

Future Smart Strategies

Business | Innovation | Sustainability

Submission to the Productivity Commission (PC)

Five pillars of productivity interim reports

including

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

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Future Smart Strategies

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Overview and review of the five pillars

The Productivity Commission's [five pillars of productivity interim](#) reports are based on directions from the [Australian Government and the Treasurer](#).

1. Scope and Purpose of the "Five Pillars" Inquiries

The five inquiries:

- Building a dynamic and resilient economy
- Investing in clean energy and achieving net zero
- Utilizing data and digital technology
- Developing a skilled and adaptable workforce
- Delivering quality care

This comprehensive approach is a positive development, highlighting productivity as a challenge that spans multiple sectors and looks toward the future. Climate issues are often mentioned in introductory documents, yet their prominence and integration differ across each pillar's report.

2. A brief analysis by pillar

A. Creating a More Dynamic and Resilient Economy

Key Points:

- Emphasizes corporate tax reform, cutting regulatory barriers, and improving business flexibility.
- References climate and resilience in terms of risk management, but these are not main recommendations.

Critical Review:

- Shortcoming: Fails to make climate adaptation and disaster readiness core productivity strategies, even though recent floods, fires, and supply-chain crises have greatly affected productivity. Such considerations remain secondary. (And [ACOSS](#))
- Missed Opportunity: Does not highlight the economic losses from climate inaction, despite evidence of substantial productivity declines due to disasters, even though those disasters have cost billions ([Climate Council](#), [Victorian Government](#))

B. Investing in Cheaper, Cleaner Energy and Net Zero

- Strengths: Acknowledges the importance of large-scale investments and transitioning to clean energy. (And [Climate Council](#))
- Weaknesses: Does not fully extend climate urgency across all pillars. Focusing on measures like EV charging reflects a more incremental than transformative stance (And [Climate Council](#), [Australian Electric Vehicle Association](#))

(To be further discussed in detail later in the submission.)

C. Harnessing Data and Digital Technology

Key Points:

- Highlights digital innovation and data as drivers of productivity and efficiency.
- Focuses on digital government, AI, and big data.

Critical Review:

- **Weak Connection to Climate:** Misses the benefits of real-time environmental and grid data for efficient energy use and climate policy. Opportunities for “AI for climate” are not explored.
- **Cyber-Physical Infrastructure:** Lacks adequate consideration of protecting digital and physical infrastructure from climate-related risks.

D. Building a Skilled and Adaptable Workforce

Key Points:

- Concentrates on upskilling, improved training and credentials, and integrating AI. Digital learning and national coordination are promoted
- Promotes digital learning, national coordination, and incentives-based models.

Critical Review:

- **Climate Skills Gap:** While green jobs are mentioned, the scale and urgency required for an energy transition are lacking. There are no proposals for climate skills guarantees, comprehensive reskilling for workers moving from fossil fuels, or reforms in vocational and university education to support transition pathways.
- **What’s Missing:** No thorough plan for reskilling fossil fuel workers or major reforms for vocational and university programs supporting climate transition.

E. Delivering Quality Care More Efficiently

Key Points:

- Proposes reforms in aged, disability, child, and community care to improve productivity.
- Prioritizes clinical and cost efficiency.

Critical Review:

- **Climate and Health:** Does not sufficiently connect climate events to care sector resilience or recognize the productivity benefits from public health initiatives like pollution reduction and active transport. Co-benefits of mitigation and adaptation are minimally addressed.

3. Systemic Gaps: Positioning Climate Action at the Centre of Productivity

- **Lack of Cross-Pillar Urgency:** While climate issues are noted in each pillar, only the energy pillar treats it as core to productivity, missing its wider importance as both a risk and an opportunity. (And [Climate Council](#))
- **Absence of Scenario Stress-Testing:** The Commission does not model the full productivity impacts of unchecked climate risks or the massive upside if climate-focused investments are pursued, as other jurisdictions have done ([Victorian Government](#), [IGCC](#)).
- **Broadening productivity metrics:** Productivity is primarily measured as GDP, missing broader public value gains such as safer, more resilient, lower-emission communities, and the associated health and equity benefits.

4. Recommendations for a Productivity Agenda Aligned with Science

1. Make climate action central in every pillar: Treat clean energy, resilience, and emission reductions as productivity levers across the board (which they are).
2. Model the costs of climate inaction: Release scenario analyses to show potential GDP losses due to climate impacts .
3. Invest in climate skills, adaptation, and health: Expand training, workforce mobility, and R&D for climate and clean energy across all sectors.
4. Use digital infrastructure for adaptation: Fund data systems, grid digitization, and real-time climate risk management for emergency response and energy optimization.
5. Reform transport, health, and urban planning: Support active transport, appropriate vehicle incentives, and health/care systems resilient to climate impacts.
6. Measure what matters: Track metrics like climate-adjusted life expectancy, avoided injuries and deaths, and ecosystem resilience in productivity assessments.

5. Five Pillars Overview and Review Conclusion

Although the Productivity Commission's approach to the five pillars is up-to-date in its considerations, it does not yet fully meet future challenges. Without treating climate as both a major risk and a prime economic opportunity, Australia risks reforms that are insufficient and systems that remain vulnerable, overshadowing any short-term GDP advances.

A forward-thinking productivity agenda must prioritise resilience, digital innovation, public health, a highly skilled workforce, and a real commitment to zero-carbon, climate-secure growth. Anything less will not match the challenges of this century.

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

6. Core Shortcomings in the Productivity Approach

A. Aligning Climate and Productivity

The Productivity Commission's current approach acknowledges climate risks and the urgent need for clean energy – commendable actions that are, in part, supported by evidence ([Climate Council](#)).

B. Upgrade Net Zero pillar to Real Zero

Australia's Net Zero strategy embrace is an important step forward from no action, but achieving "net zero" rather than "real zero" delivers a trojan horse. In global climate discussions, the concept of net zero has frequently been used to postpone genuine action, allowing ongoing emissions today in return for offset promises, carbon credits, or reliance on unproven future technologies ([The CEO Magazine](#), [Zadeh](#), [Fortescue](#), [Climate Council](#)).

To demonstrate true climate leadership and enhance productivity, Australia must move beyond the uncertainties of net zero and fully commit to Real Zero:

- Cease approval and development of new fossil fuel infrastructure and supply.
- Avoid using carbon offsets simply to balance emissions while real-world pollution continues.
- Pursue aggressive electrification, decarbonization, and improvements in energy and productivity across every sector.

Real Zero is about cutting emissions at their source. This means replacing coal and gas with renewable energy, electrifying industry and transport, designing cities to avoid emissions, and building a circular economy. This approach—modelled by Fortescue and global leaders—focuses on transformation rather than accounting manoeuvres.

Why is this shift important?

- Net zero encourages minimal compliance, delays progress, and fuels cycles of public relations rather than real change. It allows fossil fuels and land-based carbon extraction to remain core business models.
- In contrast, Real Zero is transparent and proactive. It focuses on tangible outcomes, closes loopholes, inspires innovation, and is clear to both the market and the community, as well as international partners.

How can we achieve Real Zero?

- Set sector-wide requirements for absolute reductions in emissions, not just notional or “paper” decreases.
- Ban any increase in fossil fuel capacity and schedule the retirement of polluting assets in line with scientific targets.
- Direct investment toward genuine, enforceable changes in energy, transport, cities, and land use. Carbon removals should be additional, restoring what was lost rather than offsetting continued emissions.
- Align productivity reforms to reward those making real progress in emission reductions, rather than those relying on delay tactics beyond 2030.

C. Productive clean transport

- Transport emissions have reached an all-time high ([Australia Institute](#)), while EVs account for under 2% of vehicles in 2025.
- Rapid adoption of EVs is essential to achieve net zero. Policies that deter buyers through negative price signals are inconsistent with climate science and will ultimately slow the transition ([The Driven](#), [Electric Vehicle Council](#)).
- Indeed, there is a good case to keep and expand fuel excise as a pollution tax, and remove exemptions from all users as a further incentive to electrify industry.

The Issue with Targeting EVs

The emphasis on introducing or prioritizing new user charges for electric vehicles (EVs) overlooks the most impactful interventions for climate and productivity at this pivotal moment:

- Not consistent with climate evidence: Current scientific consensus and global policy are clear: we must quickly move away from fossil-fuel vehicles. Implementing user charges exclusively for EVs at this critical stage undermines emissions reduction efforts.
- Market incentive distortion: Penalizing EVs, rather than large SUVs, utes, or highly polluting vehicles, runs contrary to the “polluter pays” principle fundamental to effective policy ([Australia Institute](#), [Electric Vehicle Council](#)).
- Economic logic suggests subsidizing needed technologies and taxing those that are detrimental.

As stated by The [Australia Institute](#):

“It makes as much sense as imposing GST on fresh food to correct a non-existent market distortion.”

A More Equitable Solution: All-Vehicle Use Charges

- Road user charges (RUCs) or vehicle use charges (VUCs) should eventually apply to all vehicles, as traditional fuel excise revenue declines. This ensures long-term infrastructure funding, fairness, and adaptability.
- Policies must be technology-neutral; targeting essential decarbonization technologies is counterproductive.

VUCs offer several advantages:

Enable congestion pricing, more intelligent infrastructure funding, and tailored charging in high-density areas to prioritise active transport and safety.

International evidence shows that heavier, larger vehicles impose greater external costs (wear, space, safety risks, emissions), justifying surcharges for “[car bloat](#)” as recommended by NHTSA and numerous road safety experts ([Robinson](#), [Perfetto](#), [Goodman et al.](#)).

Impact of Larger Vehicles:

SUVs increase the risk of fatality for pedestrians and cyclists by 44–79%, and for children by as much as 80% ([Robinson](#), [Perfetto](#), [Goodman et al.](#)).

Larger vehicles lead to higher infrastructure, health, and emissions costs, as well as more lost productivity due to injuries and fatalities. Investments in cycling and walking infrastructure have demonstrated health, emissions, and cost benefits.

The Productivity Commission should encourage healthy, efficient, and safe mobility, rather than reinforcing harmful trends.

D. National Productivity: Focus on People, Not Just Vehicles

- Designing policy around vehicles alone, instead of emphasizing the movement of people and public health, is outdated.
- Maximizing productivity means ensuring that people can travel efficiently, affordably, and safely—not focusing merely on short-term revenue or recovering costs from the least-polluting vehicles.
- Evidence shows:
 - Investment in public transport, cycling, and walking infrastructure delivers benefits for health, mobility, and emissions ([Stevenson et al.](#), [Climate Council](#)).
 - Car-centric travel, especially with a preference for larger vehicles, increases health and infrastructure costs, as demonstrated by successful European, UK, and Scandinavian city models.

7. Recommendations for our cleaner future

- Real sector-wide requirements for absolute reductions in emissions, not just net .
- Plan for the elimination of fossil fuel in line with scientific targets.
- Invest in genuine, enforceable changes in energy, transport, cities, and land use.
- Carbon removals should be additional, not giving license to continued emissions.

- Productivity reforms ought reward those making real progress in emission reductions, not those making delay tactics beyond 2030.
- Delay punitive EV user charges until EVs achieve mainstream adoption or until a fair, system-wide VUC can be put in place.
- Design VUCs based on road use, space, and societal impact, with surcharges reflecting vehicle size, weight, crash risk, and spatial footprint—aligned with health and safety research ([Robinson](#), [Goodman et al.](#), [Perfetto](#))
- Incentivize clean, efficient transport modes:
 - Keep the fuel excise as a pollution tax - and expand it to all users as a further incentive to electrify industry
 - Enhance funding and planning for public transport, cycling, walking, and shared e-mobility.
 - Allocate VUC surpluses to bike lanes, pedestrian safety, and protection for vulnerable road users.

Incorporate national productivity metrics for population health, safety, and emissions into transport policy assessment—not just vehicle or travel efficiency.

Phase in reforms over several years: Major tax and incentive changes should be introduced gradually, with exemptions for transformative technologies in their early stages.

8. Cleaner energy conclusion

Scientific evidence makes clear the need for swift and decisive action to decarbonize, to transition Australia's energy systems and transport, and build safer, healthier cities.

Real Zero is the only path that is truly productive and honest. Anything less risks perpetual crises for the world and undermines both Australia's prosperity and its global standing.

A truly productive approach would not leave any good measure off the table, nor single out the most promising new disruptor (EVs) but would instead plan for a human-centred, post-carbon mobility system, ensuring each dollar spent advances national productivity, public health, and sustainability.

Surely, the goal is not just more productive industry or infrastructure or roads or vehicles, but safer, healthier, and more productive Australians. Policy must reward outcomes that truly deliver on this future – and disincentivise the ones that don't.

It is essential that science, evidence, and productivity are united in policy design. Policies that increase preventable fatalities, particularly among vulnerable road users, are inherently unproductive, and contradict Australia's climate ambitions.