

Future Generation and 2Fold: Investing for impact
Episode Seven | Caroline Gurney and Michael Chaney

Future Generation acknowledges the traditional owners of country throughout Australia, and recognises their continuing connection to lands, waters and communities. We pay our respects to elders past and present.

CAROLINE GURNEY: That was Michael Chaney - one of the country's most successful business leaders – and advocate for the Voice to Parliament. For the past 3 decades, Michael has dominated corporate Australia. As CEO of Wesfarmers (ASX: WES), he grew the company's value from \$1 billion to \$10 billion and he's also chaired some of Australia's top tier companies – such as National Australia Bank, Woodside Petroleum and, of course, Wesfarmers. More recently, however, Michael has turned his sights to other projects. In today's episode he shares his thoughts on The Voice, the state of politics in Australia, mining, feminism and the environment. I'm going to start by asking a question that we ask all of our guests. This podcast is called 2Fold, because at Future Generation our purpose is twofold. We want to get the best investment returns for our shareholders, and we also want to get the best social outcomes for young Australians. So Michael thank you very much for being here today. What are your two driving purposes in life?

MICHAEL CHANEY: Well Caroline it's hard to think of two. I think I've only had one really, and that was to make a difference. To make a difference, and perhaps here's the two, in my business life and to make a difference in my life outside business, you know whether that's my personal life, my family life or in the community generally. I think I've always had an ambition to use whatever skills and background and experience I've had to make a difference in whatever I'm involved in.

CAROLINE GURNEY: So that's very apt because Future Generation is all about making a difference. I really want to talk to you, you're a businessman and obviously you've done a lot in the philanthropy space, but I want to talk to you about inflation because it's really dominating the news cycle. And everybody's thinking about. Everybody's thinking about the cost of living and the crisis that we might be in now. So from your view how much pain are we actually in now and is it going to get worse?

MICHAEL CHANEY: Well could I start by saying that in this discussion with you Caroline any comment I make about forecast or prediction should be treated with caution, because one thing I've learned over my business life is that no-one can really forecast anything with any accuracy. But we all have our views and if you look at inflation for example at the moment the general view is that we've probably peaked, you know whether it's the US, in Europe, in Australia, but that it's going to be hard to get back down to

the you know 2% sort of level that Federal Reserves and Reserve Banks want to get to. There's a fair bit of stickiness there. And we all know why inflation has occurred. It's supply chain shortages exacerbated with the situation in Ukraine. And recently we've had the oil producers saying they're going to put a floor under that. So I think it's going to be a while until it comes down and people generally think it'll be 2025 until we are getting into much lower levels.

CAROLINE GURNEY: And how do you actually think the RBA is dealing with it? Like could they do more? What's your view on that?

MICHAEL CHANEY: Well I think they've been in a very difficult position and I think they've done a good job in dealing with it. They've used traditional methods, obviously raising interest rates if they felt they needed to, having a pause at the last meeting. But it's always a balance between going too far with interest rates rises and sending the economy into a recession. And so far they've managed to raise interest rates in a way that we still have an economy that's growing albeit fairly slowly. But I do think we've got a few rate raises ahead of us.

CAROLINE GURNEY: I think you're right. I mean that is the general consensus. So Wesfarmers it's one of the country's biggest retailers. You own Bunnings, Kmart, Target, Officeworks, and until very recently Coles. So what has the impact of inflation been there? And what do you see as the outlook now for the retail sector more generally?

MICHAEL CHANEY: Yeah. Well the impact has been as you would expect it's been difficult to maintain margins. We've had inflation in products that we import and are produced here. We've had inflation in wages. And we've passed some of those increases on in our prices. One of the benefits we've had as a group is that our businesses like Kmart and Target are at the lower price end. And as we anticipated people are actually flocking to them and moving away from higher priced retail outlets. And so overall the effect on Wesfarmers hasn't been too dramatic.

MICHAEL CHANEY: The retail sector at the moment is operating in exactly the way we thought it would six months ago. I said to Rob Scott the other day it's one of the few times in business where our predictions about what will happen in six to nine months have come true, that we're finding retail and generally at the consumer side is turning down. And I think that'll be quite difficult over the next six or twelve months.

CAROLINE GURNEY: So let's continue with banks. I mean you were Chair of NAB during the financial crisis and you were there for ten years. What do you see with everything that's happening in the US with the regional banks what do you think, are there going to be any sort of knock on effects for Australian banks?

MICHAEL CHANEY: Yeah I mean the hope is that what might have been a banking crisis internationally has been sorted. The American banks are doing their quarterly reporting now and reporting good profits on the whole, and the smaller banks a loss of deposits, it's in line with what people expected. And so I think the effect of what's happened there will be fairly minimal, but time will tell.

CAROLINE GURNEY: That's good to know. Let's look at building companies. There have been some recent collapses. And I would I assume you keep a very close eye on that sector especially as you have Blackwoods and Bunnings. You know do you think there is more hardship in the building sector to come?

MICHAEL CHANEY: I think there is. If you look at our Bunnings operations the trade side of it is performing very well. And that means that there's still reasonable building activity going on out there. But quite a few builders signed fixed price contracts to build houses and they've been struggling a lot for the last couple of years. And so we've seen a number of them fall over. When you see a company go into administration a lot of people don't realise that it's actually been struggling for years and you know people try and get their heads above water, the banks help them along and are long suffering and so on but eventually they have to go to the wall. And I suspect there will be a few more following. But eventually we'll come out of this cycle where there's been supply shortages and cost increases. And if inflation has actually now peaked and we're seeing it come down it'll make it easier for those who are on fixed price contracts. It's very difficult now to get a builder to commit to a fixed price contract and that'll help as we go forward if they're all cost plus.

CAROLINE GURNEY: So Wesfarmers is one of the biggest employers in the country. You've got more than 100,000 staff. Presumably a lot of them are on the minimum wage. What's your view of the minimum wage and is it really adequate now with all of the cost of living increases?

MICHAEL CHANEY: Well if I could start with that last question. I'm sure it's very difficult. You know for people on the minimum wage with inflation the way it's gone it's certainly difficult and quite a struggle I think for a lot of people. In terms of Wesfarmers we employ many people on workplace agreement, enterprise bargaining agreements and so on which are usually based on awards and in almost all cases pay above the award, and if there are wage increases coming through, minimum wage increases, they're reflected in the awards in most cases. And so most of our people are better off than that minimum wage that you mentioned. But where they are in those cases they get the indexation or the increases that flow through. And as I said I don't have any doubt that it's difficult living on the minimum wage in the current circumstances.

CAROLINE GURNEY: So turning to a topic that is really in the news at the moment and one I believe is quite close to your heart. You've recently joined the Australians for Indigenous Constitutional Recognition. And you've been very vocal supporting the Voice. I'm really interested why did you decide

to do that and really what does the Voice mean to you?

MICHAEL CHANEY: Well mean I've I must say long lamented the situation facing a lot of indigenous people in Australia. I've been out in remote regions and seen that for myself. I chair an education board in Canberra and through that I've seen the absolutely terrible results, school results, in remote and very remote Australia. And I think there has to be a better way. And I think the Voice has the potential to make a difference. If it is a pro-active Voice I think we'll find people coming forward and saying look there is a better way to do this, why are we sticking with this sort of centrally designed way, whether it's in education or health or social services. And so I happen to think the Voice will make a difference. And it is a very simple change to the constitution, a very modest change in my view, and I'm confident that it will get up.

CAROLINE GURNEY: So if it were up to you how would you actually bring more Australians along? How would you frame the referendum question?

MICHAEL CHANEY: Well the referendum questions which have now been described by the Prime Minister are I think very sensible questions. Firstly the question itself in the referendum is very simple. It's do you approve of recognising the First People and providing a Voice. It's then backed up by what would go into the constitution, the three sentences. And they are very straightforward sentences. That there'll be a Voice. It will be able to make representations to Parliament and the Executive Government. And the third sentence gives Parliament the absolute power to determine everything about the Voice, and that's something that is a bit overlooked and people who oppose it often throw out distracting sort of suggestions that ignore the power of those words in the third sentence.

CAROLINE GURNEY: So you believe it should be a Voice to the Executive as well as to Parliament?

MICHAEL CHANEY: Absolutely. Because if it were a Voice to Parliament only it would be a reactive voice. That is, Parliament and the government would draw up a Bill, it would go to Parliament, and the Voice would then be able to comment on it. What it precludes is the Voice being a very productive pro-active body. For example, remote and very remote education is in a terrible state, and I can imagine the Voice coming to the government and saying look at the moment it's handled this way, why don't you try something totally different, a remote education commission, or the whole situation out in remote and very remote areas is pretty diabolical partly because all arms of government are doing their own thing without communicating, make it the whole of government commission for remote areas. And that's an example of where a Voice could be pro-active very usefully and make a difference. And if you just make it the Parliament that would never happen.

CAROLINE GURNEY: So you believe that it should just be confined to matters that directly impact

indigenous people like land, education and health? You think it should be much broader?

MICHAEL CHANEY: No I do think it should be confined and that it involve indigenous people. In fact if you look at the speeches in Parliament when these Bills were introduced it's certainly the intention of the government. They've made representations on matters relating directly to indigenous people for general matters where the effect on the indigenous people is different to the effect on the general population. And so any suggestion that the Voice will be in there trying to get involved in everything from you know education to defence is just silly in my view and it just wouldn't work and by the way if it did do that the Parliament of the day would change it. One of the issues people are asking for is more detail. Well you have to realise constitutional changes and clauses never have detail. The detail of the Voice will vary from this decade to the next decade to the next decade as the requirements arise.

CAROLINE GURNEY: I think that is an interesting point and one perhaps I haven't seen that much on. You're obviously talking to a lot of different people. You know what are some of the most common arguments that you're hearing?

MICHAEL CHANEY: Well the arguments, do you mean the arguments against?

CAROLINE GURNEY: Yes.

MICHAEL CHANEY: Well the arguments against to me have been quite mischievous distractions. I mean they started with it's a third chamber. Oh well everyone realises it's not a third chamber so we'll now move on to we need more detail. Oh well detail is never in the referendum and it's up to the Parliament. Parliament could legislate it now and they will legislate it as the decades go by. Oh it's justiciable, that is it'll tie up the Courts. Well then you get the Robert French's and Brett Walker's and Justice Haynes and so on saying it's not. Oh well okay we'll put that aside. It's how do you define an Aboriginal. Oh well there are three tests. Okay fine. Oh well it's a Canberra Voice. So as each of these things in my view have been debunked someone raises another objection. And I've been really disappointed actually that it's become political. It shouldn't have been political. It should have been a unifying occasion, a logical step in reconciliation that's been worked on for the last couple of decades.

CAROLINE GURNEY: So if First Nations people believe their voice is not being heard, should they have the right of appeal to the High Court?

MICHAEL CHANEY: Well no. As I mentioned earlier the third sentence in what's proposed to go into the constitution puts all the power about the makeup of the Voice and the activities of the Voice and every aspect of the Voice with the Parliament. And under Section 1 of the constitution the country is governed by the Parliament which comprises the sovereign House of Representatives and the Senate. That remains the case. And so the Voice has no power to override anything, to veto anything. And the

makeup will be determined by the Parliament and if it became justiciable with aspects the Parliament in my expectation would change it.

CAROLINE GURNEY: So.

MICHAEL CHANEY: But in any event the wise legal heads like Robert French aired that all to say that it's not justiciable in the form that is currently proposed.

CAROLINE GURNEY: So you have committed Wesfarmers to advocating for the Voice. You know what role do you think corporates should play in the campaign? Are they going too far?

MICHAEL CHANEY: Yeah. No they're not going too far. I mean I think there's a very important role for corporates here. And if you look at Wesfarmers as an example, Wesfarmers has from the outset had a primary objective of providing satisfactory returns to the shareholders. And that's because if you buy a share in Wesfarmers you buy it in Wesfarmers and not CBA or Westpac because you hope it'll do better financially. So that's our purpose. But we've always said we can't achieve that purpose in the long term unless we look after the interests of all stakeholders, employees, suppliers, customers, the environment, the community. And we don't see any conflict between looking after stakeholders and looking after shareholders. They really go hand in hand. So in Wesfarmers if you look at employees we employ 100,000 people of whom 4,000 approximately are indigenous people. We have suppliers who are indigenous suppliers. Many of our customers are indigenous people whether it's in Bunnings or Kmart and Target and so on. We have international shareholders who are looking with great interest at this referendum and frankly I think would throw their hands up if it were lost and wonder about Australia as a fair place. And so if you think of all of those things not supporting this referendum would be betrayal of all of those people I've mentioned. Betrayal of our indigenous employees and suppliers. And I think betrayal of the Australian people because we think this is a very important move, a uniting move in Australia and it should be supported. I've been out talking to CEOs of other big companies and universally they have the same view.

CAROLINE GURNEY: So it wouldn't be perceived as elitist interference?

MICHAEL CHANEY: No and it's not at all elitist and in fact this is a grass roots sort of campaign. There is a heck of a lot going on in the ground. And it's up to individual Australians to vote as they please. We would never argue with that. But it is something I think for all Australians, individuals, organisations, companies and so on, to get behind.

CAROLINE GURNEY: You mentioned that you employ 4,000 indigenous people and I understand that you actually consult them to make sure that working conditions suit the local communities. I mean that's a really interesting model. I mean could you explain a little bit more about that?

MICHAEL CHANEY: Well yes we do. I mean let's face it most of the indigenous people we employ are just like every other non-indigenous person and come to work and do the same sort of job. But there are some cultural differences and so we do two things really in this regard. When we are taking on indigenous people we have a process where we sit down and talk to them and help them understand what the job involves and so on and to make sure it fits in with their own practices and habits. But we also provide great flexibility. So if somebody you know has sorrow time, sorry time for example, then they can take some time off. But we also have cultural education programs for our non-indigenous workforce so that people they are working with say in Bunnings or Kmart understand some of the issues that might be different.

CAROLINE GURNEY: Let's turn to Alice Springs and what's happening there at the moment. For me it's an absolute tragedy. Obviously Wesfarmers has operations there. You know do you have any ideas on what we could do better there?

MICHAEL CHANEY: Well I think it's a sort of a microcosm of remote Australia and some of the issues that are there. In my view it was a real mistake lifting the restrictions on alcohol and I think that's proven to be the case. There were a lot of indigenous people saying to government don't lift them and the government did for its own reasons and I think the results speak for themselves. So I think this is one place where I think the Voice which actually was seen as having a role could make a difference. You know if the Voice had existed and said to the government you've got this commitment coming up, we don't think it's a good idea, I think government might have taken a bit more notice of it than they did with the random sort of comments coming from the indigenous community.

CAROLINE GURNEY: So I read that you had a stint in the Western Desert. Can you tell me a little bit about that experience but what did it actually teach you? Like what did you bring back and how have you applied that?

MICHAEL CHANEY: It taught me a few things. I went with my wife and actually my brother Fred had organised it because he's been involved up there and a few other senior corporate people and we spent three or four nights camping out in the Western Desert and looking at what the local Martu people were doing in restoration of country. And quite a lot of them, of the men that were with us, have actually spent time in jail in the Pilbara. And they were terrific people you know out there now doing I think really useful work. We talked about the issue about going to jail. What was happening, and it's a great illustration actually of how a rule in this case made in Perth centrally doesn't make much sense remotely. As you know in order to drive a car you need a Driver's License and you need literacy and so on to fill in forms. Quite a few indigenous people ended up driving without licenses and when they were caught were thrown into goal for three months, and when they came out drove again and were thrown into jail for six

months and they get into this cycle of imprisonment that really dictates the rest of their life. The magistrates that were involved up there just after I there was got together to talk about what sort of solutions there might be for this really quite odd problem. I mean in Western Australia you need to do 50 hours of supervised driving before you get your license. It is practically impossible to do it. You don't have a higher road toll by the way up there with people driving without a license and there's got to be better solutions. And I think it brought home to me a simple, without talking about solutions, the simple point that rules made in Canberra or in Perth or in Adelaide that are sensible for some parts of the population may not be for remote populations and the education one I mentioned is a good example and there must be a better way to do it. And for people who say well the Voice won't make any difference, my answer is well what will, what do you suggest, given that's what been done in the past is on the whole been pretty ineffective.

CAROLINE GURNEY: Do you think Australia is a racist country?

MICHAEL CHANEY: No I don't. I mean there are elements of racism and we read about it you know lately someone shouting out at the football. But on the whole I don't think Australians are racist. Australians I think are a real egalitarian society. I think we don't have the sort of class structures that we've seen elsewhere. In the first hundred years of Australia since the constitution was formed I think there was a fair bit of racism that diminished over time. And so 1967 indigenous people were actually able to be counted in the population. And so there's been an enlightenment I think over time and today I wouldn't describe Australia as racist at all.

CAROLINE GURNEY: So you've mentioned Fred your brother and obviously your father was also a Minister in the Liberal government. So you have this incredibly rich history with the Liberal Party. So what is your sort of response to how the Liberal Party has responded to the Voice and more generally how do you think the Liberal Party are doing?

MICHAEL CHANEY: I've been very disappointed in their response to the Voice because I think they decided early on there is some political mileage to be made by opposing it when they should have embraced it. And you know we've had resignations from the Party as a result by people who are highly regarded I guess because they see the same thing. It is a real shame I think and if the referendum were lost I think it would be a real indictment actually of those who opposed it when they should have been onboard.

CAROLINE GURNEY: This is in terms of the Liberal Party. Let's move to your daughter Kate. She's an Independent or a Teal MP and she got elected you know so successfully to Parliament last year. So as a father what did you think of her decision to go into politics and how did she sort of broach it with you? And maybe what does this say about the Liberal Party when you know Curtin is a blue ribbon seat, what's

the state of politics in Australia now?

MICHAEL CHANEY: Kate actually came and sat with me and Fred my brother and said I'm thinking of, I've been asked, invited to stand. And both of us said ah we don't think it's a good idea. Firstly because the life of a politician a Federal politician from Perth is really difficult with all the travel. And secondly I said you know you've only got three months this is one of the safest Liberal seats in Australia and your chances of winning it are pretty low in my view. She went away and came back and said well I've decided to accept the invitation. And she ended up with I think 860 volunteers who did a fantastic job and she won the seat. And she is very much enjoying it I think. She's enjoying being able to express an independent view rather than a Party view and has been very active in the electorate and in the Parliament. The Liberal Party has a real problem and we've all read about that and they've done their own reviews and so on. In Western Australia it's particularly acute because they hold two seats out of I think 56 in the State Lower House. And the Party there has been beset by all sorts of internal ructions over the years and accusations of branch stacking and so on, and it's very hard to recover from that sort of position. But as we've seen in Australia and in other countries parties do recover from what seemed like completely irretrievable positions but it requires goodwill on people's part. One of the challenges I think is getting membership. You know generally it doesn't appeal to people to join the Liberal Party, and join a branch, get involved and so on, and it makes it easier for branch stackers to prevail, and that's something that's very difficult to overcome. So I think the Party has real challenges going forward.

CAROLINE GURNEY: I think you're right there and it's been a huge change in the Australian political landscape but one of the things I also want to talk to you about was ESG. In your opinion do you think things have gone too far?

MICHAEL CHANEY: I don't really. I mean ESG is obviously a bigger part of corporate life than it was say 30 years ago. For a company like Wesfarmers actually it's nothing new. When we went public in 1984 our first annual report said on the inside cover our principal objective, that is our purpose, is to provide a satisfactory return to shareholders, in doing this we seek to look after employees, suppliers, customers, the environment. So ESG and all the rest of it is, that last bit is ESG, that's always been part of our DNA. It's become more emphasised in the markets over the last decade in particular with different resolutions being put up at meetings and so on. But I think that's just part of the way the world has changed and it's something that companies need to cope with.

CAROLINE GURNEY: So you, I mean 1987, I think that's when you made that statement, so you sort of pre-dated the current ESG revolution. Do you think we should be doing better though?

MICHAEL CHANEY: I think companies on the whole are doing very well. I mean if you look at emissions reductions companies have been well ahead of government policy for the last few years or certainly over

last decade and doing their own thing in terms of emissions reduction. And you know if you look at the Business Council. If you go back into say 2006-2007 I was President of the Business Council and we supported the emissions reduction scheme that the Rudd Government put forward. And the Business Council has always supported the carbon tax, call it an emissions reduction scheme or something else. And so business on the whole has been on the front foot. The justification really was a precautionary principle, that is, at that time the science wasn't as well developed but if what people are saying is true there's a problem ahead of us we better start taking action and that's been the way business has approached it.

CAROLINE GURNEY: So what's your view on mining? I mean I know Wesfarmers is out of coal. But what's your view on mining because I see so many investors actually avoiding that industry and yet you know it's such an important part of our economy. So how should West Australia be talking to eastern States about the importance of mining and what it brings to this country?

MICHAEL CHANEY: Well firstly you can't have an energy transition without mining. You know you have to mine iron ore to make steel for wind turbines. You have to mine silica to produce solar panels. You've got to mine lithium for batteries, and copper and so on. So mining will play a big role in the transition. There's a fair bit of naivety really in the general public who've never been out to see a mine. And I remember driving someone all the way from Perth to Broome through the Pilbara and seeing you know when you get to a mine, whether it's a Rio or a BHP iron ore mine that's huge or the super pit at Kalgoorlie, but it's an absolute fly speck on the landscape of Australia, you know you drive for ten hours and see another mine. And people tend to sort of see a TV image of a mine and say it's devastating the landscape, well it's absolutely immaterial in the scheme of things. And so all of those products are going to be needed. Mining is going to play a very important role in Australia's future.

CAROLINE GURNEY: And you've obviously sat on a lot of Boards. I mean you've been Chair of many. How much of corporate life now is spent pandering to sort of an activist base?

MICHAEL CHANEY: If I look at that from a Board point of view I would say one percent.

CAROLINE GURNEY: Right.

MICHAEL CHANEY: A very small amount. Now if you're on the Woodside Board at the moment, which I'm no longer, it'd be higher than one percent because they've got shareholder resolutions to consider and so on. But at Wesfarmers we have a sustainability report which is as big as our annual report and that has to be reviewed by the Board and gone through different drafts and so on. We have every meeting safety statistics. So all of those things are part of the routine. But, going to your point, responding to activists at a company like Wesfarmers is a very small part of business.

CAROLINE GURNEY: So what do you say to people who believe that companies have no right to give away shareholder money to community causes, or to take a stand on moral or social issues?

MICHAEL CHANEY: Well dealing with the first. I mentioned earlier in this podcast that we don't believe it's possible to achieve long term superior shareholder returns without looking after the interests of all stakeholders. The duty, in Australian law the duty of Directors is to look after the interests of the company, and if the Directors believe that making any expenditure is in the interests of the company they should do it. And making an expenditure on ESG sort of things or say supporting a local ballet company or a local charity and so on if they believe it's in the interests of the company to do that they should do it. And we believe it is necessary to do it because you earn your license to operate. Wesfarmers for example is rated is one of the companies with the highest reputation in Australia. We don't think it's a coincidence that we've been one of the strongest financial performers. The two go hand in hand. If you're seen as an ethical company, a supporter of the community, customers want to shop with you, people want to work with you, other companies want to joint venture with you. All of those things are critical to achieving long term shareholder returns. And similarly with the social issues. I talked earlier about why it's so important for companies to be onboard with the Yes campaign, because in that case we've got so many vested interests around our group in employees, customers, suppliers and so on, in the indigenous space, and we feel it's very important to support them.

CAROLINE GURNEY: So staying on Wesfarmers. You know as you've said you've had incredible growth over many years. Given its current size can it actually sustain the growth? And where is the next leg of growth coming? Is it pharmacies? Is it lithium? You know is it how you use your data?

MICHAEL CHANEY: Well if we look at the second part of your question. I wish I knew. We all wish we knew what we'd look like in ten years' time. I did an exercise for the Board recently where I produced a pie chart to illustrate this point of the makeup of the group at the end of every decade since we went public in 1984. And the pie charts are unrecognisable one decade to the next. So we were dominated by a fertiliser business when we went public that produced 50% of our profits. That same business today is 1%. And the reason we've changed is that we've been driven by that single purpose statement about shareholder returns. That's allowed us to look at investments across the board and to take them where we felt A they were ethical but B they gave good returns. And so we've moved from being an agricultural company to at one stage dominated by coal mining, then by retailing and supermarkets, and now by Bunnings. And we move, it's called logical incrementalism, we move as the opportunities present to either buy or sell businesses or expand them. And so in ten years' time we'll look different to what we do today. But none of us knows how.

CAROLINE GURNEY: I thought that might be the case actually. So let's turn to education. We've talked

about education already. But obviously you were Chancellor of the University of Western Australia for more than ten years. So when you look at society today what worries you most about where we're trending?

MICHAEL CHANEY: What worries me a lot at the moment is artificial intelligence. We have a Director at Wesfarmers called Anil Sabharwal who's a senior Google Executive and he was talking to us at the last meeting about the current view amongst leading tech people around the world that ChatGPT or AI is the next platform. And the outcomes from it are totally unpredictable. So when the iPhone was released no-one knew that it would to Apps. No-one knew it would lead to the decimation really of the camera industry. No-one understood it would lead to social media with all the effects that it can have on children and teenagers and so on. And they think that AI is the same. That there are going to be all sorts of applications and developments that we can't currently understand. Now those with an extreme view would say the worry is that eventually machines will be brighter than people and will take over and make their own decisions. And you get people like Elon Musk saying we should have six month pause which is impractical I think because somebody will keep going. But I think if you think about the issues around today, social media and some of the negative effects of it, AI and what it can lead to in sort of if you can imagine some things like a video that didn't actually exist of a Prime Minister saying something that looks very credible I think we're in for a very challenging sort of time. And I'd see AI as a huge issue for the world generally.

CAROLINE GURNEY: So let's turn to Jim Chalmers. He recently did an essay in The Monthly about the need for values based capitalism, and the government is targeting doubling the philanthropy by 2030. What role do you think corporate Australia has to play in this and are you going to make a submission to the Productivity Commission?

MICHAEL CHANEY: Well I think I mentioned what role I think corporates have to play in well really in community support. They have an important role, and it's in their own interests to do it. I think you know the debate around this is mostly words at the moment. I think you know we've moved into an environment now where there's general recognition of a need to make sure we have wages growth, and that's been stalled. It's been stalled actually for many reasons outside the control of a country like Australia. But there's a growing understanding that we need wages growth which is really challenged by the, if you look at real wages growth, by the inflation situation and the outlook. We're not making a submission to the Productivity Commission on that. But I think the challenge for the government if you go back to Jim Chalmers, the challenge for the government really is to grapple with the demographics of Australia and the effect that has on fiscal deficits, and the need really for wholesale tax reform not just fiddling around the edges and so I see things like the you know changes to superannuation tax and so on and the question of a third wave of changes to personal income tax as very minor things in the scheme

and we need to sit back and have a look at the whole system as Ken Henry did, maybe pick up Ken's report, update it, and say we're a brave government, we're actually going to propose a revolutionary change in the way taxation is applied in Australia. Because if we don't we're going to end up like a Third World economy in 20 or 30 years with the aging that we've got and things like the NDIS and the demands of an older population.

CAROLINE GURNEY: I will quote you in our submission.

MICHAEL CHANEY: Good.

CAROLINE GURNEY: So your brother Fred, we've talked about him, he excelled in politics. You obviously have excelled in business. You know could it have been the other way round?

MICHAEL CHANEY: It could have been I think but I don't think that it would have been a good outcome because Fred by nature-

CAROLINE GURNEY: For business or for politics?

MICHAEL CHANEY: Fred by nature is much more interested in policy than I am. And I'm much more interested in business. And I've found business and trying to make a difference really fulfilling personally. And I think he's found politics fulfilling although politics is a lot more frustrating than business. In comparison business is really straightforward.

CAROLINE GURNEY: So what are you going to do next?

MICHAEL CHANEY: Well I'm getting on now and so I'll eventually retire. I'm involved on four Boards today, the Wesfarmers and Northern Star Resources, the Australians for Indigenous Constitutional Recognition, and the National Schools Resourcing Board. I'll finish up with the last one there this year. The AICR one will finish up this year and I'll finish up my terms on those two listed companies in a few years' time. So after that I'll be retired and probably too old to be working.

CAROLINE GURNEY: You'll be doing a lot of woodwork?

MICHAEL CHANEY: I'll be doing a lot of woodwork and probably more travel. And looking after 13 grandchildren and all the family, well not looking after them but spending time with them.

CAROLINE GURNEY: Which is a wonderful place to be.

MICHAEL CHANEY: Yeah.

CAROLINE GURNEY: Thank you. Thank you so much for your time. I really appreciate it. So thank you

Michael.

MICHAEL CHANEY: Thanks Caroline.

CAROLINE GURNEY: We hoped you enjoyed today's episode. For those that are interested in Future Generation, we are Australia's first listed invested companies (LICs) to provide investment and social returns. We offer a unique opportunity for shareholders to invest in leading Australian and global fund managers, while supporting high impact, youth focused not-for-profit organisations. Today the Companies have more than one billion in assets, managed by more than 30 leading Australian and global fund managers. These fund managers generously manage our funds pro bono and don't charge management or performance fees. This then allows us to give one percent of our net tangible assets each year to carefully selected not-for-profit organisations. So far, the Future Generation companies have given \$65.2 million, making us one of Australia's top thirty corporate philanthropists. This has been made possible through the expertise and generosity of the Future Generation pro bono fund managers, service providers, Board Directors and investment committee members, all of whom waive their usual professional fees. For more information about Future Generation please go to www.futuregeninvest.com.au.