

**RENEWTEK BREAKFAST ADDRESS  
CROWN TOWERS, SOUTHBANK  
5 September 2007**

speech given by The Hon Chris Pearse, MP  
Parliamentary Secretary to the Treasurer

**Key Points**

**The role of IT executives in business strategies** – parallels with the role of Government in providing strategic direction and protecting the interests of Australians.

**Global business challenges** – the pace of technology and global growth generally places demands on businesses and governments to keep up to speed, and to get the regulatory balance right so that the opportunities can be appropriately seized.

**Regulatory design** – focus on providing a robust regulatory framework while still facilitating business flexibility in areas such as mergers and acquisitions, and anti-money laundering and counter terrorist financing.

**Initiatives to reduce regulatory burdens and support growth** – creating a Simpler Regulatory System in the corporate and financial services sectors; streamlining reporting obligations through the Standard Business Reporting programme; supporting Australia to take advantage of opportunities in the global marketplace through the export of financial services and IT initiatives such as Australia Connected.

Good morning.

It is a pleasure to talk with you today at this Renewtek Executive Breakfast.

You might not think that there are many parallels between Renewtek, you people in this room today and the Australian Government.

Well, I believe in fact that there are some highly relevant parallels between us.

First, in the same way that the Australian people look to government to protect their interests, many people in business look to Chief Information Officers (CIOs) and their teams to protect their business, financial and intellectual property interests, as they compete for market share both domestically and internationally.

Secondly, a major function that people expect CIOs to perform is to input into a firm's strategic direction. In other words, to know a business well enough that better ways of doing business can be identified, through for example, streamlining IT processes, or enhancing IT infrastructure to exploit new opportunities.

Increasingly, the Australian people are looking to government to provide overall strategic direction about an increasing number of issues. But ultimately, we need people, like you, to work together with us to implement practical solutions.

Thirdly, in the same way that you all play a role in promoting your message about what good systems can do, and why they should be adopted, so too the Australian Government is responsible for boosting awareness among citizens about why old or outmoded laws should be reformed.

So whilst you refer to IT architecture and systems – we in government talk about regulatory architecture and frameworks.

We are living and working in very demanding, unpredictable and changing times - and IT has had a lot to do with this.

In turn, IT has opened up the door to many and diverse new policy issues, and the community's expectation that they can be answered by us quickly.

Advancing technology is the hallmark of our time. It has led to man walking on the moon, breakthrough cures for many illnesses, and has allowed our island nation to interconnect with the rest of the world, irrespective of time zones and borders.

More and more innovations happen almost overnight. Company executives, particularly CIOs, much like Parliamentarians, are now facing demands and confronting issues that earlier generations would have been unlikely to imagine.

These issues can affect all businesses and create their own set of complexities, particularly for the technology-based financial services and telecommunications sectors.

Today, IT executives and the people who assist them are key protagonists in business success stories. With their risk and knowledge management, and systems prowess, they help shape a vision for the businesses they serve.

In the same way, Australians look to their Government to help give business and executives within business – you! - the capacity to achieve outcomes that are in line with the community's best interests.

### **Legislation and 'deregulation'**

I am sure many of you here today know what it is like for a business to experience rapid growth in a relatively short period of time.

On the one hand, it is very exciting to see technological developments challenge business. On the other, these developments place many demands on you to keep a business up-to-speed, competitive, innovative, and efficient.

And the structure of a business – both organisational and operational – is an obvious place to look, to see if better economies of scale can be reached.

Sometimes, this may involve looking externally to see whether better returns might be achieved through the acquisition of another, established business.

The *Trade Practices Act* (Act) provides that a merger should not be allowed where it has the effect of substantially reducing competition in a market.

The ACCC is the statutory agency entrusted with the role of examining mergers, to make sure that their structural consequences do not, at the end of the day, adversely affect end-users of the products or services of the company.

This is very important because whilst we recognise that mergers can allow firms to achieve efficiencies, better risk spreading, and even provide a mechanism by which under-performing firms and managers are replaced by better performing ones, in some cases, a merger may reduce the incentives for firms to behave in a competitive manner.

We amended parts of the Act in 2006 to improve the regulatory system for assessing merger applications.

Importantly, the amendments do not change the test to be applied by the ACCC or the courts in assessing mergers. The Act continues to prohibit mergers that would have the effect or likely effect of substantially lessening competition in a market(s).

In implementing the reforms, the Australian Government recognised that sensible competition in the market should be encouraged wherever possible.

If business is to remain attractive, competitive, efficient, and well-regarded by our international peers, we need to foster a proper business culture of 'risk' and 'reward'. In many ways, this duality of purpose is embodied by our competition laws, which allow for very healthy levels of mergers and acquisitions in Australia.

So I would suggest to you today that our merger laws, under which very few mergers are ever opposed, will continue to provide business with both opportunities, and of course, challenges.

That we have good levels of competition between businesses is a sign of how good it is to do business here. Maintaining Australia's reputation in this regard is of utmost importance.

We should all be very proud that Australia is rated amongst the highest of the OECD countries in which to conduct business.

The IMD World Competitiveness Yearbook has consistently rated Australia very highly for its business efficiency, particularly in terms of customer satisfaction and management of shareholder value.

Our economy is in the midst of its longest period of continuous growth since Federation; surpluses have been handed down in nine of ten Budgets; GDP in the year to March 2007 was over \$1 trillion; and record jobs and income growth have allowed Australian families and businesses to share in the benefits of a strong economy and feel confident about their current and future prospects.

It is therefore not at all surprising to me that more international companies **want** to do business in Australia, and **with** Australian companies. Conversely, though, the global competition for business is intense.

New and complex policy issues that preoccupy us today, such as international trading of greenhouse emissions, could not have been predicted just decades ago.

In your roles, you must continuously ask some key questions: 'How do we prepare our firm/our business/our company, for these new challenges and opportunities?'...and... 'How do our systems maximise new opportunities for growth and expansion both nationally and internationally?'

At the Australian Government level (and I can assure you we do this), we too must continuously ask: 'How do we build better on the gains we have already made?' That is, how do we foster our markets so they can tap into the opportunities and rise to the challenges of being part of a growing international marketplace?

Our answer, of course, is not one-dimensional. But a very important dimension is to ensure Australia has an efficient and effective regulatory environment that allows business to get on with the job of doing business.

In my role as Parliamentary Secretary to the Treasurer I have strived to reduce the regulatory burden for Australian businesses and consumers.

When I first took on this role, I considered that the way we were regulating business was sometimes overly complex and inefficient.

That is not to say that all regulation is undesirable. Good, sensible, appropriate regulation increases the confidence with which all of us can participate in the marketplace. In turn, that opens up new possibilities and new innovations.

### **Anti-Money Laundering/Counter Terrorism Financing**

But as with everything, increased opportunities bring risk. In Australia, some fairly stringent risk management issues have been identified in the context of the Anti-Money Laundering and Counter-Terrorism Financing Act (AML).

The legislation is designed to combat financial abuse in Australia and the global economy, by prohibiting money laundering and the financing of terrorist activity.

I think the legislation is a very critical centrepiece to the safety and integrity of our financial system.

The legislation will take effect in two phases and business has about 18 months left to develop the necessary systems for the first phase, which includes the financial and gambling sectors, and gold bullion dealers.

The Act provides for a flexible framework to allow Australian businesses to identify, manage and mitigate their money laundering and terrorism risks.

Businesses will therefore look to their CIOs and the people advising them, to ensure that they can comply fully and as cost-effectively as possible with the legislation.

Businesses will look to you to help them establish a robust risk management strategy for identifying and managing their money laundering and terrorism risks.

AML marks a very new and substantial turning point for Australian business. We can no longer ignore that opening up our markets to others can inadvertently attract bad risks. The AML legislation is all about minimising them.

Because of the nature of the risks it seeks to address, the legislation is a very unique beast. I do not think any one of us would wish to contemplate the consequences to Australia if AML were not being set in place.

But I consider that when the amount and degree of regulation placed on businesses begins to cost them, their consumers and shareholders more than it should, then there is a problem.

In other words, in my view, over-regulation is just as undesirable as under-regulation.

### **A Simpler Regulatory System**

Back in 2004, I began to assess the system we had in place for corporate and financial services, to see whether and where, better efficiencies could be made.

Alongside this, coming from an IT&T background myself, I wondered whether some of the solution couldn't be found in technology. You might find it surprising, but there are many laws on our books that simply never envisaged what technology can offer today.

In conducting the Corporations and Financial Services Regulation Review, I took the view that companies should be able to better use IT in fulfilling their regulatory requirements.

I don't wish today to elaborate on each of the IT-related regulatory reforms that have subsequently delivered on this goal. Suffice to say that new reforms now allow IT to be used more effectively.

A good example is the reform that allows companies to choose to distribute their Annual Reports to shareholders electronically, rather than by hard copy only.

This will mean that shareholders will have more ready access to the information contained in Annual Reports, whilst companies will be able to make cost savings by not having to needlessly mail out hard copy reports to every shareholder on their register.

This reform is already meeting with considerable success. Corporations that have taken up e-distribution of their 2006-07 Annual Report include the ANZ Bank, Orica, IOOF and BlueScope Steel.

It can be expected that together with Government initiatives like 'Australia Connected', which promotes the use of broadband, *the utility of measures like e-distribution of Annual Reports will only increase over coming years.*

The task that many of you undertake, and which makes the role of the CIO critical, is to design and secure IT systems that make the most of initiatives like these, within an organisation's previously established rules and platforms.

I know that it is not easy to achieve an appropriate balance between flexible business practices on the one hand and systems implementation on the other.

I am very conscious that reforms affecting **how** business is allowed to do business, place CIOs and their teams at the pointy end of the workplace.

For that reason, I endeavour to consult as widely as possible on proposed law reforms within my portfolio responsibilities. The Simpler Regulatory System package, for example, was the culmination of extensive consultation.

Regulatory reforms that enhance the use and spread of IT will help *Australian businesses* maximise their commercial investments and enhance their global competitiveness.

We therefore look to you – professionals who know how to promote the use of technology within a business and to others – to help take advantage of these types of new reforms, thereby boosting sustainability and competition.

At the same time, the Government is driving further regulatory reforms.

For example, following on the Government's response to the Banks' Taskforce report, we are developing an Annual Red Tape Reduction Agenda.

This will draw on annual reviews of the stock of regulation being undertaken by the Productivity Commission, with the first annual review (on the primary sector) to be completed by the end of October.

We are also doing what we can to encourage State and Territory Governments to do their part to streamline business laws and regulations that overlap with those of the Australian Government.

The States and Territories all have their own pockets of regulation in areas like consumer protection... business taxes... business reporting requirements...occupational health and safety licensing.

To tackle this multiplicity of regulation – which, let's face it, makes for much confusion in the community about who has responsibility for what, and costs business unnecessarily - the Australian Government is progressing the regulatory reform stream of the National Reform Agenda through COAG.

In April, COAG endorsed a plan to improve regulation making and review processes generally.

In addition, COAG has identified ten key “hotspots” that should be reformed as a matter of priority.

Our resolve to improving regulatory certainty and thereby facilitating the competitiveness of business is I believe made clear through initiatives such as these.

### **Standard business reporting**

This morning I would like to highlight a major new Government initiative that will assist Australian businesses to interface better when reporting to our national regulators.

Last Thursday, we launched the Standard Business Reporting programme (SBR), which is aimed at cutting red tape and reducing the frustration suffered by business when reporting to different government authorities.

This is, at heart, an initiative designed to maximise the opportunities that IT presents to modern day Australia.

In time, businesses will be able to use their accounting and record keeping software to automatically pre-fill reports such as Business Activity Statements (BAS).

Businesses will no longer have to spend hours working out how to translate their own records into government reports.

Financial reporting is the first set of forms to be targeted, since we know these affect the broadest section of the business community.

This will include forms such as the BAS, Company Income Tax Returns, TFN Declarations and the Quarterly Business Indicators Survey.

We will spend \$208 million over the next three years to implement this initiative.

As a result, businesses will be able to use a single, secure, log on to send financial reports to agencies such as the ABS, APRA, ASIC, ATO, and we hope, State Revenue Offices.

Use of SBR will be voluntary, but the benefits to business are ultimately estimated rise to \$795 million per year on an ongoing basis.

The Government will work closely with software companies to enhance reporting products already used by business.

The SBR team in Treasury will also work closely with business and those that support them, such as accountants, tax agents, and Information Officers, to make sure that SBR delivers maximum benefit for the business community.

### **Export of financial services**

Looking ahead, I believe that the export of Australian financial services, particularly to the Asia-Pacific region, is an obvious growth opportunity for us.

The Government has actively promoted Australia as a destination into which global investors should consider placing their funds.

The establishment of Axiss was designed to position Australia as a global financial services centre in the Asian time zone, and it has produced results.

In Australia we have developed some of the most sophisticated and expert financial services markets in the OECD. In those markets, I believe there is much we can export to the rest of the world.

Our financial services and insurance sectors currently contribute over 7 per cent to overall GDP, a figure that has been growing in recent years. There is over \$1 trillion of funds under management now, whereas in December 1995, the size of the financial services industry was about one-third of that amount at around \$347 billion.

We all know that certain sectors of the Australian economy are being tested by the emergence of India and China as economic powers.

In Australia, we have the necessary market infrastructure, IT expertise, systems, knowledge management and industry expertise to make us a natural first choice for the export of funds management in the region.

The potential export of our financial services sector expertise is just one of the ways Australia can challenge and compete in the international market place.

## **Conclusion**

For our part the Government is working hard to cement the reputation of Australia as the **best** place to do business.

It is essential that Australian industry can compete globally. It is essential because competitive Australian enterprises benefit all of us — business... government... investors... and consumers.

Ultimately, the boards and management of companies are best placed to make judgements about how to remain competitive.

We in Government simply wish to help facilitate opportunities for business where it is in the best interests of all Australians. I think that that is what you and I share in common – the desire, and obligation, to help business reach its full potential through innovation that leads to competitive advantage.

Thank you.