Submission on the subject of Creating and Dynamic and Resilient Economy

I am writing in response to a comment that the Productivity Commission is considering reforms which may or may not be revenue neutral with regard to corporate taxation. This is to strongly recommend that any reforms should be revenue POSITIVE with regard to corporate taxation as all levels of government are in need of more resources in order support productivity reform including in the following areas:

- Transport – new trains are urgently required including
    - To connect Sydney's new international airport – which looks like getting completed early but cannot be utilised due to the lack of transport both for potential passengers and for freight – the cost of land acquisition alone is beyond the budget, let alone the cost of expedited construction of trains and other infrastructure on such a new rail corridor
    - Very fast trains, particularly from regional cities where growth needs to be encouraged. There is significant opportunity to utilise labor which has moved out of major cities due to the cost of housing and other congestion issues. Very fast trains would greatly assist in improving productivity and labor mobility .
    - The new 'metro' infrastructure in Sydney is an example of how productivity can be enhanced by good public transport. However it is extremely expensive to fund. Recent concerning reports regarding the rising rate of late Sydney's train system indicates a further need for investment just to achieve optimal efficiency of the infrastructure we have.
- Education – concurrent consultations with the PC will doubtless reveal that we have been underinvesting in education
    - Our reliance on overseas student income to fund our major research and teaching higher education institutions is a point of significant vulnerability. There has also been criticism that the English language requirements and the paramount importance of retaining overseas students may have undermined the academic integrity of these core drivers of labor productivity.
    - Literacy, numeracy and STEM proficiency rates in Australian public schools are below what is required for a truly productive society, let alone one which aspires to egalitarian opportunity for all.
- Data and Digital technology – concurrent PC consultations may well reveal the regional disparities which hold back productivity there, as well as the very high costs (comparative to our regional neighbours) of high speed internet in Australia, a fundamental platform for productivity which has suffered under-invested since the days when Malcolm Turnbull dismantled the original conception of the National

Broadband Network. That is, of course, just the beginning in the era of AI, where the creation of an 'AI Commons' will be necessary if we are to give ordinary businesses any chance of competing against behemoths in the economy.

- Quality care (which incidentally also contributes to inclusive workforces) and Energy may also demand significant public investments. Similarly housing, which is a key underpinning factor in labor productivity (and equity) for which more government revenue from alternative sources would be required to replace capital gains tax and stamp duty, and in order to massively increase public funding of new housing directly. Finally, there is the need for more public funding for heathcare generally, which is under significant strain in every jurisdiction in Australia. Even replacing the inefficient subsidy of private health insurance with more funding for public health care will take money, let alone the cost of improving the system overall.
- Finance for innovation, whether this be revenue contingent loans for start ups or improved R&D tax concessions and more direct funding of research universities in order to reduce their dependence on overseas students (as above).

Essentially, it is imperative for our productivity performance as a nation, that all 3 levels of government have access to more resources in order to invest in their communities to lift productivity (and equity). Yet there does not appear to be much leeway for increases in personal income taxation, and indirect taxation such as via the GST will also be (inherently) regressive and difficult in the context of cost of living pressures.

This means that the burden of significant revenue increases needs to fall on the corporate sector. Small business is already struggling due consumption constraints associated with cost of living pressures and the fact that they are often price takers where their suppliers are large corporates themselves (eg major shopping centre conglomerates; duopolistic supermarkets or airlines or internet service providers etc). The obvious targets for increases in taxation must thus be large companies, particularly multinational corporations, and most particularly those who currently operate in monopolistic or oligopolistic markets resulting in multi billion dollar profit streams in industries with extremely high barriers to entry.

This is the elephant in the room.

The tech giants in particular have state-sanctioned licenses to effectively print money which they are utilising to invest in AI and other technology which will further entrench their monopoly/oligopoly positions and their political power. They pay minimal taxation and are largely protected by corporations law from accountability. Unless they are compulsorily broken up into much smaller competitive units and highly regulated, there will not be a level playing field for other economic actors and critical resources will be sucked into their vortex, rather than being available to increase productivity of other sectors with benefits shared across the economy and society.

It is difficult for the Australia government to address this problem alone, especially as most of these companies are not Australian. However we cannot simply surrender, and are obliged to apply the considerable intellectual capital which exists in institutions like the Productivity Commission to seriously consider ways to begin to address the problem. I do not as an individual have access to the resources of the PC to undertake the necessary research but humbly suggest that it might start by :

- Reviewing the considerable success domestically of our Pharmaceutical Benefits Scheme and considering how its principles might be applied to other industries.
- Recommending compulsory product stewardship programs across the board to at least stimulate new industries in the circular economy (and reduce wasted resources and the long term economic drag associated with environmental clean up later)
- Reviewing leading European schemes and legal and regulatory frameworks to ensure that Australian companies are challenged enough domestically to be able to compete well in those more highly regulated markets
- Reviewing lessons learnt internationally through initiatives such as the Tobin Tax on short term international money transfers, international action to prevent transfer pricing and to efforts to ensure minimum corporate taxation worldwide.
- Consideration of options for an ‘intergenerational transfer tax’ which could be promoted internationally to cover the transfers from previous generations to ours (and subsequent generations) of knowledge, scientific discovery and cultural capital, as well as energy, natural resources and other environmental assets. Given the fundamental nature of AI, it would be reasonable for corporations such as OpenAI to pay at least 95% taxation for the agglomeration of humanity’s recorded intellectual capital on the internet, and the expenditure of precious energy and water resources for cloud storage and processing capacity. This could contribute towards a global ‘commons’ to support productivity and human welfare across the globe and ameliorate any anti-competitive or dangerous consequences of this technology.