

Submission to Productivity Commission, August 2025

Comments on the report

“Creating a more dynamic and resilient economy”

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Summary

This submission represents my personal opinions based on my engineering research and practice career since the 1970s. While I am a member of Engineers Australia, and Emeritus Professor at The University of Western Australia, this submission does not represent the views of either organisation.

This submission provides comments on the interim report *Creating a more dynamic and resilient economy*.

The interim report opens with comments about economic uncertainty, citing the Covid-19 pandemic and recent pronouncements by the Trump administration in the USA. While Covid-19 presented a major economic disruption, Trump’s tariffs have mild implications by comparison. Reference to the oil shock of the 1970s might have been more appropriate, or the late 1980s recession when interest rates almost reached 20%.

I think this report (or possibly the over-arching report on creating a growth mindset) could be stronger by taking a broader view of resilience and opening up the social dimension as well as the economic.

In my opinion, the report leaves out the greatest potential uncertainty: the consequences of climate warming beyond the critical threshold of 1.5°C. Global temperature increases well beyond threshold are now locked in because there is no sign that global CO₂ emissions are sharply decreasing as recommended when the

2015 Paris agreement was reached. Therefore, we need to plan for global temperature rises of 2.5°C or more and the uncertainties that climate science has been warning us about for at least three decades. It makes sense to plan our future around that reality and address relevant productivity issues. Failing to prepare now will cost us large opportunities in future.

We may be hosting significant refugee populations from the Pacific and even our own neighbouring countries. Ultimately, perhaps as many as 10 – 20 million people will be accommodated in Australia as a result of rising sea levels. This will significantly strengthen our economy, but this scenario will also test our ability to sustainably manage our landscape in a drying climate with retreating shorelines.

What do we mean by resilience? Surely it is the ability for people to successfully manage life in the presence of large external changes.

In the last few years, we have seen striking evidence that we may have lost our resilience. In the wake of the necessary economic adjustments during the Covid-19 pandemic, we have seen inflation creeping up to 4% or more. However, this was very mild compared with the 1970s, 1980s and 1990s when inflation reached almost 20% at times. Yet persistent cries of “a cost-of-living crisis” and rapid increases in demand for emergency food and finance showed that many sectors of the Australian economy were under considerable stress.

What has changed?

Without realising it, perhaps, we have introduced rigidities in the housing and employment market that have undermined the capacity of families to adjust to changing economic circumstances.

When I was young, there were cheap weatherboard homes in outer suburbs. There was running water and rudimentary single phase electricity. However, there were septic tanks instead of deep sewers, no footpaths, no kerbs, unsealed roads, few if any phones, and gardens were more bare sand, bush or scrub than lawns and flower beds. Fences were sometimes there, as often as not they were in the “to be added” category. The houses were cold and drafty in winter and the iron roofs made them feel like ovens in summer. However, they provided homes for people who could not afford more at the time.

Today, homes in new subdivisions have deep sewerage, water, three phase electricity, basic gardens, fences, footpaths, underground power, fibre optic internet, even multiple air-conditioners. The streets are fully sealed with kerbs, young street

trees already planted, parks, playgrounds, and even duck ponds. These new homes are expensive as a result. Our rental market is extremely tight. So, how can people reduce their outgoings when they need to? Where can they go? Caravan parks provide one of the few alternatives.

This is related to the rigidities created by the National Construction Code which I have referenced in my response to the report *Investing in cheaper, cleaner energy and the net zero transformation*.

This is only one side of our high cost society.

Another is the necessity of a smart phone, costing \$1,000 - \$2,000 annually. We have created a society in which the ability to own and use a smart phone is a prerequisite for participation. Yet, so many people either cannot or do not want to participate with smart phones.

Ultimately, resilience is more about creating a positive view of the future. Young people today are afraid for their futures. This is not just a fear that they will be worse off than their parents, but they are genuinely frightened about climate change and what will happen to our beautiful country. An important leadership role for government is to help create a realistic, yet positive view of the future. Being apprehensive about the future is fine, as long as it does not immobilize a proactive response. In Australia, we have the luxury of time and resources to consider these issues. Most other countries in our region don't have a civil society with the capacity to lead on issues like this.

We have a strong volunteering economy in Australia, and that is something to be proud of. It would be helpful to estimate the economic magnitude of the volunteering economy if only to see how significant it is. It is invisible in most statistics, yet will be critical in handling sudden external shocks that are bound to come our way in future decades.

So, in conclusion, this report needs to address the full range of concerns held by young people today and show that we can mount an effective response. We can not only create a resilient economy, but also rebuild a national culture of resilience in the face of adversity, something that characterized our First Nations people and generations of our early settlers. We could also help build a culture that recognizes our amazing good fortune, the amazing inheritance that we have in this island continent. Then we can plan for our best forecast of what the future will bring, both

challenges and opportunities, and know that we will surmount the challenges and make the most of the opportunities.