

The following article by Robert Gottliebsen appeared in the "Back Page" column in the finance section of *The Australian* newspaper on 6 December 2000. Robert has kindly agreed to let us reproduce the article here. A follow-up article by the same author appeared on 8 December 2000.

Our growth and prosperity will suffer in the long term

The brain drain out of Australia is beginning to gather momentum. Australia may become another New Zealand.

Although evidence is anecdotal, around this year's Christmas gatherings - next to the dollar - the exodus of up-and-coming talent is the main topic of conversation.

Investment banks such as Merrill Lynch, Deutsche Bank and UBS Warburg appear to be losing annually a combined total of around 8 to 10 per cent of their people to their international operations.

Those leaving tend to be the best younger talents. Other investment houses are experiencing similar trends.

While some will return, there's no way the local operations could accommodate large numbers of highly paid international executives returning to Australia.

In the academic and research communities the exodus appears to be even greater.

There has been a concerted raid by overseas groups on our mathematical talent. Australia has traditionally been seen as a land of opportunity by its youth.

But in the 21st century many of our best up-and-comers see the US or Europe as offering much better long-term prospects.

The change is not hard to understand. Young people see that our top CEOs are paid substantially less than their international counterparts. Moreover, they are vilified for what they receive.

It is true that some non-performing CEOs are overpaid but most international company Australian branch heads receive bigger salaries than the equivalent heads of Australian-listed companies.

None of Australia's four top banks would find it easy to head-hunt Bill Ferguson, Citibank's Australian managing director, and Southcorp did extremely well to lure Tom Park, who was head of Kraft Asian operation. He is unlikely to have shifted for the money although his share options would help.

We are also not offering competitive pay to our top academic and technical people. Part of the problem is that at the universities the thrust for "salary justice" means that high achievers are rated on a similar basis as those who can't or won't deliver.

Superimposed on the low salaries is a tax scale that classifies anyone who earns over \$50,000 as rich.

Australians are not only reluctant to pay global salaries for their executives but have little understanding of the need to achieve global return on investment. Without such returns, investment is reduced. Many blame Allan Fels and the ACCC for the problem but he is merely reflecting the view of the community and the politicians.

There is little doubt that fall in the Australian dollar has increased the exodus.

The effects will not be noticeable in the short term but will stunt our growth and prosperity in five to 10 years' time.

Talented people create new jobs and wealth in the community and without them our standard of living will fall.

We can't stop them going but we can begin the process of trying to attract them back in say five to 10 years when they will be much more experienced.

To do that we need a more entrepreneurial community spirit, a globally competitive tax system and a set of salaries that also go close to matching global levels in the key areas.

We also have to get our telecommunications infrastructure right. We will then have a wonderful place to live.

Robert Gottliebsen writes daily for The Australian and hosts Business Daily on Sky News channel at 8.30 pm and 11.30 pm

gottliebsenr@matp.newsltd.com.au