Submission to the Productivity Commission

Inquiry: Pillar 1 – Creating a more dynamic and resilient economy (Interim Report, 31 July 2025)
Also referencing: Pillar 3 – Harnessing data & digital technology (Interim Report, 5 August 2025)
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Executive Summary

We support the Commission's investment-led approach to lift productivity (notably the proposed 20% company tax rate for most firms paired with a 5% net cashflow tax, modelled to add ~$14 b to GDP with no net medium-term budget cost). But the interim report under-weights a critical productivity enabler in the AI era: consumer-protection architecture that sustains trust, speeds safe diffusion of innovation, and lowers compliance friction. Before the final report, we recommend braiding Pillar 1 with live reforms led by Treasury/ACCC—(i) the economy-wide unfair-trading prohibition (including dark-pattern bans), (ii) the mandatory-standards modernisation (including ambulatory references to international standards), and (iii) implementation of the National Electrical Safety Taskforce (NEST) plan. Together with Pillar 3's targeted AI/data settings, this will convert "growth potential" into adoption at scale with guardrails.

What Pillar 1 Gets Right

• Tax architecture that favours investment. The interim proposes cutting the statutory rate to 20% for businesses under a revenue cap and adding a universal 5% net cashflow tax to preserve revenue neutrality. The Commission's modelling indicates ~$14–14.6 b extra output and a sizable investment uplift.

• Regulatory dynamism. Streamlining approvals and pruning rule-thickets for housing, clean-energy and startups are rightly framed as diffusion accelerants.

What's Missing (and Fixable Before the Final)

1) Name and timetable the unfair-trading prohibition

Treasury's consultation (Nov 2024) designs a general prohibition with a targeted blacklist (e.g., dark patterns, exploitative subscription flows). This is the core consumer-protection upgrade for AI-mediated markets. Pillar 1 should endorse it explicitly and commit to an implementation timeline aligned with Treasury/ACCC.

2) Treat standards reform as productivity infrastructure

Late-2024 ACL amendments now allow mandatory standards to reference up-to-date international/overseas standards ("ambulatory" references). The ACCC will run expedited reviews from July 2025 to add these options. This reduces duplicative testing, improves interoperability, and lowers time-to-market—all without weakening safety. Pillar 1 should make this the default for AI-enabled/IoT goods and track the compliance-cost/time savings.

3) Embed NEST electrical-safety harmonisation

Commonwealth, states and territories have agreed to cooperate on nationally consistent regulation for household electrical products (including lithium-ion risks). Recognise NEST deliverables as micro-reforms that remove cross-border seams, cut cost, and accelerate safe diffusion of connected/AI devices.

4) Align with the ACCC Digital Platform Services Inquiry (DPSI) final

The ACCC's March/June 2025 final report spans 35 recommendations across competition, consumer, privacy and generative-AI issues. Pillar 1 should map how merger settings and platform remedies complement tax/approvals reform by protecting rivalry, entry and innovation rents.

5) Bridge to Pillar 3 on AI & data

Pillar 3 proposes a growth-focused, risk-based approach (no omnibus AI Act now), explores text-and-data-mining (TDM) routes (e.g., fair-dealing/collective licensing), stronger data rights, and default digital reporting—estimating ~$116 b in potential gains over a decade. If pursuing TDM/fair-dealing pathways, Pillar 1 should add an implementation test: creator compensation/auditability to avoid litigation uncertainty that chills local AI investment.

Why This Matters in an AI-Shocked Labour Market

"AI will affect almost 40% of jobs around the world, replacing some and complementing others." — Kristalina Georgieva, IMF MD (Jan 14 2024).

The IMF and others warn exposure is higher in advanced economies; without transition supports, AI can raise inequality and erode trust—slowing adoption and the very productivity gains we seek. Pillar 1 should pair investment incentives with an AI transitions compact (targeted reskilling, portable credentials, placement- and wage-gain-linked funding).

Trust is also macro-relevant: the OECD notes that while inflation is easing, "consumer confidence is yet to recover to pre-pandemic levels in many countries." Guardrails (unfair-trading ban, modern standards) are therefore pro-adoption, pro-productivity.

Our Proposed Edits for the Final Report

1. **Add a boxed recommendation: "Endorse and implement the unfair-trading prohibition within 12 months; prioritise enforcement against AI-enabled dark patterns." (Cross-reference Pillar 3's AI harms.)**
2. **Direct regulators to use ambulatory international standards by default for safety/cyber/AI-transparency in consumer tech; publish a rolling 24-month pipeline of mandatory-standard reviews with KPIs on time-to-market and compliance-cost reductions.**
3. **Bake in NEST: adopt the reform action plan and create a national recall-data sharing protocol for battery/electrical hazards.**
4. **Map DPSI: summarise which platform remedies and merger-law updates protect entry and diffusion under Pillar 1's tax/approvals changes.**
5. **Attach an AI transitions compact: targeted skilling and mobility supports for exposed occupations, with outcome-based funding tied to placement and wage-gain metrics.**

Short, Reusable Expert Anchors

• IMF (Georgieva): "AI will affect almost 40% of jobs..." (and ~60% in advanced economies).

• OECD (2024/2): "Consumer confidence is yet to recover to pre-pandemic levels..."

• OECD (AI Principles update, 3 May 2024): Updated principles now directly address privacy, IP, safety and information integrity for generative AI—i.e., guardrails consistent with Pillar 3's stance.

• UN/ITU AI for Good: "The AI for Good Neural Network is open to all with an interest in how AI can positively impact the future of humankind." (Useful for PC's stakeholder-engagement narrative.)

Appendix A — Evidence Anchors (Quick Refs)

• Pillar 1 interim page & media summary (rates to 20%, 5% NCFT, GDP +$14 b; regulatory streamlining).

• Independent coverage corroborating the modelling and design.

• Pillar 3 executive summary & PC podcast (growth-focused AI approach; new data rights; default digital reporting).

• TDM debate & $116 b estimate (sector/media summaries).

• Unfair-trading prohibition (Treasury consultation).

• Mandatory-standards modernisation & ambulatory references (ACCC Product Safety; Treasury EM/RIS).

• NEST/electrical-safety harmonisation (ACCC/Product Safety; government pages).

AI-Assisted Three-Factor Certification

(1) Research & analysis. We consulted primary sources (PC interim webpages/PDFs; Treasury/ACCC papers; OECD/IMF; ITU). Key figures and quotes are directly traceable above.

(2) Report synthesis. We integrated Pillar 1 (tax/regulation), Pillar 3 (AI/data), and ACCC/Treasury reforms into a single, dated, implementation-ready "braid."

(3) Hallucination check & human oversight. All quantitative claims are supported with citations; direct quotes are verbatim; final framing and tone were reviewed by a human editor.