Australian Chamber of Commerce and Industry

Five Pillars of Productivity Inquiry

ACCI Submission

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Introduction

ACCI welcomes the opportunity to contribute to the Productivity Commissions Five Pillars of Productivity Review. Lifting productivity is the key to growing our economy, creating new well-paid jobs, increasing the international competitiveness of our industries and improving future living standards of all Australians.

Australia's productivity growth has slowed substantially since the turn of the century. Worse, over the past five years it has been stagnant, averaging zero growth. It remains uncertain whether productivity growth will improve from this low point or whether we will see productivity contract further in the years ahead.

There is no shortage of ideas readily available to the government that, if implemented, can help to lift productivity growth.

The current Five Pillars of Productivity Review appears to be travelling the same well-worn path as the Productivity Commission's 5-year Productivity Inquiry Report from 2023. This more than 1,000-page report delivered 29 reform directives, and 71 recommendations focused on creating a more dynamic economy through business investment and competition, having a highly skilled and adaptive workforce, harnessing data digital technology and diffusion, lifting productivity in non-market sectors and managing the transition to net-zero at least cost. The government is yet to respond to the report and has taken few if any steps to adopt any of its directives and recommendations. This should be the starting point for the Five Pillars of Productivity Review.

The Australian Chamber of Commerce and Industry (ACCI) recently released *Agenda for Business,* which sets out five priorities for revitalising the Australian economy and delivering greater prosperity for all Australians. This focused on boosting productivity and competitiveness, growing skills and workplace flexibility, open markets and a dynamic economy, affordable energy while protecting the environment and growing digital capabilities.

The business community recognises that much of the heavy lifting to improve productivity rests with business. However, to allow business to meet the challenges and seize opportunities, we need policy reforms that give the structure and flexibility to the environment in which businesses operate, so as to create the entrepreneurial culture, dynamism, resilience and competitiveness needed for businesses to thrive.

If we get the policy settings right, we can unleash enormous economic opportunities and benefits from the business community. When businesses see a better policy environment, they are quick to respond with investment. Business investment is a catalyst for productivity growth and major driver of economic activity. It typically introduces new technologies, skills development and innovation. Greater investment by businesses is needed to lift productivity and sustain the economy over the next decade. Yet, in the current business environment provides little incentive to invest when businesses face high operating costs and are weighed down by high taxes, excessive regulation and an inflexible workforce.

If we are to lift business investment and achieve productivity improvements, then we need a more supportive environment for businesses. More needs to be done to lift these burdens from business and stimulate business investment.

The following responds to the questions raised in the consultation papers for the five pillars of productivity.

Pillar 1: Creating a Dynamic and Resilient Economy

Policy settings must be strategically designed to support sound fiscal management, modernise the tax system, reduce regulatory burdens, and foster greater business investment in innovation and technology.

ACCI agree with the two broad themes identified by the Productivity Commission under this pillar — supporting business investment through corporate tax reform and reducing the impact of regulation — as essential levers for improving productivity. However, these themes should serve as a foundation rather than a ceiling. There is further scope for government action to foster a more dynamic and resilient economy under the two themes, as discussed below.

Australian Business Investment landscape

Over the past decade, excessive regulation, and inconsistent and outdated policy frameworks have hindered the adoption of new technologies and constrained efficient resource use. Businesses are burdened by a fragmented and duplicative system of federal, state, and local regulations, which is particularly evident in environmental approvals for major projects. Additionally, recent changes to Australia's industrial relations legislative framework, including the Secure Jobs Better Pay, the Protecting Worker Entitlements and the Closing Loopholes, have imposed complex new obligations on businesses, diverting focus and resources away from innovation and R&D.

Tax reform is a critical lever for lifting Australia's productivity performance and driving strong, inclusive, job-creating economic growth, to support higher living standards. However, progress on this front remains limited, and meaningful action is still not realised from the Productivity Commission's previous five-year productivity review which identified reforming tax system incentives as a key recommendation to reinvigorate growth.

Australia stands at a critical juncture. Short-term, one-off measures such as modest reduction in the tax rate at the lower thresholds to address bracket creep and the Instant Asset Write-Off to encourage small businesses (with turnover less than $5 million) to make low value investments (less than $20,000 in value), are at best a band-aid solutions. What's needed to properly tackle the problem is comprehensive tax reform and long-term, strategic planning to secure the nation's prosperity for decades to come. In addition, principles based regulatory reform can help make the business environment more amenable to productivity growth.

In short, business investment is being held back by an outdated corporate tax structure, burdensome state taxes, inconsistent policy signals and antiquated regulations. Addressing these barriers through tax reform and multi-pronged red tape reduction agenda, is fundamental to raising Australia's productivity performance and achieving strong, inclusive, job-creating economic growth that will lift our future living standards.

Australian Taxation System

Australia's tax system is overly complex, burdensome, and costly to administer. It is overly reliant on inefficient and distortionary taxes, many of which are either structurally unsustainable or poorly designed. There are also longstanding imbalances between the revenue-raising responsibilities of the Commonwealth and those of state and territory governments, particularly in relation to public spending. These imbalances have contributed to underlying structural weaknesses in public finances.

Despite numerous tax reviews over the past two decades, each offering detailed recommendations and clear direction, successive governments have repeatedly deferred meaningful reform. It is no longer tenable to "kick the tax can down the road."

Corporate income taxes are a drag on economic growth. With a corporate tax rate of 30 per cent for medium-sized and large businesses, it is well above the OECD average of 23 per cent. Australia's corporate tax ranks among the least competitive in the world, lagging behind peer economies such as New Zealand, the United States, and the United Kingdom.

While small businesses benefit from a reduced tax rate of 25 per cent (applicable to those with turnover below $50 million), the partial implementation of this tax reform has created a two-tiered framework that risks distorting investment decisions and undermining overall productivity. Recent literature underscores that a uniform 25 per cent rate for all businesses is likely to improve Australia's investment climate, though it would require careful attention to fiscal trade-offs and budgetary offsets.[1]

A unified rate would eliminate investment distortions, reduce administrative complexity, and better align Australia with global capital markets. While the initial fiscal trade-offs would require careful management, the long-term economic gains, through higher employment, stronger wages, and greater business investment, would make a compelling case for reform. Ultimately it would 'increase the size of the pie' with more businesses achieving higher profits and contributing a larger amount of tax revenue that would more than offset any reduction tax received from the lower tax rate.

Australia can draw valuable lessons from international experience. In Ireland, the corporate tax rate was gradually reduced from 40 per cent to 12.5 per cent by 2003[2]. This low rate, combined with a stable, pro-investment policy environment, positioned Ireland as one of the world's leading destinations for FDI. Over time, increased employment boosted income tax receipts, while higher corporate profits led to greater tax revenue. In short, corporate tax reform helped grow the economy without depleting government coffers.

By 2023, Ireland's inward FDI stock had reached around 255 per cent of GDP, underscoring its role as a European hub for multinational enterprises. Many global firms established major research and development centres and regional headquarters in Dublin and beyond. This investment has translated into significant job creation, particularly in high-skilled, high-value industries. Ireland's experience demonstrates that a low corporate tax rate, when paired with consistent and supportive policies, can deliver both fiscal resilience and sustained economic growth.

Similarly, Canada undertook a series of federal corporate tax cuts, reducing its rate from 28 per cent to 15 per cent over time[3]. The results were positive — business investment rose, productivity improved, and job creation increased. Research from the Montreal Economic Institute found that real hourly wages rose significantly across several sectors following the reform. Canadian firms became more globally competitive, which in turn supported wage growth and broader economic expansion.

As experienced in Ireland and Canada, the benefits of lowering the corporate tax burden on medium-sized and large businesses in Australia would ripple across the entire economy. Large businesses are deeply embedded in national supply chains and communities, as they source inputs from thousands of small businesses, engage service providers across industries, and directly employ hundreds of thousands of Australians. When these businesses are encouraged to invest and expand through tax relief, they create more orders for local suppliers, stimulate ancillary industries, and generate additional employment.

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[1] Sobeck, K., Breunig, R., & Evans, A. (2022). *Corporate Income Taxation in Australia: Theory, Current Practice and Future Policy Directions.* TTPI Policy Report No. 01/2022. Canberra: Tax and Transfer Policy Institute, Australian National University.
[2] Center for City Development Policy (2025). *Ireland's FDI Success Story: A Policy Framework Analysis.* (Published 3 February 2025). Center for City Development Policy
[3] Bédard, M. & Michel, A. (2018). *Canada's Corporate Tax Cut Success: A Lesson for Americans.* Montreal Economic Institute – Economic Note.

In this way, the benefits of reform would be widely shared, enhancing the entire business ecosystem, not just the bottom lines of large corporations.

Importantly, the Government should not shy away from initiating this reform due to concerns about revenue loss. The examples from Ireland and Canada demonstrate that, within a few years of a well-calibrated rate cut, corporate tax receipts rebound to (or exceed) their pre-cut trajectory. Although businesses pay a lower tax rate, it is applied to a much bigger pool of taxable income. A staged approach to lowering the corporate rate would ensure that the tax revenue grows faster than the base declines, supporting long-term fiscal sustainability while driving productivity, investment, and economic growth.

As such, ACCI proposes lowering the corporate tax rate to 25 per cent through a phased approach, to minimise the immediate budgetary impact. As a first step, we recommend increasing the base rate eligibility threshold from $50 million to $250 million in annual turnover. This change would immediately enhance the international competitiveness of both small and medium-sized Australian businesses, encourage reinvestment, and improve Australia's attractiveness for foreign direct investment (FDI). Over time, the threshold could be progressively lifted to include all businesses under a single 25 per cent tax rate.

In addition to implementing a uniform corporate tax rate of 25 per cent for all businesses, broader reform is needed to address other distortionary taxes at the state and territory level. State and territory governments remain heavily reliant on inefficient taxes such as payroll tax, insurance taxes and stamp duties, which imposes a significant administrative, compliance, and financial burden on businesses.

For payroll tax, this burden is exacerbated by the complexity and inconsistency of the arrangements across jurisdictions—including variations in rates, tax-free thresholds, and concessions. While payroll tax is a state and territory tax, achieving reform requires the Commonwealth to play an active leadership role to assist and reward the states and territories in making significant changes. As a first step, the Commonwealth should work with the states and territories to include payroll tax reform on the Council of Federal Financial Relations (CFFR) agenda. Initially, the CFFR should focus on reducing the administrative and compliance burden of payroll taxes on business, through better harmonisation of the payroll tax rates, tax-free thresholds and exemptions across the jurisdictions, as well as greater digitisation and integration of the states' and territories' payment platforms. Reducing the burden of payroll tax on business is not only an important start to broader tax reform, but is necessary to support business activity, jobs and wages growth that will lift productivity and drive the economic recovery.

Short-term one-off measures such as Instant Asset write-off should be made a permanent feature of the tax system by raising the value of eligible depreciable assets to $50,000 and increasing the threshold for eligible businesses to an aggregated turnover of $50 million. This would have greater impact, as it would enable business to invest in more substantial assets, particularly in digital assets as well as enabling more businesses to invest. At a value of $20,000, the type of eligible assets that are eligible for an IAW are very limited, potentially a new fridge or oven for a restaurant or new computer hardware for an accountant.[4] Increasing the value of assets to $50,000 would offer a wider range of plant, equipment and vehicles that are important to the everyday operations of businesses, such as a mini-excavator for a builder / plumber or a vehicle for an in-home aged-care support worker. A higher write-off amount would support more and a wider range of investments, thereby making a greater contribution to economic activity and productivity growth.

In addition, we further recommend creating a Tax and Federation Reform Commission to provide considered advice on comprehensive reform of the tax system. As well as tax reform, the Commission

[4] Although dependent on the needs of the business / size of the investment $20,000 may not be enough for an industrial fridge or highly specialised computer equipment.

could also be tasked with recommending opportunities for improved delineations of Federal and state/territory spending responsibilities.

Recommendations:

- Reduce the company tax rate to 25 per cent for all businesses to enhance the competitiveness of Australian businesses versus international competitors — initially by extending the threshold for the small business 25 per cent corporate tax rate to $250 million to cover all small to medium enterprises, then extending it progressively to all businesses at the earliest feasible opportunity
- Commit to comprehensive tax reform, including reform of federal-state arrangements, with an aim of reducing or eliminating unproductive taxes on business such as stamp duties, insurance taxes, and payroll taxes.
- To stimulate business investment, policies such as the Instant Asset Write-off should be made permanent and be extended to digital assets. The threshold for eligible depreciable assets should be increased from $20,000 to $50,000. This would give businesses greater confidence to invest, without the recurring uncertainty about whether the measure will be legislated in time each year.
- Begin the process of comprehensive tax reform to address Australia' outdated tax structure by creating a Tax and Federation Commission to provide advice on tax reform options, including opportunities for improved delineations of federal and state/territory spending responsibilities.

Regulation Reform

The burden of regulation is a major factor constraining Australia's productivity, economic growth, and international competitiveness. An efficient regulatory system should enable businesses to establish, operate, and grow—especially in an economy that is increasingly technology-driven and globally integrated. Currently, with regulation at all levels of government—federal, state, and local—is overly complex, duplicative, and overly prescriptive. Instead of focusing on simple, outcome-driven frameworks, these regulations have become a costly, burdensome and time-consuming compliance exercise.

Over the past three years, the regulatory landscape has become even more demanding, with government extending its influence over businesses through new regulatory measures and increased transparency requirements.

Amendments to the *Fair Work Act* have altered Australia's industrial relations landscape, with the introduction of new workplace rights, a new jurisdiction for regulated workers, changes to the definition of employment and casual employment, and drastic changes to enterprise bargaining, particularly in respect to multi-enterprise bargaining. Those amendments also introduced onerous regulatory tasks, including particularised responses to requests for flexible working arrangements and requirements to provide information statements at more frequent intervals.

The intensification of business regulations must be viewed in the context of these expansive changes to the industrial relations landscape, that removed a range of well known, established, and clear regulatory obligations and replaced them with ambiguity and uncertainty, all of which make compliance more difficult to achieve.

Further, there has been an increasing trend of the government taking voluntary industry codes and making them mandatory, as seen with the gas market code, climate-related financial reporting, merger reforms and the food and grocery code of conduct. The increasingly onerous administrative and compliance burden being placed on business, is stifling innovation and reducing competition. This regulatory reflex not only increases costs for businesses, but reduces productivity, which ultimately leads to higher prices for consumers.

Regulatory duplication is also a long-standing issue. Businesses, particularly those operating nationally, are often required to navigate overlapping regulatory requirements between the Commonwealth and states—especially in areas such as land use, planning and environmental approval processes. National and multinational organisations often spend thousands to millions of dollars, and hundreds of hours, completing complex applications, followed by lengthy approval times, for major projects. The Commonwealth needs to work with states and territories to simplify and streamline major project approvals system. This should include reporting of performance against specific benchmarks and fixed approval times for low-risk projects.

Looking ahead, the burden is set to grow even heavier. Businesses face a growing list of future compliance obligations, including payday super, tax transparency, ESG (Environmental, Social, and Governance) reporting, and climate-related financial disclosures. This risks overwhelming businesses unless the regulatory framework is simplified. Appropriate policy settings are critical to ensure businesses can meet new obligations without incurring excessive administrative costs or diverting resources away from core operations.

Another contributor to rising compliance costs is the increasing reliance on full-cost recovery models by regulatory agencies. While intended to sustain the ongoing operations, this model provides little incentive for the regulatory agency to pursue efficiency. Instead, costs have steadily increased alongside the complexity of regulations. The Government's Cost Recovery Guidelines include three cost recovery principles: efficiency and effectiveness; transparency and accountability; and stakeholder engagement. However, policy is clearly failing in these areas, particularly in terms of efficiency and accountability. There needs to be greater accountability for cost recovery by regulatory agencies and greater incentive for them to deliver efficient regulation.

A user-centric approach must be central to the design and implementation of regulation. Regulators need to work closely with all affected stakeholders including local, state and federal government policy agencies and regulators, industry bodies, employee and community representatives. This is fundamental to improving the efficiency and effectiveness of regulation, coordinating regulatory reform across departments and agencies, and better harmonising new and existing regulation.

The Commonwealth needs to lead efforts to integrate Federal and state/territory systems to avoid unnecessary duplication of regulation, as well as environmental and planning approvals of major projects. Through CFFR, there is opportunity for the Commonwealth to work with the states and territories to improve the clarity, consistency and certainty of the planning system across Australia, leading to more efficient, competitive and productive outcomes. This should include performance reporting and setting targets for shorter approval times. For example, consideration should be given to short fixed-time (14-day) approvals for low-risk, low-value developments compliant with zoning requirement.

Furthermore, in order to reduce the burden of these regulations on business, ACCI has long advocated for a coordinated red-tape reduction agenda, including the creation of a cross-agency Red Tape Taskforce and the appointment of a dedicated Minister for Red Tape Reduction. This approach is essential to address the layers of red tape that have accumulated over decades and continue to grow. Businesses are burdened not only by the sheer volume of regulation but also by the cost, time, and stress of compliance—especially smaller enterprises.

The small businesses, continue to bear, most of the brunt of these compliance burdens. For example, there are numerous definitions of what a 'small business' is, which is just another layer of complexity small businesses face – before they can determine what red tape and programs are applicable to them, they need to first assess whether they are even considered to be a 'small business'. Streamlining the definition across the Fair Work Act would reduce red tape and make the system much fairer to businesses. More small businesses would be able to access a range of exemptions which would significantly boost their ability to comply with the incredibly complex and onerous industrial relations laws in the Fair Work Act. The definition should be streamlined to businesses with fewer than 25 employees for the Fair Work Act, excepting redundancy provisions.

To ensure future regulations do not disproportionately harm smaller operators, a Small Business Impact Analysis should be conducted and published for all new or amended regulatory proposals. This would ensure that the voices of small businesses are considered in policy development and help prevent unintended consequences.

Cutting unnecessary red tape and adopting a more streamlined, transparent, and coordinated approach to regulation is essential to support business investment, reduce costs, and improve Australia's long-term productivity performance.

Recommendations:

- Work with states and territories to expand the use of digital regulatory tools and self-assessment pathways to simplify and streamline the major project approvals process, reduce administrative burden, and minimise duplication across jurisdictions.
- Impose greater accountability requirements on the cost recovery process for regulatory agencies and ensure incentives are in place to drive efficient regulation.
- Create a dedicated Minister for Red Tape Reduction, creating a cross-agency 'Red Tape Taskforce' to identify and cut superfluous red tape on business, to reduce regulatory burden
- Streamline the definition of small business in the Fair Work Act to fewer than 25 employees
- Require that a Small Business Impact Analysis be undertaken and published for all proposed legislative or regulatory measures

Pillar 2: Building a skilled and adaptable workforce

Improving education at every level—from early schooling through vocational education and training (VET) to higher education—plays a critical role in lifting national productivity. A well-educated population is better equipped with the foundational skills, technical capabilities, and critical thinking required to adapt to new technologies, solve complex problems, and drive innovation. Schooling builds the essential literacy, numeracy, and digital skills that underpin all future learning. VET provides targeted, job-ready skills aligned to industry needs, while higher education cultivates advanced knowledge and research capacity, fuelling new ideas and leadership across the economy.

Crucially, work-based learning—such as apprenticeships, traineeships, and industry placements—bridges the gap between theory and practice, accelerating the transition from education to productive employment. It ensures that learners develop the applied skills, confidence, and workplace behaviours that employers value, leading to stronger job outcomes and more immediate contributions to business performance. Together, these layers create a more capable, agile, and resilient workforce—empowering individuals and businesses to do more with less, respond to change, and generate higher-value outputs.

Improving school student outcomes with the best available tools and resources

Tools and resources: Improving access to equipment

Access to quality equipment is essential, particularly in STEM fields where teaching is more resource-intensive. Yet these resources are often limited to selective or private schools. To improve outcomes for all students, the Productivity Commission should consider how to distribute resources more equitably. This would also benefit higher education, where students require hands-on experience with industry-standard tools to be workforce-ready, and the earlier these skills are developed, the better.

Enhancing teaching environments with improved resources and professional development opportunities can also help attract mid-career professionals into the education sector, bringing valuable real-world experience into classrooms and reinforcing the connection between education and industry.

Upskilling Teachers

As digital technologies become increasingly integrated across the Australian economy, the education sector must adapt accordingly, equipping teachers with the skills and confidence to prepare students for a digitally enabled workforce. ACCI recommends placing greater emphasis on upskilling teachers and raising awareness of available technological tools, supported by clear, practical guidance on their purposeful and effective use. It will also enhance teachers' ability to identify and mitigate risks associated with technology use in the classroom, supporting student safety and well-being.

Resources and professional development opportunities must be equitably distributed, particularly to support educators in regional and remote areas where digital infrastructure remains a barrier. Upskilled teachers are crucial for delivering high-quality learning experiences and equipping students with job-ready skills.

Technology should be utilised to alleviate the administrative burden on teachers by automating or augmenting time-consuming, non-teaching tasks. This might include repetitive jobs such as tracking and monitoring attendance, updating learning management systems, documenting duty of care concerns and incident reports, maintaining Individual Education Plans and adjustments for students with disabilities, completing risk assessment for excursions or activities outside the classroom etc. Providing tools that support the non-teaching aspects of their workload would enable teachers to redirect valuable time toward classroom planning, instructional design, and student engagement.

Opportunity for the government to utilise edtech to strengthen foundational skills

Our members have expressed concern over the decline in foundational skills — particularly literacy, numeracy, and digital literacy — which are critical for workforce readiness.

The Productivity Commission should view the growth of educational technologies as a catalyst for cross-sector dialogue, bringing together and collaborating with educators, policymakers, industry, and technology providers to guide responsible and effective adoption. Rather than approaching tools like generative AI solely from a risk or security perspective, government policy should focus on their practical value in improving student outcomes and supporting teacher productivity.

The government can serve as a trusted evaluator, identifying and endorsing technologies that genuinely support high-quality teaching and learning. However, this must be done without imposing overly restrictive or prescriptive regulations. We urge the government to avoid adding further regulations that may hinder, rather than support, the use of technology to drive productivity improvements. This balanced approach would empower teachers to adopt technology with confidence, knowing the tools are both safe and impactful.

Use technology to improve data collection and use

Identifying that students experience a variety of disparities in their learning outcomes is the first step in understanding how policies can be effectively implemented to address these disparities. Currently, there are only a few nationwide standardised frameworks available for the government to utilise as an evaluation of the nationwide school system such as the National Assessment Program Literacy and Numeracy (NAPLAN) test, Progress in International Reading Literacy Study (PIRLS), Trends in International Mathematics and Science Study (TIMSS) and lastly the Programme for International Student Assessment (PISA). While these tools offer valuable international benchmarking, they are periodic, summative, and do not provide real-time insight into the day-to-day learning environments of students.

To address this gap, technology can and should be utilised to collect more granular, real-time data on student learning and well-being, thereby creating a dynamic and responsive feedback loop among schools, educators, policymakers, and families. By leveraging these technologies, governments can move toward building a continuous, time-series national data infrastructure that not only tracks educational outcomes more accurately but also explains why certain outcomes are occurring. This would allow policymakers to distinguish between different factors affecting student achievement, such as teaching quality, school resourcing, home learning environments, or digital access, leading to more targeted and effective interventions.

Recommendations:

- Invest in targeted professional development for teachers, especially in digital skills and tools that support instructional planning.
- Ensure equitable access to physical resources (like STEM equipment) and upskilling resources, particularly for teachers in regional and remote areas.
- Promote the adoption of digital tools that automate non-teaching tasks to increase instructional time.
- Prioritise educational technologies that strengthen foundational skills, including literacy, numeracy, and digital literacy.
- Focus policy on responsible and practical adoption of educational technologies, avoiding a solely risk-based or security-first framing through collaboration between educators, policymakers, industry, and technology providers to guide effective edtech adoption without adding regulatory burdens.
- Utilise technology to develop a national, continuous-time series data infrastructure to track and explain variations in student outcomes.

Supporting the workforce through a flexible post-secondary education and training sector

ACCI recommends four key policy reforms to alleviate workforce pressures and support a more flexible post-secondary education and training sector: tertiary harmonisation, strengthened apprenticeship incentives, Higher Education reforms, and targeted international student and skilled migration settings. These reforms are essential to achieving the Australian Government's ambitious goal, set in the 2024–25 Budget, of lifting tertiary education attainment to 80 per cent of the working-age population by 2050.

Tertiary Harmonisation

ACCI agrees with the approach of making the post-secondary education and training system more flexible and adaptable. As a potential solution, ACCI calls for a strategic alignment of the Higher Education and Vocational and Training (VET) sectors in line with Jobs and Skills Australia's (JSA) initiative to effectively coordinate and cooperate—enabling learners to access a combination of knowledge, skills, and their application in a changing labour market.

It is not a call to merge the two systems; instead, it aims to simplify the processes and pathways that students can use to transfer between the two sectors, thereby improving portability and equitable access of qualifications and clearer cross-sector pathways to universal, high-quality tertiary education. Tertiary harmonisation would require intensive, dedicated attention and the backing of critical stakeholders to come together in an appropriate system structure as covered in JSA's Tertiary Harmonisation publication.

The categorisation, classification, and evaluation of qualifications of attainment must also reflect greater flexibility and connectivity. The Tertiary Education Quality and Standards Agency (TESQA) and Jobs and Skills Australia (JSA) would need to reframe the Australian Qualifications Framework (AQF) and National Skills Taxonomy (NST) to create better connectivity between qualifications and recognition of skills across occupations, sectors and contexts to aid workforce development; to enhance occupational mobility and align workforce capabilities with industry needs. By establishing a common language for performance evaluation at the federal level, states and territories can facilitate more effortless mobility throughout the entire tertiary education system and encourage lifelong learning. Consequently, this could bolster efforts to assimilate occupational entry regulations and occupational licensing across states and territories. This would be a foundational shift in tertiary education policy and is prompt for the evolving Australian economy.

Harmonising the system would lay the foundations for the proposed approach for reform such as the improvement of Recognition of Prior Learning (RPL) and increase the value and rates of structured, non-formal work-related training by developing targeted measures to enable lifelong skill development and support the workforce to adapt to the future needs of our changing economy.

Apprenticeships Incentives

ACCI emphasises the critical role of employer incentives in sustaining a productive apprenticeship and traineeship system. As central partners in delivering on-the-job training, employers invest significant time and resources in supervision and support. Employer incentives have been proven to boost apprenticeship commencements and completions, while reductions consistently lead to a decline in commencements, posing long-term risks to workforce capability and economic growth. Rather than withdrawing support, the government should leverage the influence of employers to embed a culture of structured, work-based learning across industries. Our members highlight that such training not only strengthens career pathways but also improves job matching and workforce productivity.

Higher Education reforms

Higher education must play a central role in the development of a harmonised tertiary system. Much of the groundwork has already been established through the University Accord, which includes several recommendations that directly align with the Productivity Commission's objectives for building a skilled and adaptable workforce. A key example is the proposed National Skills Passport, designed to help individuals more effectively demonstrate their skills to employers through the digitisation of RPL documentation. This initiative also supports broader reforms toward more flexible, modular, stackable, and transferable qualifications—empowering individuals to acquire and update their skills throughout their working lives.

Additional relevant recommendations include increasing opportunities for tertiary students to access part-time employment and industry placements aligned with their fields of study, such as through the creation of a 'Jobs Broker'; supporting innovative models for scaling skills delivery, including collaborative infrastructure like TAFE Centres of Excellence; and working with professional accreditation bodies to align placement requirements with current industry and workforce needs.

It is important to note, however, that there is not uniform support within the business community for all forms of micro-credential, largely due to ongoing uncertainty around the implementation and scope of the National Skills Passport (NSP). While ACCI has been a consistent supporter of the NSP, the lack of progress and clarity around this project is causing concern for how micro-credentials could be implemented. Clearer direction and commitment are needed to maintain business confidence in these reforms.

Data collection for workforce planning

ACCI has consistently expressed concern over the lack of detailed, consistent data about Fee-Free TAFE from state and territory governments, which limits NCVER's ability to accurately track graduate outcomes and labour market movements across industries for this initiative. This data gap undermines evidence-based, forward-looking VET policy development.

Therefore, ACCI recommends that the Productivity Commission consult with businesses to evaluate the most valuable data points that would provide the most insight into factors affecting completion rates, job acceptance rates and retention rates. The data can be further analysed to observe hiring trends and workforce mobility, which would enrich policymaking and implementation.

International Students and Skilled Migration

Policy settings need to be appropriately targeted to support our international education sector, which remains a major driver of Australia's economic growth and a key driver of innovation, research, and long-term economic development. International students studying in Australia often transition into skilled migrants, contributing to Australia's workforce in sectors facing crushing skills shortages.

Policy decisions in this area should be informed by evidence and nuance, rather than fear or political pressure. Additionally, employer demand may be a sensible indicator of demand for skilled migration. One-size-fits-all policies, such as MD107, resulted in widespread disruptions across the higher education sector. Increasing visa application fees to $2,000, which is non-refundable and has no guarantee of a visa, continues to tarnish Australia's global reputation as a desirable and hospitable country for pursuing higher education. Such blunt policy implementation creates a perception that Australia does not want or need global talent and skilled migration. The government can mitigate this by adopting a more nuanced, targeted policy framework—one that recognises the diversity of institutions, student motivations, and workforce needs. International students and skilled migration are crucial for building a robust workforce pipeline, ensuring Australia has the talent needed to meet the economy's demands.

Recommendations:

- Align the VET and Higher Education systems to enable portability and equitable access to qualifications, while maintaining distinct systems, and provide clearer, flexible, and interoperable cross-sector pathways.

- Reform the Australian Qualifications Framework and National Skills Taxonomy to support mobility and recognition across sectors and jurisdictions.
- Improve and expand access to recognition of prior learning (RPL) mechanisms, enabling students and workers to convert their experience into credentials more efficiently.
- Accelerate the uptake of micro-credentials and short-form qualifications to meet specific workforce needs and support rapid upskilling in appropriate industries.
- Maintain and strengthen employer incentives to ensure continued participation in apprenticeship and traineeship programs.
- Encourage industry-led, structured work-based learning as a mechanism to improve productivity and workforce alignment.
- Engage with businesses to determine priority workforce data points such as completions, job acceptance, and retention rates and address inconsistencies in data collection across states and territories to improve national labour market tracking.
- Refrain from implementing blunt policy settings like MD107 or excessive non-refundable visa fees that damage Australia's international education reputation. Instead, develop a targeted, evidence-based international student and skilled migration policy that recognises students as a long-term workforce asset.
- Support smoother transitions from international students studying in Australia to skilled work to strengthen Australia's talent pipeline.

Balancing service availability and quality through fit-for-purpose occupational entry regulations

According to the Productivity Commission's Pillar 2 consultation document, there is broad agreement that occupational entry regulations are essential in high-risk professions to safeguard both consumer and worker safety and ensure quality assurance. However, the current regulatory framework has become ineffective, imposing unnecessary barriers to entry for professions that are not inherently high-risk. It often requires extensive compliance processes despite the protections already offered under existing laws, such as the Australian Consumer Law (ACL). This duplication increases costs for new entrants and places ongoing operational burdens on businesses—particularly in sectors like hospitality, construction, and allied trades. Around one in five Australian workers is subject to occupational licensing requirements. This barrier makes it more difficult for workers to change professions or work across jurisdictions, hindering economic dynamism and exacerbating skill shortages and skill mismatches.

Example of disproportionate occupational entry regulations

A pertinent example of excessive regulation can be found in the requirements for trainers within Registered Training Organisations (RTOs). Currently, individuals must enrol in a Certificate IV in Training and Assessment (TAE) before they can provide training, even under supervision. This requirement presents a significant barrier to attracting new trainers. Many skilled industry practitioners would be willing to contribute as trainers in their spare time—substantially expanding the talent pool—but are deterred by the obligation to undertake formal study.

To address this, an alternative pathway should be made available. This pathway could allow prospective trainers to undergo structured on-the-job mentoring and supervision, leading to recognition equivalent to the TAE certification. Such an approach would create a much larger and more accessible pool of trainer talent than is currently possible under existing policies or the proposed new Credential Policy.

Co-authoring occupational entry regulations with industry leaders

In contrast to the top-down approach pursued by the National Occupational Licensing Authority (NOLA), ACCI supports a proactive effort to co-author regulatory models with industry leaders. Industry stakeholders are best positioned to guide the government on the appropriate standards, drawing on their firsthand understanding of occupational risk, consumer expectations, and workforce dynamics. A model grounded in industry expertise and an opt-in licensing for mobile occupations would enable more responsive and proportionate regulation, reduce administrative complexity, and enhance workforce mobility across jurisdictions.

Instead of enforcing a one-size-fits-all model across jurisdictions, industries should have the option to adopt national entry regulations and licensing where clear benefits exist—particularly for trades and professionals who work across state borders. This approach preserves state and territory autonomy while offering practical, scalable pathways to national consistency. Crucially, it should be limited to industries already subject to occupational entry regulations and licensing, avoiding the unnecessary expansion of regulation into sectors where licensing is not currently required or justified.

This approach would create a dynamic feedback loop that promotes continuous service improvement, broader workforce participation and harmonisation of occupational entry regulations, especially in lower-risk occupations. Removing unnecessary regulatory barriers would enable a more diverse and agile workforce, boost competition, and elevate industry standards. As businesses compete, they are incentivised to invest in upskilling and service quality, driving innovation and better consumer outcomes. Crucially, this model ensures that regulation remains proportionate to risk and responsive to real-time industry conditions, rather than relying on slow and fragmented government intervention, and immediately boosts labour mobility, reduces skills mismatches, and allows businesses to fill urgent vacancies more easily.

The role of tertiary harmonisation and RPL in occupational entry regulations

First, the government should look at tertiary harmonisation as the foundation for a more cohesive industry regulatory environment and a reciprocal arrangement between states. If the foundations of every qualification in every state and territory were more comparable, the qualifications of new workers and experienced workers looking to move states or try a different but similar profession would be more easily translated across the nation.

This could be encouraged by improving and expanding RPL and credit transfer mechanisms. This is thought to make it easier for tertiary education students to have their existing qualifications and experiences certified, enabling more flexible pathways, driving competition between providers, and supporting an innovation agenda that includes micro-credentials.

Increase rates of non-formal work-related training

Secondly, the government could engage with industry to co-author reforms to increase the rates of structured, non-formal work-related training to increase the mobility of the existing and upcoming workforce. The National Skills Agreement should be amended to fund non-formal training to ensure that structured and non-formal training in VET will be eligible for government support. By increasing the pathways to enable lifelong skills development, the government can foster a more resilient and adaptable workforce that can adjust its skills to meet the future needs of Australia's changing economy.

Recommendations:

- Co-design occupational entry regulation frameworks with industry to ensure regulations are proportionate to risk and reflect real-world practice.
- Develop flexible, on-the-job pathways to accreditation for roles such as RTO trainers to expand the pool of qualified talent.
- Adopt nationally harmonised tertiary frameworks to simplify occupational mobility across jurisdictions through initiatives like the National Skills Passport that allows for better recognition of prior learning, flexible, modular, stackable, and transferable qualifications.
- Work with industry to increase participation in non-formal, work-related training to support ongoing skills development and career mobility.

In conclusion, business is a committed partner in supporting lifelong learning. From early childhood education that builds essential foundational skills and serves as an indicator of long-term workforce success, to post-employment training that enables individuals to upskill and remain competitive, businesses recognise the importance of education at every stage of life. In a rapidly changing world, we aim to help people adapt, grow, and thrive—regardless of their circumstances—by contributing to an education system that is responsive, inclusive, and future-focused.

Pillar 3: Harnessing data and digital technology

Support safe data access and handling through an outcomes-based approach to privacy

ACCI has long supported initiatives by Government to encourage greater access to data and greater protection of personal data, which is now viewed with much greater importance by the general public.

Chief among the initiatives to update Australia's laws with regard to data access and protection is the review of the Privacy Act 1988 (Cth). The Attorney-General's Department stated in its Privacy Act Review Report (2022) that its objectives include addressing the vulnerability of people's personal information in the digital age, while realising the benefits of data-driven technology. Aligning Australian data protection law with global standards of data protection is also cited, with the aim of enhancing cross-border data flows with Australia as a trusted trading partner.

Privacy and Other Legislation Amendment Act 2024

While the first tranche of amendments to the Privacy Act 1988 were passed by Parliament in 2024, ACCI would reiterate our concerns that these were not sufficiently consulted on, and that several of the new provisions represent major administrative burden to businesses, especially small and medium businesses, and do not strike the right balance between consumer protection, business innovation and productivity growth.

One notable example is the introduction of a statutory tort for serious invasions of privacy, which operates separately from the Privacy Act, and will expose all businesses to legal risk. ACCI raised these concerns in a submission to the Senate inquiry in 2024.

All businesses can be exposed to legal risk either by direct corporate responsibility or be held vicariously liable for the actions of an employee. Furthermore, on account of the fact that the tort operates outside the realm of the Privacy Act, businesses cannot rely on the employee records exemption to the Privacy Act – this will cause significant issues for employers, who not only have numerous legitimate reasons to use their employees' personal data, but in many cases are required to do so to comply with their various obligations under workplace, and other, laws.

With regard to small and medium businesses, two aspects of the Privacy Review complicate the landscape for this type of business: the statutory tort for serious invasions of privacy, and the proposed removal of the small business exemption (considered below). The statutory tort will expose small business, like all businesses, to significant legal risk in relation to their handling of personal information. This will be keenly felt by small business who, because of the existing carve out from privacy laws, will have no experience in this area. Like businesses of all sizes, small businesses will also have to deal with the lack of certainty that arises from an untested new privacy regime.

Recommendation:

- Apply the existing small business exemption (annual turnover for the previous financial year of $3 million or less) to the statutory tort, as well as to the Privacy Act, to alleviate the pressure on small business, and strike a more appropriate balance between consumer protection and business innovation.

Tranche II – forthcoming

The majority of the proposed amendments to the Privacy Act as recommended by the Privacy Act Review Report 2022 were agreed to in-principle by the Government, in the understanding that further consultation should be undertaken. One such proposal was that the small business exemption (annual turnover for the previous financial year of $3 million or less) be removed, thus subjecting all businesses in Australia to the Privacy Act.

ACCI opposed the removal of the small business exemption from the outset, on the grounds that the compliance burden would be incredibly high for small businesses, who are not familiar with data protection rules and practice. Compliance in jurisdictions which have adopted similar data protection regulations (e.g. EU GDPR) is extremely costly, adding to the already high costs of doing business in Australia today. A cost-benefit analysis conducted by an external consultant for the Attorney-General's Department in 2024 underestimated the compliance costs considerably.

While the Attorney-General's Department has maintained that the exemption should not be removed until appropriate supports (a comprehensive package of assistance including template documents and privacy statement generators) are developed and implemented, this only alleviates the burden to a very minor degree: businesses would still need to spend precious time and financial resources in familiarising themselves with privacy law, in an economic climate imposing considerable pressures on all businesses, especially on small and medium businesses.

ACCI understands that data protection is of greater importance to consumers today than in the past, and that one argument for the removal of the small business exemption is that this would put data protection on a par with other regulations which aim to protect consumers, e.g. product safety mandatory standards.

In this light, a balance could legitimately be struck between data protection, business innovation and productivity growth, by cascading the obligations of the Privacy Act based on the size of the business in question. This model of regulation is commonplace in other jurisdictions, e.g. the European Union, where the Digital Services Act (DSA) applies heavier regulation to the largest companies operating in the digital economy, and lighter obligations to the smaller companies, commensurate with their size and impact in the economy.

The cascading of obligations in the context of privacy law is already being considered in the EU as part of a simplification initiative across the board: a new regulatory proposal from the European Commission to amend the General Data Protection Regulation (GDPR) in such a way that the record-keeping obligation, from which SMEs with fewer than 250 employees are currently exempt, would not apply to organisations with 750 employees or fewer, thus raising the threshold by 500 employees. Crucially, this alleviates the compliance burden on those companies (to be defined as 'small mid-cap' companies), which typically demonstrate a high pace of growth, without compromising data protection for consumers.

Such an approach should be considered in Australia, by exempting SMEs from certain obligations and finding a balance between data protection and innovation. This is an example of regulation by outcomes-focused pathways: identifying the most useful and impactful data protection obligations and removing the more superficial.

Recommendation:

- Cascade the obligations of the Privacy Act based on the size of the business, exempting SMEs from certain obligations, to strike right the balance between data protection, business innovation and productivity growth

International considerations

An important element of the reform to Australian privacy reform is the international dimension. One stated aim of the review is to bring Australian data protection laws in line with global peers to facilitate cross-border data flows. This is evidenced by the existence of a mechanism recognising foreign jurisdictions as offering the same standard of data protection as under Australian law (data adequacy) in the Privacy and Other Legislation Amendment Act 2024. It is also likely that Australia will seek to achieve an adequacy decision from the European Commission, recognising Australian privacy law as providing similar protections to the GDPR.

Beyond cross-border data flows, consideration should be given to the importance of aligning data standards and data sharing for the purposes of trade in goods and services.

Australian trade businesses are already engaged with international trade partners through exchanging data, financial information and the physical goods themselves. Therefore, where possible, alignment of Australian regulatory processes with datapoints and practices in the international exchange process can remove burden on, and deliver cost, time and efficiency benefits for, businesses.

ACCI supports regulatory arrangements that will deliver benefits for end users by enabling 'tell us once' data collection from businesses, subject to rigorous protection of privacy and commercial-in-confidence information, and the provision of appropriate oversight arrangements. This also includes consistent data protection regulations and practices.

Furthermore, alignment with international standards rather than bilateral mutual recognition arrangements, where possible, is a major enabler of minimising regulatory burdens on business in respect of trade.

Further ACCI positions on this topic are available online:

- Simplified Trade System public consultation 2023;
- Simplified Trade System public consultation 2024; and
- Consultation to inform options for implementing the Model Law on Electronic Transferable Records in Australia (joint submission with ICC Digital Standards Initiative).

Recommendations:

- Align Australian regulatory processes with international exchange datapoints and practices to reduce the burden and deliver efficiency benefits for businesses
- Introduce regulatory arrangements that enable 'tell us once' data collection from businesses

Data Retention review

Building on the work of Government to reform the Privacy Act, which has already seen a first tranche of changes in late 2024, it is important that Government also undertake a thorough assessment of the data retention obligations across the body of Commonwealth laws.

The ongoing reform of the Privacy Act, building on the existing Australian Privacy Principles (APP), seeks to reinforce the principle of data minimisation (APP 11.2), with the Government's Privacy Act Review Report recommending that OAIC Guidelines in relation to this APP be enhanced to provide detailed guidance that more clearly articulates what reasonable steps may be taken to destroy or de-identify information.

In keeping with the aims of the Privacy Act and its review, the Australian Cyber Security Strategy (2023-2030), and in light of a number of high-profile data breaches in recent years, which have involved the disclosure of personal information, we support the Government's initiative to review data retention obligations across the statute book, which is beneficial both with respect to minimising the data held by organisations, which can represent a 'honey pot' for cyber attackers, and in terms of making data retention obligations simpler and more use-friendly for businesses.

In general, as identified by the Discussion Paper, onerous data retention obligations – especially those with contradictory timescales, or which pertain to different types and categories of data, variously stored digitally, physically or both – represent a major burden to business.

Complexities of obligations and concerns about potential future investigations or audits result in a general reticence to delete or destroy data and records, even when a data retention limit has been reached, resulting in a possibly indefinite retention of data, whose usefulness has long since expired. Exorbitant volumes of data also result in a lack of awareness (compounded by changing systems and staff turnover) of what data is being held by an organisation, or where it is being stored. Furthermore, data storage represents a major cost to business, whether this is physical storage (onsite archive or offsite storage unit) or digital (expensive cloud storage solutions); and costly legal advice in the case of unclear or contradictory data retention obligations.

Enhance reporting efficiency, transparency and accuracy through digital financial reporting

ACCI supports initiatives to encourage the uptake of digital financial reporting mechanisms and tools, however making digital reporting mandatory could pose considerable difficulties for businesses, particularly small businesses, which do not necessarily have the resources to invest in accounting software.

In the understanding that, while digital reporting has been available since 2010 but no digital report has been submitted, we are concerned that taking the step to make this type of reporting mandatory would fail to understand the reticence in the business community to make digital reports, and fail to address the concerns.

As such, we would caution the adoption of blanket mandates for digital reporting, instead encouraging government programmes to boost the uptake of digital financial reporting software and services. If a mandatory approach is chosen, exceptions should be considered for small businesses, and support should be offered.

A constructive way forward would be for the government to lead by example. For instance, rather than sharing invoices via email, all levels of government could be mandated to register on the Peppol network and receive e-invoices. This would require government agencies to upgrade their accounting systems, helping to establish the necessary infrastructure. Once these systems are in place, it becomes significantly easier for businesses—especially small and medium enterprises—to adopt and integrate digital invoicing practices.

Another potentially more effective way of reducing administrative burden with regard to reporting is to align formats and timelines for financial and non-financial reporting (e.g. mandatory sustainability disclosures).

Recommendations:

- Avoid applying blanket mandates for digital reporting, instead develop government support programs to boost the uptake of digital financial reporting software and services.
- The government should proactively support small businesses by subsidising digital tools through the creation of a 'Small Business Digital Accelerator Grant'. This initiative would help businesses integrate affordable AI solutions, POS systems, and compliance software—boosting operational productivity and reducing manual workloads.

Enable AI's productivity potential

Australia has always been an early adopter of AI technologies. However, in recent years, our adoption of AI has fallen behind global peers—as noted in the Senate Select Committee on Adopting Artificial Intelligence (AI) report. While we appreciate the steps the Government is now taking, there is still significant work required to support businesses in embracing and integrating AI technologies effectively.

ACCI is supportive of the Government's work on Safe and Responsible AI in Australia, and the initiative to establish voluntary AI safety standards / guardrails for the use of AI. Mistrust of AI is a significant barrier to widespread adoption of AI by individuals and businesses alike and it is critical that work progresses to overcome this mistrust in order to realise the productivity benefits AI offers. As part of addressing mistrust, we acknowledge that it is prudent to identify and restrict high-risk use-cases, setting appropriate conditions to protect consumers, business and society.

ACCI supports a risk-based approach, which is consistent with other international regulatory approaches to AI, including the OECD recommendations. This approach should both avoid capturing those applications which do not pose any risk to individuals or society and allow interoperability for companies providing AI products and services cross-border.

We are concerned that the mandatory guardrails in their current form appear disproportionate and require an unachievable compliance uplift for businesses of all shapes and sizes across Australia, disadvantaging all businesses across the AI supply chain seeking to develop or deploy this transformative technology. The guardrails as currently presented would impose a significant compliance burden on all businesses across Australia.

This could result in a vast array of unintended consequences for industry, including requiring such a high legal and business uplift that it disincentivises businesses of all sizes to invest in AI development and/or deployment in Australia (potentially leading them to seek out other jurisdictions); and potentially creating inequities resulting in a lack of competitiveness. This is especially so for SMEs seeking to embrace the AI opportunity in Australia (currently only 23-25 per cent of SMEs are using AI in some manner) as well as those seeking to scale their businesses in line with interoperable, internationally accepted best practice risk management frameworks.

In the longer-term, this could lead to significant knock-on effects for the wider digital economy, including stifling innovation, research and development opportunities, preventing the growth of new AI-focussed businesses in Australia, missing out on wider productivity gains created by the technology, and otherwise stunting the growth of the digital economy. Consideration must be given as to how to apply a 'reasonable test' to implementation of the guardrails so that obligations for businesses, particularly SMEs, are proportionate to their relevant use cases and the level of risk such use poses.

As a principle, planned high-risk guardrails should be applied proportionately, especially with the aim of encouraging the uptake of AI applications across the Australian economy, including small-to-medium businesses. A tiered model could limit certain 'high risk' AI systems deployed by SMEs to compliance with only a reduced number of guardrails.

Recommendations:

- Apply a risk-based approach to the use of AI and to address user mistrust, with guardrails and a set of appropriate conditions based on international regulatory approaches, such as the OECD.
- Government should also seek to improve AI and digital literacy for businesses, particularly SMEs.

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

Reduce the cost of meeting carbon targets

The Australian government has committed to achieve to net-zero carbon emission by 2050. Consistent with this commitment, the Australia has set an interim target, Nationally Determined Commitment (NDC) under the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCC), to reduce carbon emissions by 43 per cent below 2005 levels by 2030. Further, the government will soon announce the target for the second NDC, which requires Australia to set an even higher interim emissions reduction target for 2035.

ACCI support the commitment to net zero by 2050. However, it appears that achieving the NDC for 2030 is becoming increasingly challenging and the target appears to be slipping out of reach. Were the government to set a more ambitious 2035 NDC, ACCI would be greatly concerned about the impact on the productivity, competitiveness and viability of Australian businesses, as well as the cost to the taxpayer. ACCI contend that the 2035 NDC should be set at a level that is realistic, reasonable and achievable without imposing overly tight constraints and excessively high costs on Australian business or the taxpayer.

The journey to net zero should be achieve at the lowest cost by focusing on market-based solutions. The focus must be on technologies that enhance productivity and strengthen the economy, while at the same time delivering cost-effective emissions reduction.

While much of the heavy lifting to reduce emissions rests with business, the government has an important role in creating the right policy environment that encourages businesses to invest in the necessary technology and changes to their operations to lower emissions. This should focus on support and assistance, rather than unduly punishing businesses for failure to meet the government's objective.

To guide policy development and direct business investment, a detailed roadmap of the task ahead is needed. This will increase transparency regarding the future emissions reduction and energy transition task and help to reassure investors and the public that targets are being met and can continue to be without undue costs.

The roadmap should set out all current and proposed investments by industry sector, including the timing of construction and commissioning, and highlight where additional investment is needed, as well as identify the emissions reduction contribution at the individual project, sectoral and aggregate levels. With the technology to reduce emissions not yet available or affordable for many sectors, the roadmap should include projections of when new technologies are likely to become commercially viable and the timing of their contribution to the emissions reduction task.

The roadmap should be reviewed and updated annually, with the emissions reduction contribution by each project aggregated up to show progress in meeting the emissions reduction target.

Recommendations

- Set the 2035 NDC should at a level that is realistic, reasonable and achievable without imposing overly tight constraints and excessively high costs on Australian business
- Make the journey to net zero at the lowest cost by focusing on market-based solutions
- Develop a detailed roadmap of the future emissions reduction and energy transition task to guide policy development and build investor and business confidence.

Lowering Energy Costs

Over a period of two decades Australia has gone from a low-cost to a high-cost energy country. This has weighed heavily on Australia's manufacturing and other industry sectors reliant on low-cost energy, driving many large energy users to either close their operations or leave our shores. Of the small number of heavy industries that remain, many are just hanging on based on past investment. Few are reinvesting to maintain or upgrade their facilities and are likely to close or more offshore in next few years when significant maintenance or new investment is required.

Lowering energy costs is the key to achieving a smooth transition to net zero. However, energy costs are expected to continue to rise as Australia increases its reliance on renewable energy generation. This is due to the need to significantly overbuild the network to ensure reliability of supply and to develop firming capacity in parallel, such as battery storage, pumped hydro and/or gas power generation.

In the transitions to a low emissions energy future, all technology options available need to be considered. It is essential Australia maintains a technology neutral approach to electricity generation and supply if we are to maintain the affordability, reliability and security of energy supply throughout the transition. This may mean we accept some energy sources and export opportunities that lower, but don't fully eliminate, emissions, to keep the cost of energy down, retain jobs and realise the economic benefit. The residual emissions would need to be offset via a faster rate of reductions by other sectors or increased sequestration activities.

This includes transitioning from coal-fired to gas power generation as an interim measure until technologies such as battery storage and green hydrogen become efficient and cost-effective. In addition, this may involve carbon sequestration and storage, or the planting millions of trees, to offset emissions from hydrogen produced from natural gas (blue hydrogen) while green hydrogen technology is developed, commercialised and scaled-up to be economic.

It needs to be recognised that gas is an essential transition fuel that can assist Australia on the journey to net zero at lowest costs. Gas has a crucial role in maintaining the stability of the energy market during the transition, by firming renewable power generation, as well as a direct energy source in hard-to-abate sectors like manufacturing and minerals processing, until alternative forms of energy are developed and scaled up to the point of being economically viable. Restrictions on gas exploration must be removed and approval processes for new gas field developments streamlined, to increase domestic supply and lower energy costs. The Commonwealth must work with state/territory governments to unlock restrictions on gas exploration and streamline approvals to increase domestic supply and cut prices.

Recommendations

- Adopt a fuel source-neutral and technology-neutral approach to future energy supply to ensure that emissions reduction targets are met in the most efficient, least-cost manner
- Commonwealth should recognise the important role of gas in the transition and work with states/territories governments to unlock restrictions on gas exploration and streamline development approvals.

Rationalising Climate Change and Emissions Reduction Policies

There are hundreds of climate change and emissions reduction policies at both the Commonwealth and state/territory levels. There is considerable duplication of legislation and regulation between the commonwealth and states, as well as instances where the policies between the levels of government conflict.

For businesses, navigating the complexity of multiple legislative and regulatory requirements, as well as the compliance burden of meeting the requirements, is a considerable impost on business.

The Productivity Commission should conduct a comprehensive review of existing climate change and emissions reduction policies at both Commonwealth and State/Territory level. Redundant and ineffective policies must be eliminated, particularly where there is duplication of policies between the Commonwealth and the states/territories. Those policies that are retained should be rationalised and simplified to reduce the amount of complexity and compliance burdens that weigh down businesses. The focus must be on developing a comprehensive national principles-based approach to better align climate change and carbon emission reduction policies at federal, state and territory levels.

Maximising the efficiency of Australian emissions reduction efforts requires that Commonwealth, state, and local governments take a coordinated approach to policy development. Good practice would include stipulating whether existing or proposed policies are 'complementary measures' or whether they are intended to drive abatement in facilities and sectors not covered by the Safeguard Mechanism. The expected implicit carbon price of these policy measures should be independently estimated and made public.

Recommendations

- Conduct a comprehensive review of existing climate change and emissions reduction policies at the Commonwealth and state/territory level with the aim of rationalising the hundreds of policies, eliminating inefficient approaches and avoiding duplication.

Speed up approvals for new energy infrastructure

Australia has set a very ambitious target for the energy transition, to achieve 82 per cent renewables by 2030. With only half of this renewable energy capacity in place in 2025, the investment required over the next 5 years is substantial. More broadly, the path to net-zero by 2050 requires considerable investment to decarbonize other sectors, including transport, manufacturing, minerals processing and agriculture, over the next 25 years. Much of the emissions reduction effort in other sectors is dependent on access to affordable, reliable and secure renewable energy.

Overall, greater investment across the economy is needed to drive more wide-ranging productivity and economic growth, as well as ensuring future prosperity of all Australians. Yet, business settings in Australia are currently not optimal for investment in major transformational projects that typically require numerous regulatory approvals, through multi-staged processes. Regulatory processes are fragmented across Commonwealth, state and local governments. This is very difficult for businesses to navigate, resulting in high compliance costs and slow project development. The expansive and complex regulatory requirements act as a barrier to entry for businesses investing in major projects, particularly international corporations making their first investment in Australia.

To make Australia an attractive destination for investment, we need to get the fundamentals right. Simplifying and streamlining the regulatory architecture for major projects must be priority if we are to attract the necessary investment in renewable energy and achieve the vital growth in emerging low emissions technology. This requires fit-for purpose regulation that is outcomes-focused, a balanced and flexible workplace relations system and a more efficient process for screening foreign investment.

Proponents of major projects face an enormous challenge to navigate complex and onerous regulatory processes to bring a project to fruition. As an example, a hypothetical grid-scale solar project requires almost 40 separate licenses at both the commonwealth and states/territories levels. This presents an overwhelming regulatory burden on new project proponents, particularly for an overseas investor unfamiliar with the Australian regulatory landscape.

Major projects are often hamstrung by the onerous regulatory approval process, particularly for large energy and infrastructure projects, which require environmental approval under the Commonwealth Environmental Protection and Biodiversity Conservation Act (EPBC Act) and from state/territory environmental protection agencies. Environmental regulation is extremely complex and prescriptive, with multiple layers of assessment and approval processes. There is a considerable level of duplication between the Commonwealth and state processes and often competing demands that can impede progress of approvals. This is holding back business investment and economic development.

The regulatory burden can lead to extensive delays in approval times and severe budget blow-outs for major projects. Government agencies have also proven overzealous in regulating activities, particularly major projects that require approvals across several jurisdictions. The challenges in navigating the Australian regulatory environment and bringing major projects to fruition can appear insurmountable, which often leads investors to look overseas rather than invest here.

There needs to be greater coordination between Federal and state/territory agencies administering environmental and planning approval processes. The Federal government must work with its state and territory counterparts to better harmonise regulation across jurisdictions, to ensure that they are not duplicative and the demands on business are consistent across borders. The responsibilities of each level of government in planning and approval processes needs to be clearly delineated and any duplication removed.

Another hurdle that businesses face is the duplication of Commonwealth and state regulatory processes. For example, the EPBC Act has considerable overlap with the environmental regulation of the states /

territories. There needs to be a clear delineation between state/territory and Commonwealth responsibilities.

Clear time limits should be set for the approval of major projects to prevent extensive delays. Government agencies to be held accountable for delays in their assessments, with penalties applied for hold-ups and setbacks in processing approvals.

Further, State Government are often in competition with each other to attract investment in major projects to their state. It can be a race to the bottom, with states offering financial incentives and other concessions to entice new capital and foreign investment. This is often providing the wrong incentives/signals for investment. There needs to be better coordination between states/territories regulatory agencies to limit this rivalry, with the aim of optimising the location of major new investments and encouraging other states/territories to adopt this best practice regulation as a means of attracting investment.

Recommendations

- Simplify and streamline the regulatory approval process for major new investments
- Clear delineation the regulatory responsibilities between Commonwealth and states/territories and better coordinate with states/territories to avoid duplication of regulation
- Setting up a national single-window approval system for energy infrastructure projects, with statutory time limit of 12 months. This would reduce uncertainty in the approvals process, provide greater clarity for investors, and help accelerate Australia’s decarbonisation efforts—without compromising business productivity.
- Incentivise the states/territories to adopt best practice regulation

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

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