

## Briefing Note

# The New Australian Government is “Open for Business”

September 2013

Significant changes in Australia are expected as the new Prime Minister (PM) Tony Abbott was sworn in on 17 September. Among other policy priorities, PM Abbott has promised to rein in government spending, repeal an unpopular tax on carbon emissions, and encourage foreign investment.

### Australia - Under new management

On 7 September, Tony Abbott was elected Australia's 28th prime minister, defeating the Labor party candidate, Kevin Rudd, and delivering a decisive win for the Liberal-National coalition after six years in opposition. Promising to deliver stability and consistency, PM Abbott stated in his victory speech that “Australia is under new management and once again open for business”. He also stated his government would be “a government that says what it means and means what it says”.

PM Abbott has clearly signalled that he will work towards strengthening relations with key partners in the Asia-Pacific and Indian Ocean regions as well as important trading partners elsewhere. What is evident, the Coalition will welcome foreign investment to the Australian economy. With a team of experienced Cabinet Ministers, PM Abbott is quickly moving to demonstrate his authority and showcase the new regime's willingness to do business.

Amid a surge in the Australian share market and [the highest levels of business confidence in two years](#), the political climate is favourable for Abbott and his team to advance his policy priorities that he has pledged will lower the deficit, cut red tape, slash taxes and reduce the size of government.

### Coalition's mandate

PM Abbott is keen to demonstrate his decisive leadership credentials with an aggressive action plan. He has set in motion the drafting of legislation to repeal the Carbon Tax and Mineral Resources Rent Tax, which many believe created substantial disinvestment triggers for investors considering Australian-based acquisitions. PM Abbott has said that he will not recall Parliament until the necessary legislation has been drafted to deliver on his election commitments. Furthermore, he has indicated there will be constructive change to Australia's industrial relations regime to restore the country's lost competitiveness.

The Liberal-National coalition has also promised action with regard to the current environmental approval processes, which some see as overly bureaucratic and a disincentive to business investment and sustainable progress.

### A big win

This was a significant election victory for the conservative coalition. For the ousted Australian Labor Party, this is its biggest loss in over 100 years, following voter disillusionment due to high-profile in-fighting within the party ranks and a deeply unpopular carbon tax that was implemented by the party after an election promise to the contrary.

The make-up of the new Parliament will see the new Government holding approximately 90 seats in the lower

house (House of Representatives) to the Labor Party's roughly 55 seats, with the remaining handful of seats belonging to Independents and the Green party.

However, the Liberal-National coalition fell well short of a majority in the upper house (Senate) following some interesting minority party election victories in the Senate (upper house), which many predict will cause the new Government some legislation approval issues.

### Open for business

Among other priorities, PM Abbott has promised a review of the tax system and a move to strengthen the Foreign Investment Review Board (FIRB), which tests to ensure deals are not contrary to national interests. Incoming trade and investment minister Andrew Robb signalled the new administration's intention to make an international trade push, including quickly finalising key bilateral deals (with China, Japan and South Korea) and regaining the "trust" of foreign investors, arguing that attracting foreign direct investment (FDI) will be key to boosting Australia's economic growth and combating growing unemployment. Prior to the election, the Liberal-National coalition released [a discussion paper](#) in which it unambiguously supported foreign investment and free trade, which should be welcomed by overseas investors as a positive sign of the new Government's willingness to do business.

### Industries to benefit

While most investment in Australia over the past decade has been, and will continue to be, centred on the mining and energy sectors, PM Abbott's pro-FDI stance will be of interest to the food, agriculture and manufacturing industries.

A potential stumbling block to PM Abbott's efforts is Australia's high costs of labour, which if mitigated in some fashion could enable a resurgence in the manufacturing sector, which has struggled over the past 10 years under high labour costs and high taxes. Many of these businesses would have a low enterprise value, but have the ability to command greater market dominance with improved operating costs.

### FTI well placed

The incoming government has a great deal of work ahead of it to implement its policies, but businesses and investors operating in Australia are likely to experience significant shifts in the operating environment. FTI Consulting clients and prospective clients will undoubtedly benefit from our longstanding relationships with the new administration and deep understanding of the intersection between business and public policy, which can help them navigate through this moment of change.



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