director John Lipsky said his institution would forecast a 0.6 per cent global contraction in a major update later this month, which he described as, “the most worrisome economic performance in the modern era.”

Australian forecasts are also being revised downwards:

“The Reserve Bank of Australia is expected to reduce its growth forecasts significantly amid mounting evidence that the downturn that struck the economy last year was deeper than expected by the central bank, supporting expectations of more interest rate cuts to come.”

---

25 ibid., p. 89.
Business Confidence

The February 2009 Sensis Business Index, released 5 March 2009, reported a +12% balance for small business confidence which is the lowest figure since the series commenced in 1993. This is down from +13% for the November result and could represent a stabilisation following the precipitate fall in that quarter. NSW confidence, an underperformer for some time, fell to -3%, the first negative result ever recorded.

The last three months of the NAB survey reported net confidence levels of -30 (November), -20 (December), -32 (January 2009) and -22 (February 2009). The February survey's measure of forward orders (fell 7 points to -27 points, a level seen in 1991), trading conditions (fell 11 points to -15), export sales (up but at -26, still at very low levels), profits (fell 5 points to -17), capital spending and employment all stayed negative. The employment figure went to -27 which was last seen in 1991, but the fall between January and February (-10 points) was the sharpest in the Survey's history. Alan Oster (NAB Group Chief Economist) is reported as saying:

"The readings on employment are lower than any since June 1991 and imply considerable job shedding."

Consumer confidence

The March 2009 Sensis Consumer Report, released 18 March, reported a decline in consumer confidence. Net confidence fell 8 points to 21% for the February quarter and had halved over the last 12 months. The least confident consumers were in NSW, continuing a trend, with only 11% net confidence (down 9 points).

"The main reason Australians gave for feeling confident about their financial prospects for the year ahead was having a secure job, which increased strongly in relative importance over the past quarter. This is the fourth successive quarter where the trend of increasing job security has been considered more important than the quality of the job. The main reasons Australians reported feeling worried were the level of unemployment, which has increased significantly over the past quarter, as well as uncertainty over the direction of the economy and investments not performing well.

For Australians feeling worried about their financial prospects in the coming year, the main reason was increasing unemployment, which was nominated by 18 per cent of those who were worried. This has increased by eight percentage points over the past quarter and is the first time since the survey commenced that this has been the foremost reason for concern."

The economic analysis presented in the minutes of the 3 March 2009 meeting of the Reserve Bank Board suggest that the federal government's stimulus packages have maintained household disposable income, but not business confidence:

"In the business sector, the NAB [National Australia Bank] survey indicated that after the sharp fall late last year, confidence had remained at very low levels in recent months. Business conditions, while also having fallen, were fluctuating around levels similar to those seen during the slowdown early in the current decade. Slowing business activity had led to further declines in capacity utilisation, which had fallen noticeably from the peak levels reached a year or so earlier.

Turning to the household sector, retail spending had increased sharply in December, after a run of weak readings in previous months …"

30 P1, NAB Monthly Business Survey and Economic Outlook - February 2009.
31 P 7, Sensis Consumer Report - March 2009
Members noted that real household disposable income had been boosted towards the end of 2008 by lower lending interest rates, lower petrol prices and government transfer payments. Members recognised that these effects were not evenly spread across households and that for households which are interest receivers there had been a loss of income from that source. But for the household sector as a whole, the net effect had been a significant addition to disposable income.\footnote{Reserve Bank of Australia, \textit{Minutes of the Monetary Policy Meeting of the Board}, 3 March 2009, <http://www.rba.gov.au/MonetaryPolicy/RBABoardMinutes/2009/rba_board_min_03032009.html>}

**Disposable Income**

What account should be taken of non-wage income (social transfers) has been a matter of some contention by various submitting parties. By its 2007 wage-setting decision the Commission could say:

“While submissions generally agree that wages and the tax/transfer system play complementary roles in the overall income safety net for low-paid employees, there are differing views on the relative weight to be placed on each of these elements.”\footnote{P 13, \textit{Wage-Setting Decisions and Reasons for Decisions - July 2007}, Australian Fair Pay Commission}

It is clear that the impact of tax changes and social transfers not only affects the real disposable income of wage earners but also the propensity of those not in work to seek employment. This review takes place at a time when there are a number of changes of this kind which will impact differently on different classes of wage-scale reliant employees.

The Government has legislated a tax cut regime with the second instalment coming into effect on 1 July 2009 and a third commencing at 1 July 2010, the same time as any increase determined by FWA. The table below\footnote{P 8 \textit{Budget 2008-2009, Working Families Support Package}} shows the cumulative effect of the tax cuts from the rates which prevailed in 2007-2008.

<table>
<thead>
<tr>
<th>Annual taxable income</th>
<th>From 1 July 2008 (per week)</th>
<th>From 1 July 2009 (per week)</th>
<th>From 1 July 2010 (per week)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
<td>$8.65</td>
<td>$11.54</td>
<td>$14.42</td>
</tr>
<tr>
<td>$40,000</td>
<td>$20.19</td>
<td>$25.96</td>
<td>$34.62</td>
</tr>
<tr>
<td>$50,000</td>
<td>$19.23</td>
<td>$25.00</td>
<td>$33.65</td>
</tr>
<tr>
<td>$60,000</td>
<td>$11.54</td>
<td>$17.31</td>
<td>$25.96</td>
</tr>
<tr>
<td>$70,000</td>
<td>$11.54</td>
<td>$14.42</td>
<td>$20.19</td>
</tr>
<tr>
<td>$80,000</td>
<td>$21.15</td>
<td>$24.04</td>
<td>$29.81</td>
</tr>
<tr>
<td>$90,000</td>
<td>$21.15</td>
<td>$27.88</td>
<td>$35.58</td>
</tr>
<tr>
<td>$100,000</td>
<td>$21.15</td>
<td>$31.73</td>
<td>$41.35</td>
</tr>
</tbody>
</table>

These are not the only non-wage increases which will affect employees who are wage scale reliant, raise their disposable income and which operate independently of the Commission’s wage setting-decisions. The government has announced a number of stimuli to address short term consumer spending. These include $900 tax bonus for those with a taxable income below $80,000 and for families eligible for Family Tax Benefit - Part B. Parents receiving Family Tax Benefit - Part A will receive a $950 bonus for each school age child.

Many of these recently announced stimuli will impact during the currency of the Commission’s current wage-setting decision and they will operate to increase household earnings. This should not be regarded as the yardstick against which the effects of any increase arising from the current review should be judged. That is, the disposable income of the Commission’s sample wages earner groups should not be boosted by these transfers to assess their disposable income going into the Commission’s 2009 wage-setting decision.

\footnote{33 P 13, \textit{Wage-Setting Decisions and Reasons for Decisions - July 2007}, Australian Fair Pay Commission}
\footnote{34 P 8 \textit{Budget 2008-2009, Working Families Support Package}}
There are reasons why these transfers might be considered as offsets against any possible increase in this review. The main reason is the fundamental importance in the current economic situation of confidence. The stimuli are directed towards boosting short term confidence, with other measures directed to the longer term. Increasing minimum wages will have a negative impact on business confidence, and ABI would argue too costly a negative impact to justify the increase.

There is also evidence that an increase to minimum wages will negatively impact on consumer confidence as well. This inference is fairly drawn from the Sensis consumer data which shows the salience of job security.

**Structural changes**

Businesses face a number of extraordinary structural factors that leave them with little capacity to absorb any increases in wage minima, or to justify additional wages costs to shareholders or financiers. These unusual structural factors are:

- (a) additional costs and employment restrictions wrought by award modernisation and the introduction of the “Fair Work” system;
- (b) additional costs involved in operating a business and employing people in NSW;
- (c) abnormally tight credit restrictions (notably for SMEs) following the global financial crisis; and
- (d) investment uncertainty and additional costs associated with adjusting to a carbon-constrained economy.

The imposition of higher wage minima, on top of these significant structural costs, can be expected to dampen business confidence further and make it more difficult for employers to avoid shedding labour.

(a) **Award Modernisation and the “Fair Work” system**

The Commission’s decision is also being made against the backdrop of award modernisation. At the time of writing, the first round of modern awards had been issued and exposure drafts for the second round released for comment. The AIRC is considering responses and is expected to release the second round modern awards by 3 April 2009.

The modern award system will cover all of the existing “award” coverage and expand it. Expansion will arise where a modern award has a wider coverage, or covers a wider span of work, than any of the “constituent” pre-reform or transitional awards or NAPSAs. Expansion will also arise because the modern award system will also include a “residual” award intended to provide award coverage of those who are “award-free” but who perform work which is similar to work which has been regulated by federal or state awards.

The expansion of the modern award system will result in some employees currently subject to the Federal Minimum Wage becoming subject to award classifications and rates. These rates will be the Commission’s legacy. That is, the classification and pay rates in a modern award will be derived from one or more of the “constituent” pay scales. Even in the case of the “residual” award, it seems highly unlikely that the classifications and rates will not also be derived from extant pay scales. S 576B(2)(h) of the WRA requires the AIRC to have regard to relevant rates of pay in pay scales and transitional awards when performing its award modernisation function.
For some of these employees the movement will be from nominal regulation by the FMW to nominal regulation by what is currently a pay scale. For others there will be an increase imposed by the transfer to what is currently a pay scale. The increase will arise because the modern award rate is higher than the FMW rate (for FMW reliant employees), or because it is higher than the going rate for the job (for employees for whom the FMW is currently a nominal minimum).

These are the direct costs. Movement from FMW regulation to modern award regulation also means that the migrating employees will be subject to significantly greater conditions regulation. There will be a loss in flexibility and some current arrangements will cost more or be not able to be done in a similar way.

These migrating employees will move from the Australian Fair Pay and Conditions Standard to modern award regulation, together with, in common with all other employees, the National Employment Standards. These indirect costs are difficult to quantify because impact will differ between workplaces and employees, as would the costs of bargaining them away under the better off overall test.

Award modernisation will also result in the amalgamation of conditions and allowances from a disparate set of pre-reform awards and NAPSAs and also all the pay scales derived from the former federal and state awards which gave rise to them.

The Minister’s request which triggered award modernisation and which, together with the WRA, imposes conditions on the nature of modern awards, informs the AIRC that award modernisation is not intended to disadvantage employees or increase costs for employers. Modern awards have not been made, and they are not being made, by drawing upon the “constituent” pay scales/transitional award rates or award/NAPSA conditions which provide the rates or conditions which are least costly for employers.

Award modernisation will increase costs for many employers by both increasing pay rates for certain types of work in one or more states and by altering existing patterns of ordinary time/overtime, restrictions on working arrangements or types of engagement and or penalties associated with these aspects of staffing. This is a significant issue in award-reliant (pay scale reliant) industries.

Modern awards will commence on 1 January 2010.

For example, the Security Services Industry Award 2010 [MA000016], was made by the AIRC on 19 December with effect on 1 January 2010. It covers employers which provide security services to other workplaces, but does not cover security employees who undertake security work for their employer where the employer is engaged in another industry.

The tables below are derived from actual rosters worked by an ABI member operating across a number of states. They show the costs of a Security officer Level 2 under the modern award compared with

---

Indicative of the tasks which an employee at this level may perform are the following:

(a) duties of securing, watching, guarding, protecting as directed, including responses to alarm signals and attendances at and minor non-technical servicing of ATMs. Such work must not be undertaken alone and must not include cash replenishment at ATMs;

(b) crowd control functions including at shopping centres, major events, sporting tournaments, nightclubs, sporting venues and other entertainment venues or public areas where events, concerts or similar activities are conducted;

(c) patrol in a vehicle two or more separate establishments or sites, including where more than one site held by the same business is patrolled;
existing rates for equivalent employees under the current pay scales derived from the relevant South
Australian\(^{36}\) and Western Australian\(^{37}\) state awards (which apply to the member).

**Level 2 Security Services Industry Award [Modern Award]: Rate - $16.65**

<table>
<thead>
<tr>
<th>Week 1</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Total Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours</td>
<td>7.5</td>
<td>7.58</td>
<td>7.58</td>
<td>7.58</td>
<td>9</td>
<td></td>
<td></td>
<td>30.66</td>
</tr>
<tr>
<td>Penalties</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>150%</td>
<td>200%</td>
<td>$706.80</td>
<td></td>
</tr>
<tr>
<td>Week 2</td>
<td>Mon</td>
<td>Tue</td>
<td>Wed</td>
<td>Thu</td>
<td>Fri</td>
<td>Sat</td>
<td>Sun</td>
<td>Total Week</td>
</tr>
<tr>
<td>Hours</td>
<td>7</td>
<td>7</td>
<td>7.5</td>
<td>7</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>43.5</td>
</tr>
<tr>
<td>Penalties</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>150%</td>
<td>200%</td>
<td>$911.59</td>
</tr>
<tr>
<td>Fortnightly Hours</td>
<td>74.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortnightly Total Pay</td>
<td>$1,618.39</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Grade 2 Security Officer’s Award [SA] Pay Scale: Rate - $15.68**

<table>
<thead>
<tr>
<th>Week 1</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Total Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours</td>
<td>7.5</td>
<td>7.58</td>
<td>7.58</td>
<td>7.58</td>
<td>9</td>
<td></td>
<td></td>
<td>30.66</td>
</tr>
<tr>
<td>Penalties</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>150%</td>
<td>200%</td>
<td>$665.61</td>
<td></td>
</tr>
<tr>
<td>Week 2</td>
<td>Mon</td>
<td>Tue</td>
<td>Wed</td>
<td>Thu</td>
<td>Fri</td>
<td>Sat</td>
<td>Sun</td>
<td>Total Week</td>
</tr>
<tr>
<td>Hours</td>
<td>7</td>
<td>7</td>
<td>7.5</td>
<td>7</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>43.5</td>
</tr>
<tr>
<td>Penalties</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>150%</td>
<td>200%</td>
<td>$858.48</td>
</tr>
<tr>
<td>Fortnightly Hours</td>
<td>74.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortnightly Total Pay</td>
<td>$1,524.09</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Level 2 Security Officer’s Award [WA] Pay Scale: Rate - $15.74**

<table>
<thead>
<tr>
<th>Week 1</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Total Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours</td>
<td>7.5</td>
<td>7.58</td>
<td>7.58</td>
<td>7.58</td>
<td>9</td>
<td></td>
<td></td>
<td>30.66</td>
</tr>
<tr>
<td>Penalties</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>150%</td>
<td>200%</td>
<td>$669.64</td>
<td></td>
</tr>
<tr>
<td>Week 2</td>
<td>Mon</td>
<td>Tue</td>
<td>Wed</td>
<td>Thu</td>
<td>Fri</td>
<td>Sat</td>
<td>Sun</td>
<td>Total Week</td>
</tr>
<tr>
<td>Hours</td>
<td>7</td>
<td>7</td>
<td>7.5</td>
<td>7</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>43.5</td>
</tr>
<tr>
<td>Penalties</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>150%</td>
<td>200%</td>
<td>$861.77</td>
</tr>
<tr>
<td>Fortnightly Hours</td>
<td>74.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortnightly Total Pay</td>
<td>$1,531.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Casually</th>
<th>Modern</th>
<th>WA</th>
<th>SA</th>
<th>ACT</th>
<th>VIC</th>
<th>NSW</th>
<th>TAS</th>
<th>QLD</th>
<th>NT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates</td>
<td>25%</td>
<td>20%</td>
<td>20%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>20%</td>
<td>23%</td>
<td>20%</td>
</tr>
</tbody>
</table>

\(^{d}\) monitor and respond to electronic intrusion detection or access control equipment terminating at a visual display unit and/or computerised printout (except for simple closed circuit television systems). Such work must not include complex data input into a computer;

\(^{e}\) monitor and act upon walk-through electromagnetic detectors; and/or monitor, interpret and act upon screen images using x-ray imaging equipment;

\(^{f}\) operate a public weigh-bridge;

\(^{g}\) record and/or report security incidents or matters on a computer based system; and

\(^{h}\) control a dog used to assist the security officer to carry out the duties of watching, guarding or protecting persons, premises or property.

\(^{36}\) Security Officers’ Award [AN 150139]

\(^{37}\) Security Officers’ Award [AN 160287]
The comparisons show an increase of $94.30 per fortnight over the current South Australian rates and $86.98 over the current Western Australian rates. These increases do not take account of the impact of the increased casual loading which the modern award imposes.

These figures are not confined to semi-skilled employees in the security industry. For example the Restaurant and Catering Association modelled the cost impact of the exposure draft of the *Hospitality Industry (General) Award - 2010* [MA 000009]. The modelling found that federal system employers faced increases in the order of 5.6% increase in NSW, 8.5% in Queensland and 15.7% in South Australia. This award was in the priority industries and the finalised award made on 19 December 2008. ABI does not have revised modelling but is aware that the Association believes that the modern award as made is more expensive than the exposure draft.

In the event that the Commission were to increase minimum wages in its present wage-setting decision, increases would presumably take effect on the first pay period on or after 1 October, one year after the Commission’s 2008 wage-setting decision.

S 576B(2)(i) of the WRA requires the AIRC to have regard to minimum wage decisions of the Fair Pay Commission when performing its award modernisation function. As a result, pay rates in those modern awards which had been made by the time of the Commission’s wage-setting decision can be expected to be increased in line with increases determined by that decision. In its statement of 23 January 2009, the AIRC said:

> "It may be necessary to vary modern awards for a number of other reasons prior to 1 January 2010. For example, minimum and other wage provisions in modern awards may require variation as a result of any alteration made by the Australian Fair Pay Commission (AFPC) in 2009. On current indications the AFPC is likely to issue a wage determination in early July. Should any application be made to amend modern awards following that determination the application should be dealt with prior to 1 January 2010, the date on which modern awards commence to operate."38

Modern awards yet to be made after the Commission hands down its wage-setting decision would presumably be made on the basis of pay scales reflecting any increases.

Increases arising from rationalisation would come into effect on 1 January 2010, about three months after any wage-setting decision increases.

It could be argued that these costs may not impact on 1 January 2010 because there is capacity to phase them in over an up to 5 year transitional period. This is true, but to date the AIRC has not determined a transitional mechanism for modern awards, it has sought the views of the parties39. The real point here is that the Commission has no powers with respect to the phase in of modern awards and those which have been made have been made without any relevant transitional mechanisms. These increases, delayed or not, are already built into the system, and are independent of and additional to any costs arising from wage reviews. They are another source of increased costs in many pay scale reliant businesses and they impact detrimentally on business confidence.

39 More correctly, the AIRC has made some decisions about the transition of certain entitlements, but not about wage transitions. In its decision of 19 December 2008, the AIRC determined that where an award or NAPSA has a beneficial redundancy standard, accident pay or a district allowance, that beneficial standard will continue to apply to employees who would otherwise have been employed under the NAPSA until the end of the transitional period (31 December 2014).
Fair Work Australia (FWA) will be established following passage of the Fair Work Bill 2008. It will commence operation on 1 July 2009 but its commencement will not alter the Commission’s minimum wage review, nor the rules under which the Commission’s review is undertaken. Nor will FWA assume the AIRC’s role in award modernisation.

Nonetheless “overarching provisions” of the bill part dealing with minimum wages (Chapter 2 Part 2-6) require FWA to establish and maintain a safety net of fair minimum wages (the minimum wages objective). Minimum wages are:
- minimum award wages including those for juniors, employees undergoing training and employees with a disability, casual loading and piece rates; and
- the national minimum wage order.

FWA must conduct an annual wage review. It must make an annual minimum wage order and may set or vary minimum wages in modern awards40.

If FWA sets or varies minimum wages in modern awards, or the national minimum wage, the determination must be expressed to come into operation on 1 July in the following financial year, or if there are exceptional circumstances, some later date. Delayed operation is confined to meet the exceptional circumstances which prompted it41.

Of course this analysis is based upon the bill, and all this might change. The Commission’s wage review is being conducted under existing legislation which is not altered at this time by the bill. Nonetheless, there are two points which should be made about the relationship between the bill and the Commission’s review.

The Commission’s wage-setting parameters require it to promote national prosperity having regard to identified factors when performing its wage-setting function. Complying with its wage-setting parameters requires the Commission to consider the impact of its decision on, for example, the capacity of the unemployed and low paid to obtain and retain employment, after its decision is made.

A significant aspect of the economic reality is that there are potentially three minimum wage increases affecting award/pay-scale/minimum wage reliant employees and their employers between the first pay period on or after 1 October 2009 and the first pay period on or after 1 July 2010. The Commission can only affect the first of these possible increases. It can leave a legacy in the system but it cannot issue forwarding instructions to FWA.

Second, it seems unlikely that the provisions surrounding FWA’s minimum wage objective will substantially change during the bill’s passage. Even if there is a significant change to the bill’s provisions the legislation will be available to the Commission before it issues its decision. The Commission will know the statutory climate into which its wage-setting decision will travel.

(b) Operating and employing in NSW

Because the Commission’s wage-setting decisions are national, the question of their impact on those parts of Australia which are performing relatively poorly is important. NSW is a significant part of the Australian economy (about 31½ % of the nation’s employed persons; 31¾% of expenditure GDP; 24%
private capital formation) and it is also not doing well. The comparatively low confidence levels of NSW businesses, and indeed NSW consumers, (discussed above) is based on economic reality.

Businesses based in NSW already struggle with a relatively high cost of doing business. NSW businesses are bearing an additional burden of operating in a state with a level of State Final Demand that is lower than any other state or territory (save the ACT), a level of Gross State Product that is forecast to be the lowest in Australia, and an unemployment rate that exceeds that of every other state or territory except South Australia. The table below shows the economic performance of NSW compared to other States and Territories, 2008-09.42

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>1.2</td>
<td>1.25</td>
<td>5.8</td>
</tr>
<tr>
<td>ACT</td>
<td>-0.4</td>
<td>2.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Victoria</td>
<td>1.6</td>
<td>1.5</td>
<td>5.6</td>
</tr>
<tr>
<td>Tasmania</td>
<td>5.4</td>
<td>2.25*</td>
<td>4.5</td>
</tr>
<tr>
<td>SA</td>
<td>3.6</td>
<td>2</td>
<td>5.8</td>
</tr>
<tr>
<td>WA</td>
<td>5.8</td>
<td>6.0</td>
<td>4.2</td>
</tr>
<tr>
<td>NT</td>
<td>8.7</td>
<td>4.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Queensland</td>
<td>3.5</td>
<td>3.0</td>
<td>4.5</td>
</tr>
</tbody>
</table>

The employment performance of NSW is worse than the unemployment rate suggests. Not only is its unemployment rate equal lowest, but its overall participation rate is second lowest after Tasmania (Tasmania 63.2; NSW 63.6; Australia 65.5), and the participation rate of its women is only higher than for Tasmania (Tasmania 57.0; NSW 57.1; Australia 59.0) (sa).43

Nor is there cause for optimism in the state’s investment record. In the year to the December quarter 2008 NSW accounted for just 24.05% of the national private investment expenditure and in the December quarter itself, for 21.13% (sa).44 Similarly for NSW business formation rates. Between 2003-2004 and 2006-2007 entry rates for new business have lagged the national rate (except for 2003-2004) and exit rates have exceeded the national rate. This is shown in the table below.45

<table>
<thead>
<tr>
<th></th>
<th>Entry rate NSW</th>
<th>Entry rate Aust</th>
<th>Exit rate NSW</th>
<th>Exit rate Aust</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>17.9</td>
<td>17.4</td>
<td>15.9</td>
<td>15.2</td>
</tr>
<tr>
<td>2004-2005</td>
<td>16.6</td>
<td>16.9</td>
<td>15.9</td>
<td>15.4</td>
</tr>
<tr>
<td>2005-2006</td>
<td>15.6</td>
<td>16.2</td>
<td>15.2</td>
<td>14.9</td>
</tr>
<tr>
<td>2006-2007</td>
<td>16.1</td>
<td>17.0</td>
<td>14.9</td>
<td>14.6</td>
</tr>
</tbody>
</table>

42 This is a composite table derived from ABS Cats. 5206.0 and 6202.0. The marked Tasmanian figure (*) represents the growth rate of ‘gross economic activity’ in Tasmania, an index not intended to be consistent with the ABS measure of Gross State Product.
43 Tables 2, 4-11, Cat 6202.0, Labour Force, Australian Bureau of Statistics
44 Table 10, Cat 5625.0, Private new Capital Expenditure and Expected Expenditure, Australian Bureau of Statistics
45 Table 4, Cat 8165.0, Counts of Australian Business, Including Entries and Exits, Australian Bureau of Statistics
Any increase in wage minima has to have regard to the capacity of employers in the largest state economy to bear yet another cost when expenditure and growth are slowing faster than in the rest of Australia.

Moreover, the NSW Government levies a payroll tax rate of 5.75% on around 30,000 businesses, who employ over 60% of the State's workforce. NSW businesses pay the second highest rate of payroll tax in the country, with the competitor States of Victoria and Queensland levying only 4.95% and 4.75%, respectively.

Again, NSW businesses are disadvantaged by a large volume of regulation and a high degree of regulatory churn. The Productivity Commission reports that as of 30 June 2007, NSW had over 1,200 Acts – the highest of any State or Territory and nearly 400 more than the ‘runner-up’ Victoria.46

The Productivity Commission further notes that between 1 July 2006 and 30 June 2007, NSW enacted 653 new Acts and regulatory instruments, more than any other State or Territory and 442 more than Victoria, the next most frequent regulator.47

On the other hand, as of 30 June 2007, NSW recorded a lower number of pages of acts than Victoria, Queensland and Western Australia, and a lower number of statutory rules than Victoria, South Australia and Western Australia. But the number of pages of new regulatory instruments introduced between 1 July 2006 and 30 June 2007 was highest in NSW.48

While these data are ambiguous indicators of regulatory burden, New South Wales Business Chamber's last Red Tape Survey of around 2,500 businesses revealed that:

- 70% of businesses surveyed have been significantly or moderately impacted by red tape;
- 20% spend more than 20 hours a week on compliance;
- over the past two years, three-quarters of respondents have observed an increase in the cost and time it takes to comply with regulations.
- 60% identified a moderate to high level of red tape in dealing with the WorkCover Authority of NSW; and
- one-third of businesses surveyed found that there is inadequate communication about regulatory issues from the NSW Government, and that they rarely know about new developments and reviews.49

The negative effects of unnecessary and excessive regulation are well-documented. Red tape and regulatory burdens impede competition, innovation and productivity, and therefore aggregate output, income and employment. The ABS reports that 10% of Australian businesses regard government regulations or compliance as a barrier to innovation, and for firms with 5-19 employees, this number rises to 13%.50

(c) Tight Credit

Thirdly, all businesses in Australia are struggling in an environment of tight credit conditions, falling asset values and dwindling cash flows. At the same time as sales have slumped, banks have tightened

47 ibid., p. 3.
48 ibid., p. 3.
49 ibid., p 1.
50 ibid., p 5.
lending conditions to avoid renewing business loans to cash-strapped businesses. The problem has been compounded by sharp devaluations in the values of assets which serve as collateral for business loans, notably property. NSW Government agencies have further added to the woes of NSW businesses, by delaying payments to private suppliers to up to 60-120 days.

Preliminary results from NSW Business Chamber’s March 2009 Business Confidence Survey indicate that 31.0% of respondents have found it less easy to gain access to credit in the past three months, and 21.4% anticipate a further tightening of credit conditions in the coming three months. These are preliminary results. The survey was released on 17 March with a closure date for respondents on 31 March. The figures above are based upon a response of 393 businesses, slightly in excess of 10% of the surveys which were distributed.

(d) Carbon Emission Constraints

The imposition of the climate change mitigation measures (most notably the Carbon Pollution Reduction Scheme) can be expected to induce higher and more volatile prices next year, irrespective of whether the national economy is shrinking, steady or growing.

While the greatest impact of the proposed CPRS is uncertainty there are already direct impacts from mitigation measures. Duplicative Federal and State climate change mitigation policies are resulting in significant flows of ‘green tape’. The Commonwealth alone currently requires 16 different types of energy reporting.

Greenhouse gas equivalent emitters above a certain threshold (not just those likely to buy permits under the CPRS next year) are already liable to report their carbon footprint under the National Greenhouse and Energy Reporting System. Just as larger emitters have to report their carbon footprint, so their SME suppliers must account for their own emissions and manage a whole new set of business risks. This task is made most difficult and costly by the shortage of accredited professionals for auditing and advising.

Even with a “modest” target of 5% reduction in greenhouse gas equivalent emissions from 2000 levels by 2020, the CPRS will induce volatile swings in electricity prices and substantial capital losses from the devaluation of plant and equipment that cannot be adapted for renewable energy sources. The Federal Government’s proposed solutions of importing carbon permits and/or relying on carbon capture and storage technology are not currently viable.

Conclusion

ABI submits that, given the speed and severity of the economic downturn in Australia, and the confluence of extraordinary structural costs that are impeding business and discouraging employment, the Commission should not, in this review, increase minimum wages.