# Creating a more dynamic and resilient economy inquiry

Questionnaire response 56

**Name:** Regional Australia Institute

**Submission date:** 6/06/2025

## 1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

   Please see single submission for all 5 pillars attached

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

   Please see single submission for all 5 pillars attached

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

   Please see single submission for all 5 pillars attached

## 2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

   Please see single submission for all 5 pillars attached

2. How has your regulatory burden changed over time?

   Please see single submission for all 5 pillars attached

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

   Please see single submission for all 5 pillars attached

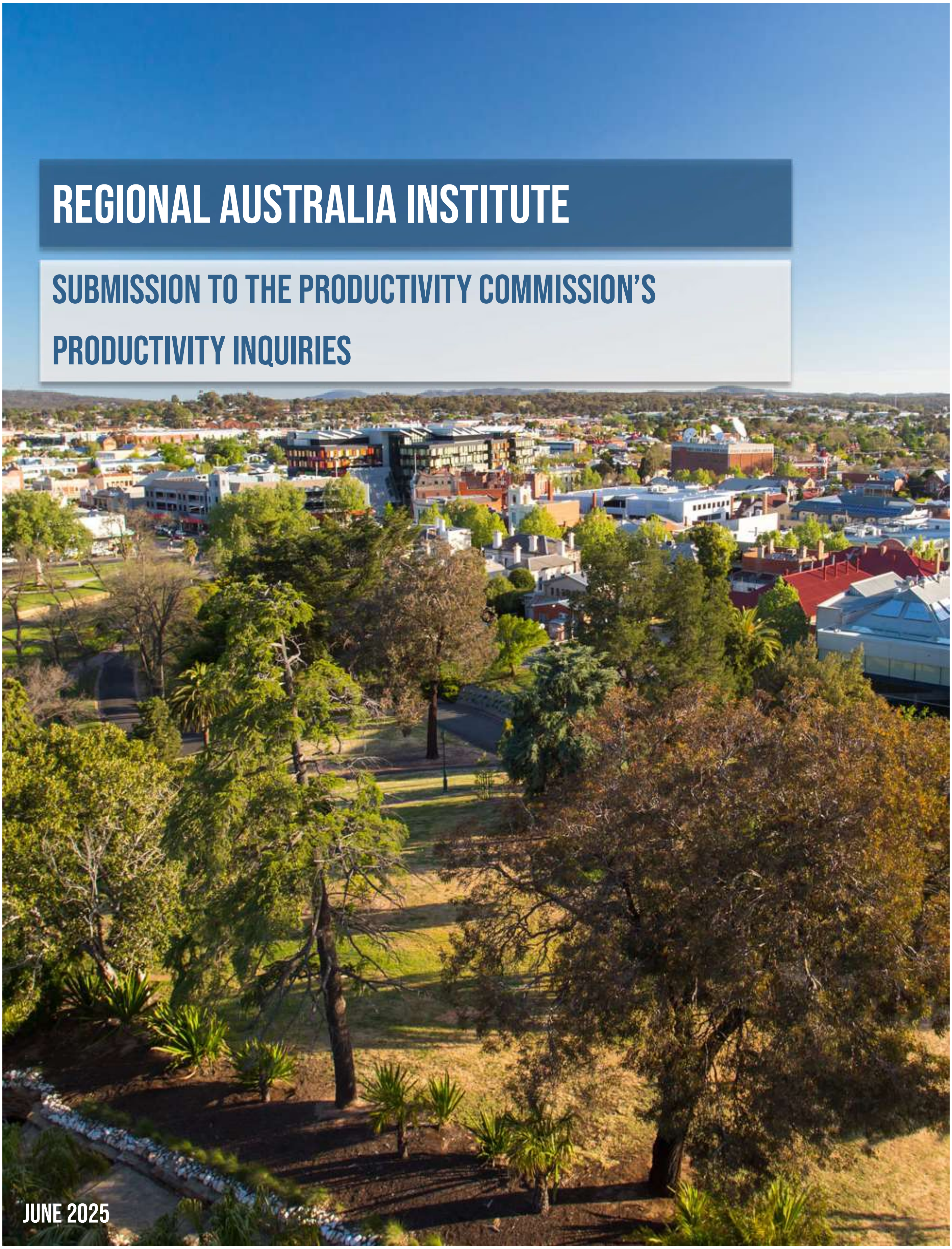
4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

   Please see single submission for all 5 pillars attached

Cover sheet: Supporting document #1

# REGIONAL AUSTRALIA INSTITUTE

## SUBMISSION TO THE PRODUCTIVITY COMMISSION'S PRODUCTIVITY INQUIRIES



JUNE 2025

# ABOUT THE REGIONAL AUSTRALIA INSTITUTE

The Regional Australia Institute (RAI) is the nation's first and only independent think-tank dedicated to empowering Australia's regions. We are a not-for-profit organisation that undertakes research to inform, educate and activate our rural and regional communities.

The RAI celebrates 14 years in 2025. We are proud of the vast array of research, data and detailed insights the RAI has provided into many of the significant issues and challenges facing regional Australia. The work of the Institute is made possible through research partnerships with federal, state and territory governments, the national Regions Rising event series, regional consultancy projects, membership and philanthropic funding.

In 2022, the RAI launched the Regionalisation Ambition 2032 - A Framework to Rebalance the Nation. The Ambition is a 10-year plan for regional Australia that seeks balanced growth across our nation's regional towns and cities. It outlines key targets, actions and benefits that will contribute to building prosperous regional communities, and a stronger Australia.

The RAI exists so that decision-makers at all levels of government, not-for-profits, industry and community have the information they need to ensure the best outcomes for regional Australia. By replacing myths and stereotypes with facts and knowledge, the RAI seeks to build a more inclusive, unified and prosperous future for all Australians.

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# CONTACT AND FURTHER INFORMATION

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# 1. INTRODUCTION

This submission by the Regional Australia Institute (RAI) responds to the policy reform areas set out in the Productivity Commission's five productivity inquiries in 2025.

The RAI supports the Australian Government's focus on productivity growth in this term of government. To fast-track Australia to become a more productive and prosperous nation we need to shift our gaze to regional Australia.

Regional Australia feeds and powers the nation and is the source of many of our major export and income earning sectors. Thirty-seven per cent of the population lives in regional Australia, and for the first time in seven decades, our regional, rural and remote communities are welcoming more city dwellers moving regionally each year than in the opposite direction. Record jobs, a lower cost of living, great communities and wide-open green spaces are some of the key reasons two-in-five city dwellers are considering a move to the regions – and why businesses are investing in the regions.

The growth in Australia's regions is rebalancing Australia's population and driving economic growth opportunities, many of which are centred around Australia's strong natural resource advantages and the energy transition that is critical to a net zero economy.

Advances in communications infrastructure and access to new digital technologies are making new productive activities possible in the regions. The rise in remote working means many more service and knowledge jobs can be performed from the regions.

A regional renaissance is well and truly upon us.

Many regional and remote communities have traditionally faced productivity challenges due to distance and scale factors and limited access to labour, capital and knowledge inputs to production. These challenges vary considerably across regional and remote Australia depending on local conditions.

This review presents an important opportunity to address these challenges and identify solutions to unlock productivity in regional Australia – which will benefit all Australians.

The RAI submitted five ideas to the initial 'Productivity Pitch' stage of this inquiry:

- **A population plan to grow regional Australia and rebalance the nation** - a regional population growth plan would articulate scenarios around population distribution in regional cities and towns and put in place long term planning and investment to achieve positive productivity, wellbeing, lifestyle and environmental outcomes.
- **A Productivity Commission inquiry into measures to increase productivity in regional Australia** – a major inquiry with a focus on the regions would examine the opportunities and challenges for lifting productivity in regional and remote Australia and growing regional economies.
- **Improve digital connectivity in regional Australia** - a regional connectivity strategy should be developed to ensure all parts of Australia can access reliable, superfast broadband and that regional workers, businesses and education providers have the skills,

information and incentives they need to adopt and innovate and grow returns from productivity-enhancing technologies.

- **Improve labour mobility to lift regional productivity** - reforms are needed to improve labour mobility that is essential to productive and competitive regional economies. Removing regulatory, information and financial barriers to mobility will make it easier for skilled workers to move to regional areas and lift regional productivity and national output.
- **Net zero regional economic development strategy** - a national strategy would identify regional development opportunities from the net zero transition by growing high value, globally competitive industries in the regions, utilising access to reliable and affordable renewable energy

# 2. SUBMISSION

This section of the submission responds to the 15 policy areas under the five core pillars that the Productivity Commission has nominated for consultation in the next stage of the inquiry.

Given the importance of productivity growth in regional markets to national productivity it will be critical that development of reform proposals takes into account regional challenges and opportunities.

## Pillar 1 - Creating a more dynamic and resilient economy

**Proposal 1: Support business investment through corporate tax reform**

Corporate income tax reform can provide important incentives for increased business investment and productivity in regional Australia and realise the significant opportunities from improvements in digital technology and access to renewable energy in the regions. Many parts of regional Australia are home to world-leading agriculture, mining, manufacturing and services enterprises and it will be important that businesses in these sectors continue to invest and innovate to maintain Australia's global competitiveness and grow national income and jobs.

**Proposal 2: Reduce the impact of regulation on business dynamism**

A continual focus on best practice regulation by governments is crucial to reduce unnecessary regulatory burden on regional businesses and free up resources for more productive tasks. This initiative should also include a focus on improving the conduct of regulators to minimise the cost burden on regional businesses, for example, through efficient approvals processes and reduced fees and charges.

## Pillar 2 - Building a skilled and adaptable workforce

**Proposal 3: Improve educational outcomes with the best available tools and resources**

Rural and remote schools would significantly benefit from improved digital connectivity to overcome blackspots and slow internet services. Poor connectivity and education provision can impact on student educational attainment rates and deter enrolment in further study, which ultimately impacts on labour force and productivity outcomes. Regional students are behind on NAPLAN results and year 12 completion rates compared to students in the cities:

- NAPLAN results in the regions are lower than the cities. In 2024, the percentage of regional students in the 'Exceeding' proficiency level was 9.0% on average compared to 18.2% in the cities. The percentage of children 'Needing Additional Support' increased to 16.3%, well above the average 8% in the cities. The outcomes for children in Very Remote areas are even more concerning with an average of 2.6% of students at the 'Exceeding' level and over half (54.6%) 'Needing Additional Support'.[1]
- The gap between Year 12 completion rates in regional areas and urban areas is widening with 79.4% of students in Major Cities completing Year 12 compared to 67.6% in Inner Regional areas, 69.2% in Outer Regional areas and only 55.5% in Remote-Very Remote areas.[2]

**Proposal 4: Support the workforce through a flexible post-secondary education and training sector**

Support is needed to lift participation in post-secondary education in regional areas closer to rates in major cities. For instance, almost 50% of people aged 25 to 34 years in major cities have a bachelor degree compared with 26.9% in Inner Regional areas, 21.1% in Outer Regional areas, and around 16.6% in Remote and Very Remote areas.[3] Further expansion of the Regional University Study Hubs scheme would support greater participation in post-secondary education by regional students.

Post-secondary education reform should be complemented by investments in place-based workforce strategies to target interventions that reduce long term skill shortages in regions. The RAI has updated our Regional Jobs Guide which has a new indicator called the RISE – this stands for Regional Indicator of Stable Employment. This composite metric is designed to assess the balance between jobs seekers and job vacancies in regional areas. Using this tool regional communities can build a targeted workforce strategy to understand their unique opportunities or challenges in relation to building a skilled and adaptable workforce.

**Proposal 5: Balance service availability and quality through fit-for-purpose occupational entry regulations**

Removing unnecessary occupational licensing requirements can help with service delivery in rural and remote areas where labour shortages mean that some occupations take a long time to fill. Improving migrant skills recognition will enable migrants living in regional Australia to utilise their

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[1] [1] *NAPLAN National Reports 2023 and 2024 by Remoteness* (2024). Australian Curriculum, Assessment and Reporting Authority (ACARA). Retrieved from https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/naplan-national-results

[2] *Year 12 certification rates* (2022). Australian Curriculum, Assessment and Reporting Authority. Retrieved from https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/year-12-certification-rates.

[3] ABS, May 2021 quoted in Dr H. Ferguson, Regional and remote higher education: a quick guide, Australian Parliament House.

skills to address regional skill shortages and contribute to higher productivity. Skills recognition processes should be faster and less costly for regional migrants and businesses.

There is an ongoing need for greater national consistency in occupational licensing, which in Australia's federal system needs to be constantly reinforced. Cross-border communities in regional Australia are particularly disadvantaged by different approaches to occupational regulation.

## Pillar 3: Harnessing data and digital technology

**Proposal 6: Support safe data access and handling through an outcomes-based approach to privacy**

A more efficient approach to privacy regulation can enable the expansion of greater online service provision in regional and remote communities, so long as it is demonstrated that risks to private information are adequately managed to protect consumers.

**Proposal 7: Unlock the benefits of consumer data through effective access rights and controls**

Improvements to digital literacy in regional Australia and greater information provision that build awareness of the consumer data right and options available for its use could have significant positive impacts in regions which experience reduced competition for services compared to the rest of Australia.

**Proposal 8: Enhance reporting efficiency, transparency and accuracy through digital financial reporting**

Digital financial reporting may deliver additional benefits for regional and remote businesses due to the cost and time savings from a reduced need for postal services.

**Proposal 9: Enable AI's productivity potential**

Stable and effective regulation are important for the use and development of AI by business, which offers significant productivity benefits in regions but will require greater awareness and confidence in its application. Reliable and affordable broadband connectivity to all parts of Australia is a necessary foundation for giving businesses and individuals certainty and confidence to invest in skills development, innovation and capacity building to use AI, particularly in remote areas that are the location of many of Australia's most competitive industries.

## Pillar 4: Delivering quality care more efficiently

**Proposal 10: Reform of quality and safety regulation to support a more cohesive care economy**

Streamlining and harmonising the regulation of safety and quality in the care economy across state and territory governments needs to be a strong focus for improving the supply of care to cross-border communities, where residents (workers) often access (provide) services in a different jurisdiction.

**Proposal 11: Embed collaborative commissioning to increase the integration of care services**

Collaborative commissioning models across care sectors (health, disability and aged care) could deliver greater benefits in regions where resources are scarce and that have an ageing population with greater need for care services. There are 499 medical practitioners per 100,000 people in metropolitan Australia, with large regional centres (480) and rural towns (463) only slightly behind. However, the gap in services is significant in Outer Regional and Remote areas, with the FTE per 100,000 population ranging from 352 to only 133. [4]

**Proposal 12: A national framework to support government investment in prevention**

Greater investment in prevention strategies and programs for people living in rural and remote Australia, where secondary and tertiary care services are more limited, could provide significant health and productivity benefits.

## Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation

**Proposal 13: Reduce the cost of meeting carbon targets**

Securing and maintaining social licence for renewable energy development is essential for the energy transition and meeting carbon targets progress of the transition. Community opposition to renewable energy projects can lead to costs, delays, decline in business investment and ultimately threaten our net zero aspirations. Governments, industry and communities should adopt timely, inclusive and appropriate community engagement and implement regional investment programs that deliver long-term benefits to the regions.

Community benefit funds attached to net zero projects can be used to make investments in productivity-enhancing skills and infrastructure. This might include funding for road improvements, boosts to regional digital connectivity or water and energy infrastructure improvements are potential areas of productive investment.

A regional economic development strategy would aim to leverage opportunities from these investments and the reliable and affordable renewable energy they will produce, including the best use of benefit sharing initiatives that can lift the productive capacity of regions. New industry development – investments in renewable energy will create opportunities for additional value-adding investments in regional areas, building on local economic strengths.

**Proposal 14: Speed up approvals for new energy infrastructure**

Speeding up approvals for all major infrastructure and housing projects in regional Australia, including energy infrastructure, will improve productivity and deliver the benefits of investment faster. Housing supply is particularly important for delivering new energy infrastructure in regional areas to accommodate an additional construction workforce and reduce housing pressures on the existing community. The addition of a large construction workforce in a region also places pressure

[4] *Regionalisation Ambition 2024 – Year 2 Progress Report*. Regional Australia Institute. Canberra. p. 40.

on local service provision (e.g. health, education, emergency services) and these impacts need to be better managed within planning frameworks.

**Proposal 15: Encourage adaptation by addressing barriers to private investment**

This proposal is designed to 'address barriers to investment in adaptation on housing' due to climate risk. Climate risks and natural disaster can cause significant adverse impacts to housing in regional Australia. The cost and timeliness of housing construction, whether for new housing or housing that is built in recovery following an adverse event, can be impacted by low construction sector productivity, a lack of a skilled workforce and difficulty accessing materials. Several recent reports (Productivity Commission, Committee for Economic Development of Australia, National Housing Supply and Affordability Council and New South Wales Productivity and Equality Commission) have brought attention to the issue of low productivity in the construction sector due, in part, to small firm size and fragmentation, issues which are common in regional markets. The inquiry should consider solutions to increase productivity in the construction sector, including through increasing the capacity for innovation in firms and greater adoption of modern methods of construction.