



**REGIONAL
AUSTRALIA
INSTITUTE**

REGIONAL AUSTRALIA INSTITUTE

SUBMISSION TO THE PRODUCTIVITY COMMISSION'S PRODUCTIVITY INQUIRY INTERIM REPORTS

SEPTEMBER 2025

ABOUT THE REGIONAL AUSTRALIA INSTITUTE

The Regional Australia Institute (RAI) is the nation's first and only independent think-tank dedicated to empowering Australia's regions. We are a not-for-profit organisation that undertakes research to inform, educate and activate our rural and regional communities.

The RAI celebrates 14 years in 2025. We are proud of the vast array of research, data and detailed insights the RAI has provided into many of the significant issues and challenges facing regional Australia. The work of the Institute is made possible through research partnerships with federal, state and territory governments, the national Regions Rising event series, regional consultancy projects, membership and philanthropic funding.

In 2022, the RAI launched the Regionalisation Ambition 2032 - A Framework to Rebalance the Nation. The Ambition is a 10-year plan for regional Australia that seeks balanced growth across our nation's regional towns and cities. It outlines key targets, actions and benefits that will contribute to building prosperous regional communities, and a stronger Australia.

The RAI exists so that decision-makers at all levels of government, not-for-profits, industry and community have the information they need to ensure the best outcomes for regional Australia. By replacing myths and stereotypes with facts and knowledge, the RAI seeks to build a more inclusive, unified and prosperous future for all Australians.

DISCLAIMER AND COPYRIGHT

This submission draws on RAI research and findings from its work across Australia. It's intended to inform the Productivity Commission as it pertains to regional Australia. No responsibility is accepted by RAI Limited, its Board or its funders for the accuracy of the advice provided or for the quality of advice or decisions made by others based on the information presented in this publication.

CONTACT AND FURTHER INFORMATION

E. info@regionalaustralia.org.au

P. (02) 6260 3733

1. INTRODUCTION

This submission by the Regional Australia Institute (RAI) responds to the interim reports released by the Productivity Commission in August 2025. The submission responds to selected draft recommendations and requests for information in the reports, it does not comprehensively respond to every proposal. The submission adds to our earlier submissions to the productivity pitch and in response to the five draft reports.

The RAI recommends, in general, that the Commission assess the regional impacts of each of its recommendations and prioritise measures and actions that will advance regional productivity growth – for the benefit of regional communities and the national economy overall.

2. CREATING A MORE DYNAMIC AND RESILIENT ECONOMY INTERIM REPORT

Corporate tax reform to spur business investment

The corporate tax reform proposals in the interim report are designed to incentivise greater private investment which will stimulate innovation, productivity and economic growth including in regional Australia. It is noted however that the proposals could result in the burden of corporate taxes falling proportionately more heavily on Australia's largest businesses with a risk that this may deter some investments. Many of Australia's larger businesses are major investors in Australia's regions. In some regions a large business may be the dominant investor. It is important that the impacts of the proposals are assessed to ensure there are no unintended consequences for regional business investment, R&D, employment and productivity.

Regulating to promote business dynamism

Sector prioritisation

The Commission requests information (Information request 2.3) about which sectors or regulatory systems warrant immediate regulatory review, and why?

The construction sector should be prioritised for regulatory review and reform. The RAI's recent *Answering the Call for Regional Housing* made findings similar to other reviews that cost blowouts, delays and labour shortages in the construction sector have increased costs and hampered new housing supply in regions. Key issues include inefficient regulatory approvals processes, access to skilled workers and a lack of innovation, particularly among smaller firms in the sector.

Regulatory governance and practice

The Commission has made a series of sensible and generally proven proposals for improved regulatory practices and governance that will reduce the regulatory burden and lift productivity.

In relation to the recommendation to “set a clear agenda for regulatory reform (draft recommendation 2.1)” this recommendation should include a spatial element to reduce regulatory burden in regional areas. It should include an outreach program to invite regional local governments and business chambers to identify localised regulatory barriers to productivity that should be prioritised for reform.

The recommendation to “bolster high-level scrutiny of regulations (draft recommendation 2.2)” should include scrutiny of regulatory impacts for regional and remote businesses, in particular regional small businesses. The proposed independent statutory commissioner should be required to demonstrate an understanding of the specific challenges that national and state-level regulations can have by place, noting the many varied regional and remote communities that can be affected in different ways, and which are not always well resourced to deal with expensive regulatory compliance requirements.

The recommendation to “enhance regulatory practice to deliver growth, competition and innovation” (draft recommendation 2.3) also requires a focus on regulatory practices in regional and remote communities. For instance, consultation processes often miss issues in these parts of Australia, partly due to communications or limited resources within communities to be able to track regulatory developments and participate in consultation. It should be a requirement for public officials to directly contact and, in many cases, visit regional and remote communities to understand the impact of regulation on their local economies. Part of the recommended support and training for public servants should be understanding of geographic, economic and social differences across Australia. RAI frequently hears from regional stakeholders who feel they weren’t not adequately consulted on measures which directly affect them, or that information flow was only one way with little opportunity to provide meaningful inputs.

3. INVESTING IN CHEAPER, CLEANER ENERGY AND THE NET ZERO TRANSFORMATION INTERIM REPORT

Speeding up approvals for new energy infrastructure

Over 90% of largescale renewable energy infrastructure development will be in regional Australia. While this creates a range of social, economic and environmental opportunities for the regions, a coordinated approach is vital to ensure that communities achieve long-term benefits from the transition.

The Commission has made draft recommendations (2.1, 2.2, 2.3 and 2.4) relating to:

- Reform national environment laws
- Set up a specialist ‘strike team’ for priority projects
- Establish a Coordinator-General for priority projects
- Consider the energy transition in approval decisions

The RAI agrees with the rationale and direction of these proposals to speed up energy transition project approvals and makes the following comments in relation to regional planning and benefit sharing models.

Facilitate regional planning

The Commission has proposed that the Australian Government should “facilitate regional planning, particularly within renewable energy zones, with stricter statutory deadlines for assessing projects in ‘go zones.’”

The RAI agrees that planning should prioritise the use of Renewable Energy Zones. REZs are an effective way to engage with communities from site selection through to implementation, including consideration of cumulative environmental impacts from multiple projects. This approach could also assist in building community support for renewable energy projects. Beyond site selection, regional communities need to be resourced to participate as partners in ongoing planning, monitoring and benefit sharing associated with energy developments.

Community engagement and regional benefits sharing

The Commission proposes that “the Australian Government should set clear expectations about engagement with local communities and Aboriginal and Torres Strait Islander people.”

The report proposes the implementation of consistent national standards for community engagement. The RAI strongly supports this proposal, noting that different levels of engagement will be required for different developments. In regions with significant planned development, such as Renewable Energy Zones, the standards should consider mandating a coordinated and collaborative approach to engagement, to reduce fatigue and cumulative impact. The standards should consider coordinating engagement across regions and at all stages of renewable energy projects, noting that these projects require long-term regional involvement.

There is similar need for a nationally consistent approach to benefit sharing. While the report promotes the importance of a national approach to engagement, it says that benefit sharing is “largely a state responsibility” and “therefore not the focus” of its report p46. In the RAI’s view, a national approach to benefits sharing is also needed. The RAI recommends that national standards for benefit sharing should be introduced, to provide certainty and guidance around developer contributions and promote equitable outcomes.

The absence of a national approach to benefit sharing means there is no national narrative or program in place to promote the opportunity for nation-wide regional development from the investments occurring in regional Australia under the energy transition. Instead, the current fragmented approach is, in our view, contributing to a range of differing narratives about what the transition means for regional communities across Australia and wavering support, or growing opposition, in some regional communities for the transition.

The Commission should adopt the same position in support of a national approach to regional benefit sharing as it does to community engagement.

The RAI’s upcoming report *Towards Net Zero: Building a Legacy* proposes a national framework for benefit sharing, the **Regional Energy and Legacy Deal (REAL Deal)**, that would bring together government, industry and communities to deliver coordinated regional investment through the transition. The REAL Deal would deliver a nationally consistent regional approach to benefit sharing,

supported by government and industry co-investment, and led by communities through place-based planning and decision-making. (See Box)

The RAI would welcome a further discussion with the Commission about the potential for adopting a national framework for benefit sharing.

Box: Elements of a national approach to regional benefit sharing – the REAL DEAL

Building a Narrative: Australian Government to strengthen the narrative around the long-term net benefits and opportunities for regional communities arising from renewable energy investments under the net zero transition.

National Framework: Australian Government to develop a national framework for benefit sharing from largescale renewable energy development. The Framework should provide guidance on community engagement requirements, a national approach to regional planning, scaled payment amounts for mandatory community benefits contributions, and guidance on regional governance and decision-making models.

Regional Plans: Regional communities should be resourced under the National Framework to develop strategic plans that document local priorities and aspirations in preparation for engagement with developers. Funding may also be required to build capacity for communities to participate as equal partners in negotiations, planning and decision-making.

Regional Benefits Funds: The RAI recommends pooling developer contributions into Local Legacy Funds to reduce administration and optimise investment impact. Funds should also enable contributions from governments, industry and philanthropy to fund local investment.

Regional Decision-Making: REAL Deal investments would involve place-based decision-making at local level. This may be through an existing governance group, collaboration or purpose-built entity. First Nations and community representatives must be an integral part of this process.

HARNESSING DATA AND DIGITAL TECHNOLOGY INTERIM REPORT

Artificial Intelligence

The Commission has proposed that “the Australian Government should continue, complete, publish and act on ongoing reviews into the potential gaps in the regulatory framework posed by AI as soon as possible” (draft recommendation 1.1).

The Commission has also recommended that the Australian government “pause steps to implement mandatory guardrails for high-risk AI” (draft recommendation 1.3) – at least in situations where harms cannot be mitigated by existing regulatory frameworks.

AI and digital technology adoption more broadly has the potential to drive significant productivity growth in regional industries. In each of these reviews there should be a focus on the challenges faced in regional markets for accessing and making the highest value uses of AI as it develops.

These include but are not limited to: reliable and affordable access to communications infrastructure; thin regional markets with high levels of provider concentration; lack of digital skills; lower bias in under-represented regional data, and geographic, economic and social diversity across regional Australia.

An evidence-based approach will be important in establishing any AI guardrails that clearly identifies AI risks and gaps and ensure any proposed regulatory measures are fully tested for their impacts on regional economies, including that they do not unnecessarily stifle innovation and investment.

The RAI is undertaking a significant research project on regional productivity in 2025-26 that will include a deep dive into the opportunities and challenges for AI and digital technology adoption in regional and remote Australia. We look forward to sharing the findings from the project with the Commission during the year.

Data access

Under information request 2.1, the Commission is seeking feedback on “how to introduce lower-cost and more flexible data access pathways for a broad range of use cases”. It asks, “where should data access be prioritised in the economy?”.

In a similar vein, the Commission recommends that the “Australian Government should establish lower-cost and more flexible regulatory pathways to expand data access for individuals and businesses. Pathways for data access should begin with data where the sharing is of high benefit but relatively low cost; and there is clear value to consumers.”

RAI agrees with these recommendations in relation to access to regional and sub-regional level data. There are many indicators where data at the regional and sub-regional level is lacking, such as in: housing and construction data; regional labour markets data; regional migration data and regional data on sustainability investments and performance in relation to the Net Zero transition.

The RAI’s extensive and ongoing empirical analysis regularly highlights a persistent lack of publicly accessible regional data. The collection and publication of these datasets at the regional and sub-regional level should generally be treated as low risk but offering high returns in terms by supporting better localised decision making. The benefits to regional and remote areas will generally outweigh the costs of collection and publication. Improving data accessibility would enable communities, researchers, and policymakers to better understand key regional issues and develop more sensible, evidence-based and place-based recommendations grounded in local evidence.

Data access pathways should be sector-specific and flexible. As above, the priority should go to high-benefit, low-cost datasets such as housing, labour markets, health, and energy/net zero. Marking these datasets accessible would directly support better planning, workforce allocation, and infrastructure sequencing in regional economies.

5. BUILDING A SKILLED AND ADAPTABLE WORKFORCE INTERIM REPORT

The best resources to improve school student outcomes

The Commission has proposed that the Australian government should “invest in a single national platform for all teachers to access lesson planning materials” (draft recommendation 1.1) and “lead national efforts to ensure equitable access to educational technology (edtech) and artificial intelligence (AI)” (draft recommendation 1.2).

Both recommendations in this section can have significant positive impacts in regional and remote Australia, which can experience a shortage of teachers and which generally record lower educational outcomes compared to metropolitan regions. The Commission should consider recommending pilot programs for each initiative in remote areas with low educational outcomes.

Building skills and qualifications for a more productive workforce

The Commission has recommended to “move toward a national system of credit transfer and recognition of prior learning (RPL)” (draft recommendation 2.1). This will support labour mobility in regional areas by making it easier for workers to work and learn in multiple locations, which is beneficial for regional workforce development and job matching.

The Commission has recommended to “better target incentives to lift work related training rates in small and medium enterprises (SMEs)” (draft recommendation 2.2). This initiative should include targeted regional incentives to support training in remote and very remote areas and be designed to allow for training that may need to be conducted online.

Fit for purpose occupational entry regulations

The Commission’s recommendations to “remove excessive occupational entry regulations that offer limited benefits” (draft recommendation 3.1) and “improve the regular reviews of occupational entry regulations” (draft recommendation 3.3) should include a recommendation for interjurisdictional mutual recognition to help overcome restrictions on skilled workers applying their skills across state boundaries, which is a significant problem in places like Albury-Wodonga and Tweed Heads – Coolangatta.

6. DELIVERING QUALITY CARE MORE EFFICIENTLY INTERIM REPORT

The RAI is supportive of the key reform areas and concepts identified in the interim report: improving alignment in quality and safety regulation across care sectors; embedding place-based collaborative commissioning; and establishing a national prevention framework.

Reform of quality and safety regulation to support a more cohesive care economy

Align care worker regulation

Under recommendation 1.1, the Commission proposes that “to align care worker regulation, the Australian Government should, within three years, develop a national screening clearance for workers in the aged care, NDIS, veterans’ care and early childhood education and care (ECEC) sectors in collaboration with state and territory governments; and adopt a unified approach to worker registration across the aged care, NDIS and veterans’ care sectors.”

The RAI is strongly supportive of the PC’s proposal to align care worker regulation across the aged care, disability and ECEC sectors. The PC report recognises that the existing fragmented registration and clearance processes affect the mobility of care workers across sectors and jurisdictions and reduce productivity.

The RAI notes that attention should also be paid to the mobility of workers across cities and regions and the unique challenges faced by regional and remote areas in workforce attraction and retention.¹ RAI’s Regional Jobs 2022 report identified that medical practitioners and nurses, and carers and aides are among the top three most in-demand online advertised roles across regional Australia.² Reforms that simplify registration and screening processes across sector and jurisdictional boundaries could contribute to addressing worker shortages in the regions. The RAI also welcomes reforms that support recruitment, retention, training, and upskilling of care workers in regional and remote areas, including incentives for regional placement and training and flexible registration and screening processes that recognise the unique challenges of rural and remote work.

Consistent approach to AI regulation

Also under recommendation 1.1, the Commission proposes “the Australian Government should ensure a consistent approach to the regulation of artificial intelligence across the aged care, NDIS and veterans’ care sectors.”

The RAI is supportive of a consistent approach to the regulation of artificial intelligence and acknowledges the potential of digital technologies and AI to enhance the quality of care in regional Australia. However, greater uptake of digital technology and integrated care requires more investment in digital infrastructure and data-sharing capabilities in regional Australia to close the gap in digital connectivity between cities and regions.³ This includes providing support and regulation for telehealth, telemedicine, and remote care.

¹ National Skills Commission. (2021). *Care workforce labour market study: Report summary*. Australian Government. https://www.jobsandskills.gov.au/sites/default/files/2023-11/care_workforce_labour_market_study_-_report_summary.pdf

² Regional Australia Institute. (2022). *Regional jobs 2022: The big skills challenge*. https://www.regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Job%20Updates/The_Big_Skill_s_Challenge_Report.pdf

³ Thomas, J., et al. (2023). *Measuring Australia’s Digital Divide: Australian Digital Inclusion Index: 2023*. ARC Centre of Excellence for Automated Decision-Making and Society, RMIT University, Swinburne University of Technology, and Telstra. <https://doi.org/10.25916/528s-ny91>

Embed collaborative commissioning to increase the integration of care services

LHN and PHN collaboration

Under draft recommendation 2.1, the Commission proposes “LHNs and PHNs should be required to plan together to identify areas for collaboration, including joint needs assessments, agreed plans of work and joint monitoring and reporting of outcomes. Changes to funding arrangements are needed to embed collaborative commissioning.”

The RAI strongly supports the proposal for joint needs assessment, planning, monitoring and reporting across Local Hospital Networks (LHNs) and Primary Health Networks (PHNs). For this process to increase efficiency, rather than create duplication, regulation that facilitates data sharing and systems integration will be essential. Resourcing must also be provided for governance and removal of barriers to joint funding for collaborative commissioning.

In addition to coordination between PHNs and LHNs, PHN planning and needs assessments could also be supported by strengthening the role of the national PHN Cooperative or establishing a peak body.

The PC report acknowledges that the boundary misalignment between LHNs and PHNs can limit collaboration. In the longer term, RAI recommends aligning the boundaries of LHNs and PHNs to the boundaries of LGAs or groups of LGAs where this is not already the case.

The Commission also proposes that “LHNs and PHNs must work in partnership with ACCHOs and other organisations to inform planning and shared decision making.”

The report stresses that place-based needs assessment, planning and decision making is critical to collaborative commissioning and service coordination. It is important for PHNs and LHNs to work in partnership with ACCHOs (Aboriginal Community Controlled Health Organisations) to understand and improve health outcomes for First Nations communities. To support this, the RAI recommends including ACCHOs in the joint regional planning and commissioning processes outlined above.

Social determinants of health account for between 30-55% of health outcomes (AIHW). For this reason, local needs assessment, planning and service delivery also needs to include engagement with communities and community-based organisations such as social housing, education, employment, and juvenile justice to address the broader social determinants of health. Despite a stated focus on the health equity and social determinants, in practice many PHNs’ planned activities are primarily focused on clinical and behavioural approaches.⁴

We recommend that funding models should allow for local innovation and flexibility and support place-based initiatives such as [integrated care hubs](#). The government should continue to encourage and fund pilot programs and innovative models of care developed in regional Australia,

⁴ Windle, A., Javanparast, S., Freeman, T., & Baum, F. (2023). Evaluating local primary health care actions to address health inequities: analysis of Australia's Primary Health Networks. *International Journal for Equity in Health*, 22(243). <https://doi.org/10.1186/s12939-023-02053-8>

with pathways for successful initiatives to be scaled nationally. We also recommend that integrated commissioning always takes social determinants of health into consideration. In addition to programs between LHNs, PHNs and ACCHOs, funding arrangements should provide flexibility for joint funding of other organisations that contribute to improving health outcomes.

A national framework to support government investment in prevention

Under draft recommendation 3.1, the Commission proposes to establish a National Prevention Investment Framework to support investment in prevention, improving outcomes and slowing the escalating growth in government care expenditure.”

The RAI supports the proposal for a national preventive health framework that includes an integrated focus on the social determinants of health.

In Australia, less than 2% of the federal health budget is allocated to preventive health, compared with approximately 5% in countries such as Canada and the UK. However, there is strong evidence for the preventive effectiveness of public health and early interventions, offering an enormous return on investment and reduction in lifetime health expenditure.

RAI recommends that prevention funding arrangements take consideration the geographical disparity between health outcomes across cities and regions. The Australian Institute of Health and Welfare (AIHW) reports that the overall burden of disease and injury in Australia increases with remoteness.⁵ The National Prevention Investment Framework should include dedicated funding streams for regional prevention initiatives, such as:

- Programs targeting health awareness, social determinants of health, first 2000 days of life and social and emotional wellbeing.
- Early intervention for chronic disease prevention and mental health issues prevalent in regional areas.
- Support for community-led prevention and early intervention, leveraging local knowledge and networks.
- Evaluation metrics that capture regional outcomes and allow for adaptation to local contexts.

The RAI appreciates the opportunity to contribute to this important conversation.

⁵ Australian Institute of Health and Welfare. (2024, April 30). *Rural and remote health*. Retrieved September 9, 2025, from <https://www.aihw.gov.au/reports/rural-remote-australians/rural-and-remote-health>