

Productivity

some ideas for the round table

Overview

Productivity is the cure for inflation, unemployment, debt and deficit, defence needs, food insecurity, homelessness, welfare woes, environmental challenges, health and education shortfalls, and crime, etc. Fix it and the rest is easy. Nothing happens without vision, focus and intent.

Ministers need alternative sources of advice and information for balance. It is in the DNA of public service advisors to increase the complexity of everything. They just can't help themselves. Complexity kills productivity.

Creativity and inventiveness can be harvested, to supercharge the Australian economy and move us into the elite realm of nations who lead in technology IP and innovation. There are many good ideas out there that just get wasted.

Pensioner productivity can contribute to the economy, not by putting up the retirement age, but by fixing some policy decisions to enable pensioners to contribute with their skills, wisdom and effort.

Supporting our smaller neighbours to establish their own industries will bring them closer to Australia and insulate the region from super power interference, while providing Australian industry with support services. It is more cost effective than simply giving them money and enhances security in the region.

We become winners when we work things out for ourselves, be it submarine design or rare earth minerals mining and refining, instead of calling on “experts from somewhere else” each time there is a challenging problem to solve. When we work it out for ourselves, we become *the experts from here*. But when we rely on “experts from somewhere else”, we also inherit their mistakes and poor judgement.



Red Tape Lead Weight

It will come as no surprise to learn that many people believe that red tape is a major hinderance to national productivity. In addition, the culture and flawed attitudes of those in government departments who are responsible for drafting legislation and advising ministers, is also a drag on productivity. We need to foster a “Team Australia” culture in all government departments and all levels of government. OUT with unnecessary restrictions and IN with helpful nurturing of productivity opportunities. Top down structures need to be replaced with a system that encourages and rewards those who have ideas, regardless of who they are or what their role is.

The core of the economy consists of food, fibre and shelter. There are people sitting on their arse, charging \$1,000 per hour to advise rich people how to avoid paying tax. They are not contributing to economic productivity. This can only happen because the tax law is too complex. Take away the complexity and not only is the taxation playing field levelled, but the above mentioned consultants will have to do something productive, like learning how to build houses or how to manage a cocoa plantation in far north Queensland. Any part of the law which fosters an industry of consultants, needs to be simplified.

I firmly believe that “technical perfection” in legislation design should be sacrificed in favour of simplicity.

Allow me to illustrate with an example. Please note that I am not proposing that the following should be implemented right now; it is offered for illustrative purposes only, in order to show what simplicity might look like.

Imagine for a moment that the unemployment benefits, aged pension, the single parent allowance and the full time carer allowance were all scrapped, along with the tax free threshold in the tax schedules. All of the above would be replaced with a cash payment by the government, to all adults over the age of 18 and all full time students over the age of 16. There would be no means test.* Let’s say that the payment was in the order of \$30,00 per year, paid monthly or fortnightly, whichever is more efficient. Income tax would a 30% flat rate for all and there would be no tax deuctions.

That is a simple system. The consultants would have to find something productive to do and there would be no need for “tax accountants”. Perhaps they could get a job in vocational guidance or helping businesses be more productive (and therefore pay more tax).

Complexity is a burden on productivity. It is also an opportunity for those who can afford an expensive accountant to find unintended loopholes in the law and for others to simply cheat and often get away with it. Simplicity overcomes these issues and is the key to productivity.

** Means tests are expensive to administer and anti productive. The decision by the government not to impose a means test on the energy price relief scheme and deposit the money directly into consumers’ energy accounts, was a stroke of genius! Well done to those involved.*

Bureaucratic Bastardry

Here are more examples of red tape productivity killers.

Local government example:

A person buys a block of land and submits a DA to build a shed, so that they can store tools and building materials while their house is under construction. The DA is refused. “You can’t build a shed until you have built a house.” OR. You can’t build that shed because we think you are going to use it for [some random purpose they dream up, which is not permitted]. Bureaucratic bastardry.

State government example:

Rachel was a professional heavy vehicle driver who had outstanding skills driving a heavy truck and dog combination carting gravel for road works around Sydney. Hard working and productive, Rachel was respected by her colleagues and very good at her job.

During her childhood she had endured abuse and violence. At one stage after having escaped a violent relationship, her mother changed Rachel’s name. When it came time for Rachel to renew her heavy vehicle licence, someone at the motor registry spotted an inconsistency in her identity and refused to renew her licence. In spite of the fact that they had her expiring licence for ID and that Rachel had explained the reason for her multiple identity, the public servant chose the stone wall approach, rather than being a facilitator.

Unable to work, Rachel lost everything, suffered a nervous breakdown and became a psychological basket case, homeless and living on social security.

About ten years later, an independent MP heard of her case and fixed the problem. Rachel got her licence back, but despite the fact that she had spent decades driving heavy vehicles and could reverse a truck and dog through an obstacle course in her sleep, she was imposed with the indignity of being “required” to have a P plate. Insult added to injury.

She now lives in a tent in the bush, suffering fear, anxiety and homelessness.

Federal government example:

In the 1950s and 1960s, hand held CB radios in the USA were as common as mobile phones are today. They were useful, productive and unrestricted. But in Australia they were “against the law” for no particular reason. This example illustrates why the USA has been such a powerhouse of productivity while Australia continues to drag its economic arse on the ground.

Nothing will change until there is a culture transplant in the public service at all three levels of government. Facilitation instead of obstruction should be legislated as a requirement. Let’s put it in the constitution. A “Team Australia” attitude and culture driven by purpose and intent is an imperative for productivity.

Another Culture Problem

A culture problem in the private sector is the tendency for businesses to go for the short term fast buck. Many would prefer to import something, put a markup of some multiple on it and sell it for a killing instead of making it. Germany, Italy and Japan, the countries which we helped to vanquish 80 years ago, are the experts we look to when we need something like an electric motor or an inverter.

Short term decision making costs the business community as well as the nation, lost opportunities. A national plan, using taxation law as an incentive, would help to change this culture and bring manufacturing back to Australia.



Expectations and Outcomes

In order to have a better quality public service, we must first raise our expectations of what the public service standards and capabilities should be. When I was running my business, my staff were proactive in coming to me with suggestions on how to improve productivity. Even those who were not long out of school contributed some brilliant ideas to the business.

Staff were not afraid to tell me if they thought that a decision I had made was a mistake or could be improved on. Everyone was thinking ahead of the curve. This was achieved due to the culture which I nurtured within the business.

The government is doing an excellent job of taking action to prevent scams and spam. If my phone rings from an unknown number, it frequently displays a warning that the caller could be a scammer. There is an email address to which I can report email spam. But there is still more to be done.

If we had proactive, purpose driven management in the various departments they would have come up with such solutions a decade ago and taken them to their departmental minister. Home Affairs or Communications departments for instance. They shouldn't have to wait to be told what to do by a minister, like a four year-old child. Less time admiring their own navels and more time spent in proactive problem solving would deliver productivity. We deserve better value for money from the billions of dollars per week of taxpayer money that is spent on the public service. That is the expectation of Australians.

Improvements to Legislation

Substandard decisions by those making policy and drafting legislation has an impact on productivity. I will point to two examples.

In an attempt to prevent exploitation by employers, taxation law has been changed to mandate that any self-employed contractor who only has one customer, is deemed to be an employee. There are better ways to protect people from exploitation. The choice whether to work as a self-employed contractor or as an employee should ALWAYS rest with the individual. This unwarranted interference in peoples freedom of choice has a negative impact on productivity. Many successful companies started life as a sole trader, sometimes with only one customer. It is a way of enabling new businesses to grow into larger businesses who in turn become employers. Increasing productivity requires that enterprises be encouraged, not thwarted. Constraints and prohibitions on personal choice are for dictatorships, not democracies. Interference of this nature should stop.

Corporate misdeeds which include exploitation of employees, customers or others is rooted in another inappropriate approach to legislation. Corporate law states that the primary obligation of a board of directors is to act in the best interests of shareholders. This sometimes encourages nefarious behaviour by companies.

Instead, corporate law should state that every company operates within social licence obligations to the community as a whole and to individuals affected by their actions and decisions. The opportunity to create financial wealth for shareholders is a privilege, not a right. Their obligation to act in the interest of shareholders falls within the constraints of their social licence obligations. The board also has an obligation not to destroy shareholder value or cause loss of opportunity through incompetence.



Looking After What is Ours

We need a new corporate category which requires that a company formed under this category be 100% owned by residential Australian citizens. Such companies would qualify for special help from government in the form of R&D, scientific, engineering and taxation assistance. This would be one of the building blocks in helping Australia to become a powerhouse of innovation and manufacture.

Foreign investment should be exclusively by invitation, determined solely by needs which we are unable to satisfy ourselves. For instance, we might invite TSM to set up a semiconductor factory in Far North Queensland, where there is an abundance of water and security from invasion. I am a supporter of free trade, but we don't need foreign companies clipping our domestic ticket and plundering our low hanging fruit when we don't need any help. Australian goods and services should be supplied to Australians by Australians. We are not a banana republic yet, so they need to keep their hands off our banana. Let's stem the free-for-all orgy of foreign takeovers.

We also need a variable company tax regime where industries which damage society, such as gambling, would pay a much higher tax rate while those who contribute to nation building would pay less.

Eliminating Evil

Speaking of gambling, there are no reasons why this destructive, predatory and parasitic business model should be allowed to be owned by foreign companies and they should never be allowed to advertise. They are a direct hit on productivity. Return all lotteries to government ownership so that their profits can at least benefit society. The Sydney Opera House build was financed in this manner.

I had a staff member who was very good at his job in a management role. He lost his family home to his gambling addiction, fuelled by gambling advertising. Having lost everything, his family suffered and were destitute. We don't owe anything to this disgusting industry. We don't even need to be fair to them. If we can't legally screw them blind and send them home empty handed, then we should go to the voters for a change to the constitution to enable this to happen. They should be treated with the same contempt as drug dealers. The damage they do to society and productivity isn't much different.

Supporting Our Neighbours

I just purchased some Australian walnuts. Grown in Australia, but shelled and sorted in China. Helping to establish labour intensive industries in small neighbouring countries, including Pacific nations, New Guinea, Bougainville, East Timor and even some parts of Indonesia, would not only strengthen the glue between these counties and Australia, it would help them to develop economically and discourage Chinese influence. It would improve the security of the region including our own security. This is a much more cost effective form of support than cash donations.

Wasted Creativity



Australians punch well above our weight when it comes to inventing things. But for every invention that gets patented and makes it to market, there are thousands of good ideas by very bright people which are simply lost. Inventions by people who are not in a financial position to patent and bring their invention to market. Then there are others whose opportunity is wasted due to government red tape or even worse... corruption.

Here is an example of the latter:

Mervyn Victor Richardson, the inventor of the Victa lawn mower, went on to create and manufacture a light aircraft in the 1960s. The Victa Air Tourer was a magnificent little two seater which was fully aerobatic in both positive and negative Gs. A four seater was on the drawing board. It was the aircraft in which I had my first flight at the age of 16 and later during the 1970s with my pilot's licence, had the pleasure of flying one myself.

In the 1960s, tariff protection was the only way that Australian manufacturers could survive. Merv Richardson applied to the federal government for tariff protection for his aircraft, which was being manufactured at Bankstown Airport.

The Prime Minister at the time was Harold Holt. The application for tariff protection was refused. It turned out that a relative of Mr Holt was the importer for Piper Aircraft at the time. In disgust, Richardson ceased production and sold the manufacturing jigs to a New Zealand company who manufactured a version of the Victa Air Tourer called the CT4 Trainer and sold them to the Australian Air Force as trainers for student pilots. The shark which disposed of Mr Holt should be awarded an AO.

In 1973, a good friend of mine obtained his Masters Degree in Aeronautical Engineering at the University of NSW. His thesis was a computer program which, more than 50 years ago, went down the path of artificial intelligence. The program was crafted to enable aircraft wings to be automatically designed by computer, simply by inputting the required performance characteristics of the wing. The software did the rest. While NASA had dabbled in this field, no one else in the world had achieved anything like this.

After graduating, John went out to start his career in aviation engineering, filled with ambition and expectation. All he could find was a job at Ansett, supervising the weighing of aircraft. I often wonder what might have been, had Harold Holt not destroyed our fledgling aircraft manufacturing industry. John might have been the engineer to design the Victa Helicopter, or the Victa corporate jet.

Instead, John spent most of his career writing software for the travel industry. Not wanting to move overseas, he gave up on any hope of realising his passion for aeronautical engineering, due to lack of opportunity in Australia. An engineer who achieved something unique in the world, was lost to aviation.



My Own Experience

In 1967, as a 19-year-old working in the radio room of Yellow Cabs in Brisbane, I observed some opportunities for improved productivity. This led me to the invention of two ideas which were ahead of their time.

The first was simple and I could have implemented it myself, but was prevented from doing so by “red tape rules”. The invention is something that everyone is now familiar with.

Having noticed how many customers hang up after being put on hold, I came up with the idea of Music On Hold, so they would know that they were still on the line. But the Postmaster General’s Department was having none of it. “There are no circumstances under which you will put music into OUR telephone lines.” Twenty years later, it was invented in the USA and all of a sudden, it was OK to put music into the telephone lines.

Had I been allowed to implement this simple invention, it could have earned millions of dollars for the Australian economy and reinforced Australia’s reputation yet again, as an invention powerhouse. It was killed by red tape rules.

The second invention required technical and financial resources which were beyond my capacity, but today it is used in every country in the world. It was invented in the USA two decades after I came up with the idea. I created the idea as a useful tool for the taxi industry. But today it is used by almost everyone.

Every person around the world who has a smart phone uses this device daily. It is called **GPS navigation**.

My version didn’t use satellites, which at the time had not been developed to the point where they could have been used for this purpose. Instead, I designed it to use fixed ground installations, a network of radio towers around the city. In all other aspects it was identical in operation to the GPS system we all use today. It was intended that the positions of all taxis in the fleet would be projected onto a map, to help dispatchers to allocate jobs.

Had there been an agency which engaged with inventors for the purpose of obtaining IP protection and technical development to bring their ideas to fruition, this invention could have earned billions of dollars for the Australian economy.

There are thousands of great ideas out there in the community, most of which are wasted.

Harvesting Creativity

The majority of people who have good ideas or inventions, don’t have the resources to bring them to market. So we need a way to prevent the evaporation of the thousands of good ideas which never see the light of day. It could be a statutory organisation which harvests inventions, triages them to identify the winners and then initiates the IP protection and the technical development processes, taking them to commercialisation. The inventor would receive a percentage of the profits and recognition for their creativity. The explosion of creativity which resulted would produce a boom for the Australian economy, even if only a small percentage of ideas were viable.

Pensioners Productivity



Maximising choice and minimising restrictions is a way to supercharge productivity from pensioners.

There are many pensioners who would love to have the opportunity to contribute to the economy, but unnecessary restrictions and complexity sees them sitting at home counting dead flies on the window sill.

Increasing the retirement age to 67 “because we are living longer and the increased costs of the ageing population” is not the way to increase productivity. We might be living longer but that doesn’t mean that our stamina is lasting longer. Retirement age should stay at 65.

The age pension system is rich in flaws and therefore opportunity for improvement. There is a rule in the pension system mandating that a pensioner can’t have more than 5 acres of land attached to their home. This has no logical purpose. It doesn’t achieve any useful outcome. Consider someone who needs to be on the pension and has a house in the city. They found an ideal home in a semi arid area of rural Australia which perfectly fits their needs. Except that it is on 20 acres which they can’t have. This illogical rule has no purpose other than to limit the choice of people which is counter productive. Five acres on the edge of a desert is not the same as 5 acres in a suburb or town. So why specify how much land they can have?

Ridiculous nonsense! It needs to be scrapped.

I am firmly against any restriction that limits choice and prevents people being productive. For this reason, I believe that the income means test for pensioners should be abolished. It is anti productive. Instead, simply rely on the assets means test for everyone over the age of 65 combined with the natural limitation imposed by ageing, on how much work by personal effort a pensioner can do. This can be done by re-engineering the tax system for retirees.

The family home should be included in the assets means test and the threshold raised to accommodate this change. That would provide more choice for people which translates to more productivity and frees up housing in the city for those in the workforce and encourages pensioners to move to the regions. Let me explain.

A couple sell their house in the city and settle for a small cottage in the country. They also purchase a caravan and an SUV to tow it with, so that they can go fruit picking. Under current rules, the value of the caravan and SUV might put them out in the cold due to the assets means test for the pension. Providing people with maximum choice boosts national productivity. Including the home in the assets test but with a higher threshold, solves this problem.

The couple go fruit picking helping the farmer to pay more tax. They provide their own accommodation with their caravan, solving worker accommodation issues for the farmer. They spend their extra earnings locally, helping rural businesses to pay more tax.

But if they have to calculate how much they can earn without it impacting their pension, then they might as well stay at home and count the dead flies on the window sill.

While I understand that the government has raised the threshold for pensioner earnings, the problem, *is that there is a threshold at all*. It is too complex for people to deal with, so instead of trying to calculate how much they can earn, they simply don’t bother. Lost productivity.



A Tax System for Pensioners

In practical terms, the ageing process limits how much a pensioner can earn through their own personal efforts. This, combined with the assets means test is enough to safeguard the social security purse against abuse. A means test on earnings, those earnings which are as a result of personal effort, is counter productive. Let's stop thwarting productivity!

Pensioners can't afford a lawyer or an accountant, to advise them on how much they can earn.

Here is a productive solution. Once a person is on the age pension, they can choose to go on a different tax system, called Working Pensioners Taxation System. There is no restriction on how much they earn, using their own efforts. The tax free threshold would not apply, being replaced by the age pension, so tax is paid on every dollar earned. A flat rate of say, 20% which would be deducted from their wages by the employer and sent directly to the tax department. In most cases, they would not need to submit a tax return and no tax declaration would be required. (Another productivity gain for the tax department.) Simplicity is at the heart of productivity. The key to increasing productivity is to provide people with maximum choice and minimum restrictions. If applicable, investment or other passive income could be taxed at a higher rate.

Plugging the Tax Shortfall

As our major generator of GDP, the mining and resources industry needs to be refined when it comes to the taxation take. Our Federation rules has given the states ownership of royalties and the Federal Government has been left with the crumbs of tax on company profits.

An export tax on all unrefined resources would fix this. The tax would be in the form of export permits and purchased by the customer in advance, before material was loaded onto ships.

Mine owners are becoming obscenely wealthy, while the owners of the material which they dig up and ship out, the Australian taxpayers, are burdened by taxation revenue shortfalls.

Our commanding position in iron ore and coal (we have the best quality in the world), gives us the commercial leverage to introduce the export tax and may even have the effect of increasing global prices for these commodities. It would also bestow a financial advantage on local refiners and processors, who don't pay export tax.

This is a much better option than the MRRT of the previous Labor government, which was politically messy, unpopular and impacted local quarries.

Superannuation as Intended

Here is a Simple Super Solution to improve productivity.

Super would be capped at \$5million and Australian superannuation would be invested exclusively in Australia. All thresholds would be indexed and unrealised profits would not be taxed until they are converted to cash. Self managed funds would be exclusively invested at arm's length, with family farms, businesses and rental housing portfolios not permitted in the fund. Simple and productive! Simple is better as it is less likely to be scammed.

That is always a good thing.

Social Dysfunction



Social dysfunction is a major hit to productivity.

The early childhood years are the most important years in a person's life. It is when we learn about values. Those of us who were not fortunate enough to start life in a stable loving environment, often go through life as unproductive and even destructive individuals. The values that we learn early in life become the standards against which we compare all subsequent information which we receive or observe. A well developed personality, no matter how young, who has been carefully nurtured and educated, will reject the rubbish on social media without having to be restricted in what they see.

Crime, violence and road rage are the product of a dysfunctional environment experienced at an early age. It costs society an unimaginable amount each day of every year. There is a solution.

Parents have always been the early life educators, but not all parents have the skills to equip their children with the wisdom they need to navigate their way through life successfully. If parents don't have these skills, how can we expect their children to grow up successfully and be productive?

These days, with so many parents having to work multiple jobs, our childcare and early learning facilities have become an essential service to enable families to function at all. These facilities present a golden opportunity to improve the quality of the learning experience of young people from the age of three.

Teaching kindness as a curriculum subject from three years of age until the end of high school would empower young people to be able to recognise the difference between poor choices and wisdom. Teaching them leadership by example and teaching them to become leaders and teachers themselves, would reduce crime, reduce domestic violence and even reduce the road toll.

This curriculum, designed by psychologists and early learning specialists, would be age appropriate and presented effectively. Early childhood workers would be trained in how to present the material which would start with the simple concept of kindness and progress as the children grow in age and understanding to include such concepts as empathy, respect and leadership. The return on investment would be significant. It would take a few years before we saw any dividends. The sooner we start, the sooner we will reap rewards.

Such a program would shape a happier society. A happy society is a productive society. The money saved on policing, justice and incarceration, property repairs and insurance premiums, could be spent improving the many needs that the community has. This project would become self financing in time. Australia could become the happiest, most productive nation on the planet, with the lowest crime rates.

Think about it. But not for too long. Let's just get it done!



Opportunity of the Century

Every internal combustion engine being made today will be replaced by an electric motor and inverter within a decade. Cars, trucks, heavy machinery, motorcycles and even aircraft will be powered by electric motors instead of internal combustion engines. It is an opportunity we should pounce on with both hands and devour. Australia should be intent on becoming the international go-to supplier of electric motors, generators and inverters.

With our massive resources of iron, rare earth minerals, aluminium and copper, everything we need to supply the world with the fruits of this new opportunity is right here. We also have an abundance of engineering talent to put it all together. But it won't happen without vision, a plan and intent. That is the government's role. No one else is going to come up with it and we need it to happen.

While China has an advantage of being a dictatorship which helps in making things happen, it can still be achieved in a democracy. We need to ditch the philosophy that the government's role is simply to make laws and provide services. It must also provide leadership, vision and intent to get the seagulls all flying in formation. Business is only focussed on its own needs.

National direction, vision and planning can only be the responsibility of government. Any government who can dazzle the population with achievement in this area might stay in office for many years.

Leadership and Self Reliance

The government can act as a catalyst in creating confidence and certainty in the direction that an industry needs to take, based on careful planning. When confidence and certainty are established, it can create a bandwagon effect, with many players keen to participate and make it happen. An example where this could be practiced would be to create confidence and certainty for a new industry manufacturing motors, generators and inverters, as mentioned earlier.

This approach has already been used by the Government with the renewable energy industry, by setting up renewable energy hubs such as the one at the former Liddell Power Station site. The same can be done for Australia to take advantage of an opportunity such as that which was described earlier. But it needs to be done with more energy and intent.

The critical missing link in Australia's lack of productivity has always been the lack of planning, direction, focus and intent at a national level. Sitting on our hands and leaving it to others, the preferred posture of conservative governments, doesn't yield the outcome that we need. Leadership is always a role for government.

Above all, we **MUST** take responsibility for our own destiny. That means that we should stop relying on others for everything we need in terms of expertise, engineering and technology. We should develop, design and build our own submarines. We should mine refine and use our own rare earth minerals, creating products and materials for the renewable age. When we rely on others, we also inherit their mistakes and poor judgement. It can also be expensive.

A child will never learn to walk if left in their cozy safe high chair. When placed on the hard floor and allowed to work it out for themselves, they not only learn to walk, they also learn how to be winners. Wisdom comes from within. As a nation, we must do the same.

Work it out for ourselves.

YES WE CAN