



**Ben Blackburn Racing
submission to the Productivity
Commission's Inquiry into
Australia's productivity
performance**

Acknowledgement of Country

Ben Blackburn Racing acknowledges the Traditional Owners of the lands that we live and work on across Australia.

We recognise that Aboriginal and Torres Strait Islander peoples have made and will continue to make extraordinary contributions to all aspects of Australian life.

We acknowledge the tens of thousands of years of continuous custodianship and placemaking by First Nations peoples and their proud role in our shared future together.

We thank them for their custodianship of Country – land, seas and skies.

We acknowledge the diversity of First Nations cultures, histories and peoples, and we pay our respects to Elders past, present and emerging.

Executive Summary

Thank you for the opportunity to submit a few productivity related observations, policy recommendations and comments in relation to the Productivity Commission's Inquiry into Australia's productivity performance.

Since 1901, almost all of Australia's longer-term growth in incomes and wages is attributable to labour productivity growth with policy playing a key role in driving this growth.

There is no doubt that Australia must confront the productivity challenge head on.

Australia must engage in and pursue a wide-ranging productivity enabling reforms and innovative policies to deliver a modern, thriving and competitive economy in order to guarantee our next wave of national economic prosperity and success as a country.

Productivity growth should not be taken for granted. History suggests it comes in cycles.

In Australia, the 1990s witnessed strong productivity growth, averaging 1.8 per cent per year. However, the 2000s coincided with a productivity growth slowdown to an annual average of 1.1 per cent in the decade following.

Labour productivity growth – measured as the change in what we produce each hour that we work – has slumped in recent years and without urgent action our disappointing performance will worsen.

The consequences of weak productivity growth are serious and will ultimately translate into slower growth in our living standards and increasing gaps between budget revenues and expenditures as our country's population ages.

To put Australia back on the right trajectory, we must undertake a bold new round of structural economic and productivity reforms.

The Australian economy can no longer be dependent on population growth and increased debt to sustain its growth. We cannot tax our way back into surplus.

High wage and secure jobs depend on high productivity workplaces. Productivity in Australia can only be improved through the more efficient use of labour, capital and other inputs used in the supply of goods and services.

There is also a critical shortage of skills and labour in Australia which is putting a halt on economic growth. Governments and policy decision-makers need to implement solutions to help future-proof the labour market. Part of the solution requires a three-pronged strategy to develop skills, encourage workforce participation and rebuild sustainable migration.

More needs to be done to connect the long term unemployed to job vacancies and encouraging individuals who face a range of barriers to become part of the labour force and seek jobs that will suit their range of abilities. The youth unemployment rate is more than double the overall unemployment rate.

Policy decision-makers also need to revitalise, develop and implement a modern-day National Competition Policy suitable to tackle the contemporary challenges we face and to improve our overall competitiveness and to help lift our productivity.

Despite a plethora of policy challenges, Ben Blackburn Racing remains upbeat and optimistic about our long-term economic future. Australia is a great country. We are a nation blessed with industrious and hard-working people. By working together towards a common purpose we can continue to achieve extraordinary things.

We appreciate the significant importance and appropriate timing of this Productivity Commission Inquiry and the overarching beacon of opportunity it presents to implement wide-ranging productivity enabling reforms and plant the seed for Australia's future prosperity.

We acknowledge and thank the Productivity Commission Chair Michael Brennan, Deputy Chair Alex Robson, Commissioner Lisa Gropp and Commissioner Stephen King.

Ben Blackburn Racing values the opportunity to make a contribution to the first phase of this Productivity Commission inquiry and we look forward to actively engaging with the Commission throughout the remaining stages of this inquiry.

Ben Blackburn
Managing Director
Ben Blackburn Racing



What is productivity?

When you say “**productivity**” you are basically referring to the ratio of output produced to input used.

Considered more broadly productivity measures implemented capture the capability of a country to harness its physical and human capital to generate and deliver output which equates to income and becomes a key driver of economic growth and prosperity.

Productivity is often measured in two common ways:

Labour productivity (LP) measures the output produced per unit of labour input (usually hours worked).

LP growth captures improvements in the efficiency of labour, due to capital-deepening (growth in the ratio of capital to labour) and improvements in the efficiency with which capital and labour are combined, referred to as **multifactor productivity (MFP)**.

MFP measures the output produced per unit of combined inputs of labour and capital.

MFP growth reflects changes in output occurring for reasons other than increases in the quantity of capital and labour. In essence it captures improvements in the quality of inputs and/or how they are combined and is treated as an indicator of technological change. An improvement in labour quality might include a more educated or skilled worker. An improvement in capital quality might include a new machine that has doubled its throughput.

Governments can influence the productivity of firms and organisations in Australia via three main channels:

- **Incentives** – the external pressures and disciplines on them to perform well.
- **Capabilities** – the human resources and knowledge systems, the institutions and infrastructure, needed to devise productivity-enhancing changes and support them effectively.
- **Flexibility** – the scope to make the necessary changes.

A commonly quoted summary of the importance of productivity growth is that of distinguished US economist Paul Krugman from 1992:

“...Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker. World War II veterans came home to an economy that doubled its productivity over the next 25 years; as a result, they found themselves achieving living standards their parents had never imagined. Vietnam veterans came home to an economy that raised its productivity less than 10 percent in 15 years; as a result, they found themselves living no better - and in many cases worse - than their parents”.

(Source: P. Krugman, *The Age of Diminished Expectations: US Economic Policy in the 1980s*, MIT Press, Cambridge, 1992, p.9).

Productivity growth at an economy-wide level means more aggregate outputs per aggregate inputs, which translates to greater returns on total inputs, thus more income is available to share around.

The Australian Bureau of Statistics explains that:

“...the key to long term improvements in Australia’s living standards is productivity growth and therefore enhancing national productivity is one of the basic goals of economic policy”.

(Source: ABS, Submission no.16, p.2).

As Professor and Economist Ross Garnaut observed in 2005:

“...a great complacency that descended upon the country after a decade of exceptional economic growth...as a community, we accepted the excellent economic performance as evidence that we had changed enough”.

Garnaut in 2010 was honest about the lack of national leadership, political appetite and will power since the introduction of the GST.

“...There has been no successful major step in productivity-raising reform since the tax changes associated with the introduction of the GST in 2001...Economic policy since the GST has been characterised by change rather than productivity-raising reform. The use of independent analysis and transparent discussion of policy reform has become rare ... attempts at major reform that had the potential to raise productivity and incomes, but failed comprehensively...poisoned the soil for further reform for a considerable while”. (R. Garnaut 2010)

Former Reserve Bank of Australia Chairman Glenn Stevens in his 26th July 2011 speech ‘The Cautious Consumer’ to The Anika Foundation Luncheon in Sydney noted that:

“...past periods of apparently easy affluence, conferred by favourable international conditions, probably lessened the sharpness of our focus on productivity”.

“...so everything comes back to productivity. It always does. It has been observed before that past periods of apparently easy affluence, conferred by favourable international conditions, probably lessened the sharpness of our focus on productivity. Conversely, the will to reform was probably most powerful when the terms of trade reached a long-term low in the mid-1980s. Those reforms ushered in a period of strong productivity growth.

“...The thing that Australia has perhaps rarely done, but that would, if we could manage it, really capitalise on our recent good fortune, would be to lift productivity performance while the terms of trade are high. The income results of that would, over time, provide the most secure base for strong increases in living standards. That sort of an environment would be one in which the cautious consumer might feel inclined towards well-based optimism and reopen the purse strings”.

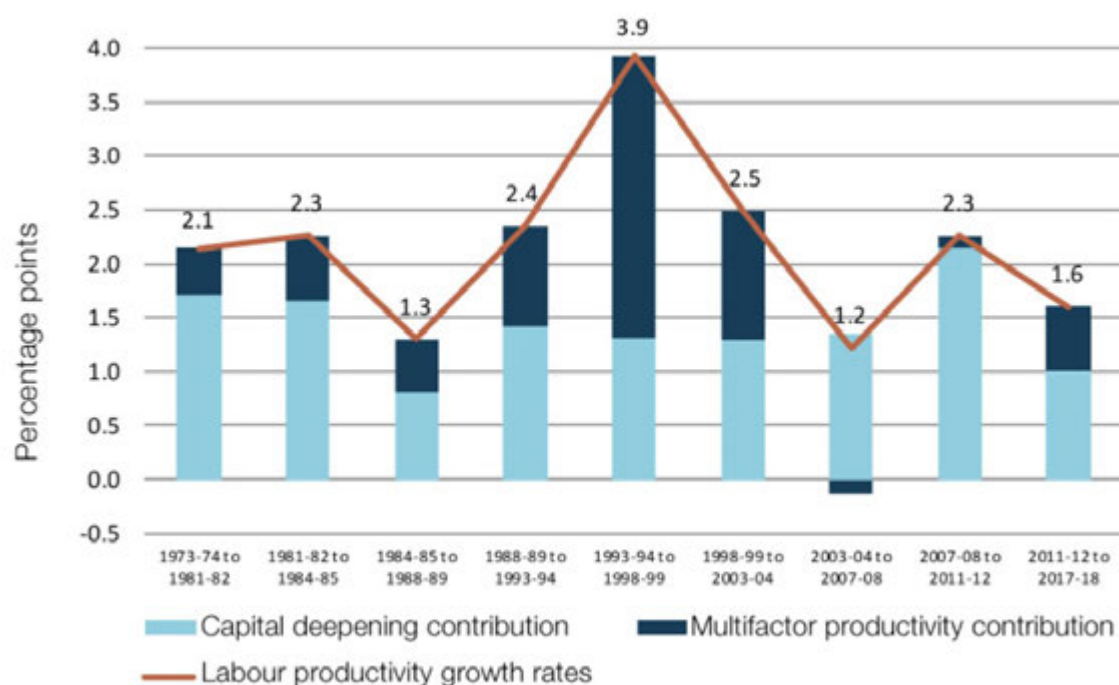
The urgent need for reform...

For some period now each of the key performance indicators have highlighted that Australia's productivity and economic growth is in slow decline.

This detailed submission will cover a number of policy recommendations in key sectors which will put Australia back on the right trajectory.

As a first step, there must be a legislative appetite for serious and comprehensive reform. We must undertake a bold new round of structural economic and productivity reforms to ensure our long-term prosperity and success as a nation.

Table 1: Labour productivity (measured using industry market sector productivity cycles)



Source: ABS 2018, *Estimates of Industry Multifactor Productivity*, 2017-18, cat. no. 5260.0.55.002, December 2018.

In the next 3 to 5 years, having the right balance between government policy and regulatory framework settings will play an important role in helping Australian companies and employers unlock and capitalise of new opportunities from technological innovations so that productivity growth returns.

As the 2015 *'Intergenerational Report: Australia in 2055'* stated:

"...Continuing to encourage more entrepreneurship and innovation, enhancing resource allocation, investing in and using infrastructure efficiently, facilitating trade with other countries and improving physical and human capital investment will all be critical to Australia's future productivity performance".

According to the Productivity Commission's *Shifting the Dial* 2017 report, governments can enhance productivity growth by supporting education and skills development,

improving regulatory design to create the right incentives for private sector investment and ensuring the community benefits of public infrastructure are realised through proper project appraisal processes and appropriate asset management.

The ***Shifting the Dial*** report puts forward a number of detailed recommendations on how governments can positively influence productivity:

- Making Australia's health system more oriented to achievement of outcomes rather than payment for services.
- Creating a good quality and adaptive education and training system and ensuring a well-functioning labour market.
- Improving the functioning of towns and cities by improvements to public infrastructure, road funding and investment, planning and land use policies and access to housing.
- Improving the efficiency of markets by improving competition and reducing unnecessary regulatory burden.
- Making governments work more effectively through better intergovernmental relations and management of public finances and developing stronger policy development and delivery capabilities.

As the Australian Chamber of Commerce and Industry has highlighted to in its own submission to this 2022 Productivity Commission inquiry:

"...Over the past two years, productivity measures have become inconsistent and unreliable as a result of the disruption caused by the COVID lockdowns.

"...The lockdowns resulted in a large share of business capital unused or under-used. This influenced labour productivity, overstating the capital deepening component. Labour productivity jumped to 1.8% in 2019-20, before settling back to 1.1% in 2020-21, artificial boosted by a reallocation of labour toward higher productive industries as less productive industries experienced larger falls in hours worked. This contrasts with the declining trend in labour productivity over the past business cycle (2011-12 to 2018-19), described above.

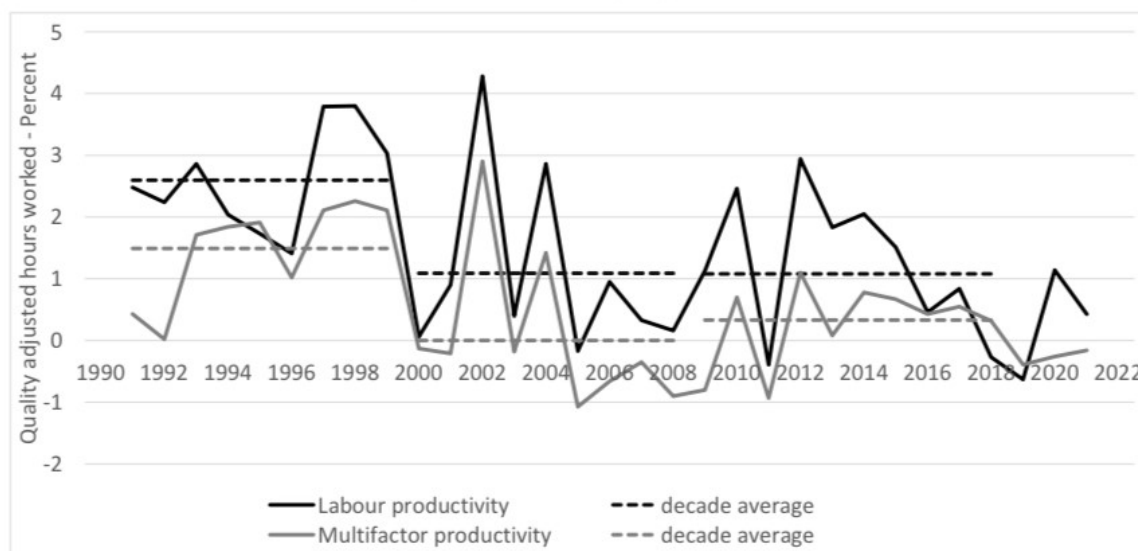
"...While multifactor productivity (MFP) growth had been relatively stable (albeit anaemic — below 1%) over the business cycle prior to the pandemic, it contracted 0.6% in 2018-19 and remained in negative territory in 2019-20 and 2020-21.

"...It will take some time for businesses to recover, regain confidence and make the substantial investment to achieve the capital deepening necessary to raise productivity growth.

"...The Intergenerational Report assumes that labour productivity growth will be sustained at an average rate of growth of 1.5% per year, over the next 30 years. Yet, it likely to take several years to return sustainably to this long-term trend level, particularly after the disruption caused by the COVID pandemic, so a higher rate of growth is needed in the outer years. If this cannot be achieved and labour productivity growth is lower, then this will substantially slow economic and employment growth".

We must undertake urgent and wide-ranging productivity reforms to lift Australia out of the economic slow lane.

Table 2: Market Sector Productivity Growth – quality adjusted hours worked basis



Source: Australian Bureau of Statistics (ABS) 5260.055 *Estimates of Industry Multifactor Productivity*, 2020-21 financial year.

Low productivity contributed to weak economic growth in the years leading up to the COVID pandemic, with GDP growth in the decade 2010-19 averaging 2.6%, compared to an average of 3.3% over the proceeding three decades.

On 31st March 2021, upon releasing the NSW Productivity Commission's white 'Rebooting the economy' white paper, the NSW Productivity Commissioner Peter Achterstraat said:

"...if we do not increase productivity growth, NSW will be \$33,000 per person worse off by 2056. That's \$33,000 a year less for each person to spend on housing, food, education and healthcare.

"...Seizing these opportunities will raise the living standards and wages of the people of NSW, and help the State pay down its debts without burdening businesses and individuals with additional taxation".

A total of sixty opportunities were identified to guide the choices we make today to set up the foundations for long-term productivity and economic growth. The opportunities are centred around the four foundations: talent, innovation, housing and infrastructure. Together, these reforms will make NSW a more attractive place to live, work, start a business, and raise a family.

Economic modelling indicates that these reforms could boost Gross State Product by two per cent per annum by 2041; an increase of \$19.4 billion in today's dollars, and equivalent to each NSW citizen over the age of 15 receiving an additional \$2,000 per year by 2041.

As a former Commonwealth Government Minister Dr Craig Emerson pointed out in his April 2005 paper ***'Sustaining prosperity: the way ahead'*** presented at the Sustaining Prosperity Conference at the University of Melbourne:

"...To sustain prosperity Australia desperately needs a second round of productivity growth built on a new economic reform program. The way ahead is to abandon governing for electoral cycles and to invest in the modern sources of productivity growth - skills, ideas and infrastructure - to provide opportunity for all Australians".

On 26th July 2007, then Commonwealth Treasurer Peter Costello said:

"...Timely and effective implementation of COAG's National Reform Agenda commitments, agreed between the Australian and State and Territory Governments in April of this year, will go a long way towards realising the gains from improving productivity, competitiveness and efficiency in crucial infrastructure sectors.

"...These reforms have the potential to boost Australia's productive capacity at a time when we should be doing everything possible to capitalise on the favourable global economic environment".

As the Minerals Council of Australia highlighted in its own submission to this 2022 Productivity Commission inquiry:

"Increasing opportunities for Australia to expand its international trade and investment are fundamental to the nation's prosperity.

"...Australia's openness to trade and investment drives job creation across the nation".

In 2017, the Productivity Commission's ***Shifting the Dial*** inquiry report noted the importance of employment for a range of important objectives.

It highlighted that employment brings:

"...income, social interaction, self-esteem and sense of purpose through making a contribution to a profession or community...with the skills embedded in jobs one of the principal drivers of increased productivity".

The report also noted that:

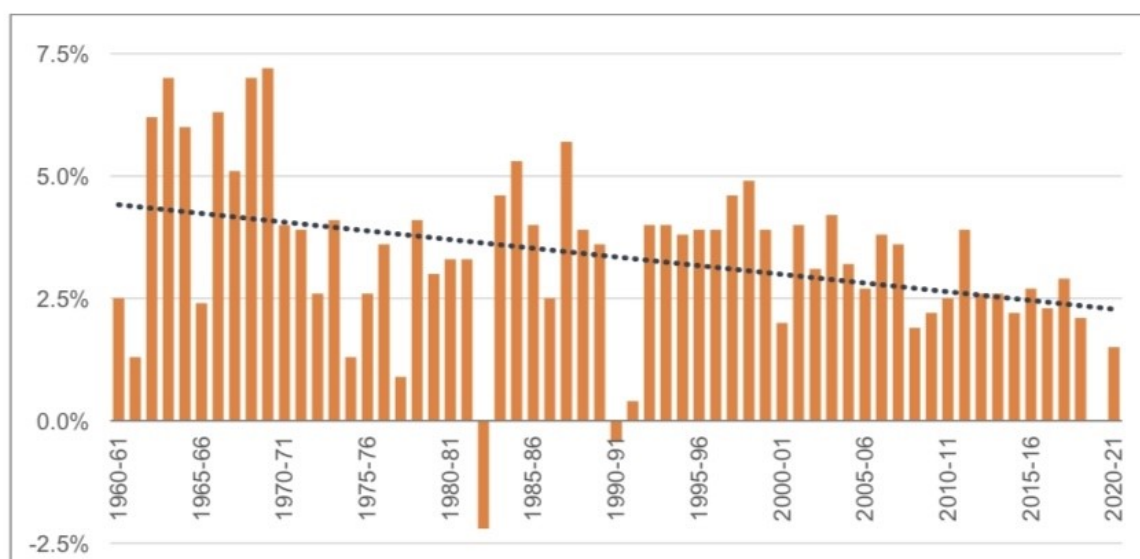
"Technology adoption, use and diffusion is directly related to individuals having the required skills".

The impact of technology on productivity has significantly increased since the last productivity review in 2017.

As the Business Council of Australia's (BCA) 2017 ***Future Proof*** report noted:

"...Australia's economy will increasingly become the domain of skilled workers who can harness and augment technology".

Table 3: Australia's declining long-term GDP growth



Source: Australian Bureau of Statistics, *Australian System of National Accounts*, released 29th October 2021.

Governments should also consider implementing measures which will drive up higher levels of labour productivity that encourages further business investment and ultimately an increase in labour productivity and higher real wages.

Analysis by the Department of the Treasury found broad benefits of lower company income tax across the economy, including to workers and households:

“...Australia’s living standards must be driven by a higher level of labour productivity...a company income tax cut can do that, even after allowing for increases in other taxes or cutting government spending to recover lost revenue, by lowering the before tax cost of capital. This encourages investment, which in turn increases the capital stock and labour productivity. Analysis presented here also suggests the long-term benefits accrue to workers and households via permanently higher after-tax real wages and consumption”.

Source: Kouparitsas, M., Prihardini, D., Beames, A., *Analysis of the long-term effects of a company tax cut*, Treasury Working Paper, 2016-02.

As the 2015 Harper Review made very clear, a re-focus on productivity growth is imperative:

“...now that Australia’s terms of trade are receding from their peaks and the boom in mining investment is past, as a matter of urgency we must look once again to productivity growth to underpin rising living standards”.

Competition Policy and Productivity

Having a modern National Competition Policy is highly relevant to pursuing the productivity challenge.

There is already a significant body of previous work, from academia, government funded research projects and reports that highlights the fundamental link between competition policy and productivity.

The report of the 2015 *Competition Policy Review* chaired by Professor Ian Harper (known as the 'Harper Review') with particular attention to the Harper Review's recommendations 1 to 21 relating to competition policy, recommendations 43 to 47 relating to establishment of an Australian Council for Competition Policy and recommendation 48 relating to competition payments.

I would also like to recommend that this 2022 Productivity Commission inquiry consider examining the progress in implementing the Harper report recommendations in conjunction with the current need for further productivity reforms in the interests of laying out the background of existing work and research for the current Productivity Commission inquiry to consider during its ongoing deliberations.

In 2015, the Commission estimated that productivity improvements and price reductions as a result of the national competition policy and related Commonwealth Government reforms during the mid-1990s increased Australia's gross domestic product by a significant 2.5 per cent.

The Commission had already concluded from its research that a major part of the impact of reforms in the mid-1990s came indirectly by lifting the exposure of businesses to more competition and opening up the broader economy to international developments.

After two decades of economic malaise and policy inaction by governments, a decline of our traditional Australian textile, automotive and other manufacturing industries, and the international oil shocks in 1973 and then 1979 which unfortunately along with other domestic factors led to a stagnant and inefficient Australian economy paired with high inflation and high unemployment.

These fundamental competition policy reforms in the mid-1990s were the sparking rod for a variety of long overdue changes and improvements across the economy which led to better and increased productivity.

As the Commission observed:

"...Increased competition provides incentives for businesses to improve productivity in order to maintain and improve their financial positions. Competition has been a central catalyst for many widespread and fundamental changes that have brought better performance".

Policy Recommendations



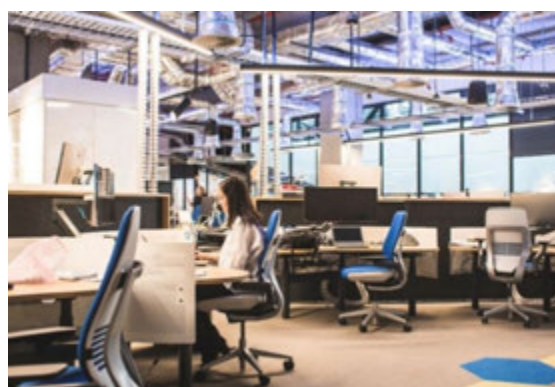
Innovation

- Develop and implement a new National Innovation Strategy 2022-2032 to outline industry and business goals, 5-year and 10-year progress targets and a strategic roadmap outlining major goals and objectives for the next decade of innovation investment and growth potential to help drive up productivity.
- Implement a policy setting framework which focuses on the innovation capability of Australian businesses.



- Leverage long term strategies and make targeted investments in nation-building innovation projects to gain a competitive advantage, access new digital technology markets and enjoy growth and efficiency benefits.
- Implement some of the innovation recommendations outlined in the BCA-CSIRO December 2021 *'Unlocking the innovation potential of Australian companies'* report including:

- Collaborating more in supporting early-stage research, translating and commercialising emerging science and technology, and adopting commercially available technology to build local capability and gain a competitive advantage.
- Focusing on existing skills, talent, and capability building in designing new innovation projects.
- Embracing a 'growth through innovation' culture and openly discuss the sharing of risk and intellectual property (IP) with their innovation partners to successfully drive the development and adoption of new technologies.
- Actively building skills and capability in Australian businesses both in emerging research areas as well as broader digital capabilities to develop a competitive advantage.
- Using targeted 'enablers' to overcome existing industry barriers to commercialisation and further innovation and technology investment.
- Extending out the patent box to all industry sectors, not just medical and biotechnology and enhance this support with low interest loans and other financial assistance to assist businesses to commercialise R&D and innovation in Australia.
- Allocating additional funding for CSIRO, CRCs/RDCs and universities to provide greater incentive for industry to collaborate and partner with government R&D organisations and institutions.



Competition Principles

As outlined in the 2015 Productivity Commission's Harper Review Final Report, the Australian Government, State and Territory and Local Governments should commit to the following competition principles:

- Competition policies, laws and institutions should promote the long-term interests of consumers.
- Legislative frameworks and government policies and regulations binding the public or private sectors should not restrict competition.
- Governments should promote consumer choice when funding, procuring or providing goods and services and enable informed choices by consumers.
- The model for government provision or procurement of goods and services should separate the interests of policy (including funding), regulation and service provision and should encourage a diversity of providers.
- Governments should separate remaining public monopolies from competitive service elements, and also separate contestable elements into smaller independent business activities.
- Government business activities that compete with private provision, whether for-profit or not-for-profit, should comply with competitive neutrality principles to ensure they do not enjoy a net competitive advantage simply as a result of government ownership.
- A right to third-party access to significant bottleneck infrastructure should be granted where it would promote a material increase in competition in dependent markets and would promote the public interest.
- Independent authorities should set, administer or oversee prices for natural monopoly infrastructure providers.



Applying these principles should be subject to a public interest test, such that legislation or government policy should not restrict competition unless:

- The benefits of the restriction to the community as a whole outweigh the costs; and
- The objectives of the legislation or government policy can only be achieved by restricting competition.

Competition Institutions

- A new national competition body, the Australian Council for Competition Policy (ACCP) should be established with a mandate to provide leadership and drive implementation of the modern competition policy agenda.
- A National COAG agreement to be signed between governments and oversight by a Ministerial Council with responsibility assigned to Treasurers.
- Governments should agree the functions of the ACCP and the process of appointing its members and funding. Although there should be scope for members to be nominated and appointed by all governments, their role would not be to represent a jurisdictional interest but to view competition policy from a national perspective.
- The ACCP will advise governments on how to adapt competition policy to changing circumstances facing consumers and business.
- The ACCP will develop a strong understanding of the state of competition across the Australian economy and report on it regularly to all Commonwealth, State and Territory Treasurers and other Ministers when appropriate to do so.



Competition laws

- The current competition law provisions outlined in Part IV of the Commonwealth *Competition and Consumer Act 2010*, including the provisions regulating the granting of exemptions are unnecessarily confusing, complex and ad hoc.
- Australia's competition laws and the CCA legislation would benefit enormously from simplification while retaining their underlying policy purpose and intent.
- The law must balance two fundamental principles:
 1. That its scope not over-reach (by prohibiting pro-competitive conduct) or under-reach (by failing to prohibit anti-competitive conduct); and
 2. That the language of the law be clear to market participants and enforceable by regulators and the courts.
- The *Competition and Consumer Act 2010* covers most areas of the market: the relationships between suppliers, wholesalers, retailers, and consumers. Its purpose is to enhance the welfare of Australians by promoting fair trading and competition, and through the provision of consumer protections and covers product safety and labelling, unfair market practices, price monitoring, industry codes, industry regulation – airports, electricity, gas, telecommunications, and mergers and acquisitions.



Expanding the role of the ACCC:

- Continue to expand the important role of the Australian Competition and Consumer Commission (ACCC) and expand its investigative powers to work alongside other additional regulators, stakeholders and industries to promote competition and enhance consumer protections.
- Continue to allow the ACCC to implement measures to help disrupt financial services scams, including cryptocurrency scams, and the ongoing rollout of the Consumer Data Right to within the banking sector and soon to other additional sectors.



Infrastructure and public utilities

As outlined by Professor Gary Banks in his 2012 'productivity to do list' speech:

- Further reform the governance of public utilities to clarify the primacy of efficiency objectives and avoid political interference in managerial decisions (PC 2005a, 2008e). While the corporatisation of public utilities brought initial productivity gains, the evidence is increasingly clear that public ownership of infrastructure can undermine the potential for ongoing improvements, including in the electricity sector (PC 2012b).
- Undertake transparent cost-benefit analysis of all options prior to any major public infrastructure investment (PC 2008e, f) and when determining quality or environmental standards (PC 2012b). Public investments are otherwise prone to 'optimism bias' and a confusion between political and economic ends. Poor infrastructure decisions have a high opportunity cost and can be a long-term drag on the economy's productivity.
- Extend the use of cost-reflective pricing, including to manage peak demands (electricity) or supply disruptions (water) (PC 2011e, 2012b). Political aversion to price rises, even where needed to balance supply and demand, can suppress or distort investment and may result in higher prices in the long term.
- Ensure that price-regulation regimes do not inhibit efficient investment and that they enable price differentiation where this can recover costs with less impact on demand (PC 2012b).
- For land transport (PC 2007b), introduce institutional reforms for roads to connect revenue with spending decisions, while progressively moving to location-based road pricing, particularly for freight.
- For water utilities (PC 2011e), align procurement, pricing and regulatory arrangements with an overarching efficiency objective.
- For the electricity sector (PC 2012b), phase out retail price regulation, introduce smart meters, bolster the regulator and modify the regulatory regime to increase consumer orientation and to avoid inefficient investment.



Taxation Reform

- The design of our tax system should allow our economy to grow maximising both participation and productivity. An intelligent tax system that places the economy on a higher growth path with the dividend of growing revenues is a significantly more viable option compared to the disastrous impacts of higher burdens of taxation on a flat lining economy.

- Introduce stable and internationally competitive business tax settings to attract investment in innovative, lasting and large-scale nation-building projects.

- Begin the process of comprehensive tax reform, including the GST, by placing tax reform as a standing item for discussion on the Council of Federal Financial Relations (CFFR) agenda.

- Extend the 25% small business corporate tax rate to cover all businesses.



- Take a leadership role, working with all State and Territory Governments through the CFFR, to reduce the burden of payroll tax on business. A recent Australian Chamber of Commerce and Industry (ACCI) survey finding 90% of business respondents would either increase the number of employees or wages if payroll tax was abolished.

- Replacement of stamp duties on property transfers with a broadly-based tax based on land values. The shift to a broad basis is essential to ensure that revenue is raised efficiently and the tax burden is not disproportionately imposed on a few groups.

- In the implementation phase, tax rates that seek revenue neutrality and allows transition over several years.

- Provision for tax deferral for certain low-income groups, so that taxes do not force people with less capacity to move.

- Deferred taxes would be paid from estate at death or on the sale of the property – whichever comes first.

- Interest rates on deferment of taxes should be low, for example bond rates, consistent with the policy objective of deferment.



Better Regulation Reforms

- The re-introduction of '*Better Regulation Ministerial Partnerships*' within all relevant Commonwealth departments to identify and develop improved regulatory outcomes across a range of portfolio responsibilities.

- A renewed Commonwealth-led commitment to working in partnership with the States and Territories to harmonise business regulations in several key areas.



- Increasing the accountability of Commonwealth, State and Territory Governments for harmonising regulation by commissioning the Productivity Commission to estimate the costs and benefits of harmonisation which has not been on the table since April 2007.
- Creating financial incentives to reward State and Territory Governments that implement reforms based on the model used for the previous National Competition Policy.
- A renewed commitment to a rigorous Regulation Impact Statement (RIS) process to protect Australian businesses from unnecessary regulation and administrative red tape.
- The re-introduction of a 'one in, one out' principle so that all proposals for new regulations are mandated to be accompanied by proposals to remove an existing regulation.
- Providing consistent and common commencement dates for all new regulations to provide greater certainty for Australian businesses to prepare for and adapt to incoming changes.
- Introduce broader Better Regulation initiatives reducing the regulatory burden on businesses including improving transparency and consultation, analysing impacts, making regulation easier to understand, reducing duplication and red tape, cutting waste and streamlining processes. Include and publish a list of initiatives already undertaken by Commonwealth departments or future plans to undertake for further improvements to be made.
- Publish a 'regulatory documents road map' annually to simplify the format of documents and to make them simpler and easier for industry stakeholders, businesses and consumers to find and understand.
- Promote and champion a robust system of regulatory oversight that encourages sound policy development and implementation by ensuring officials and Ministers consider the potential costs and adverse implications, as well as the benefits, of all new regulatory proposals.
- Ensure the Government maintains appropriate control over decision-making processes and the capacity to implement policy quickly when it is necessary and needed.
- Promote a culture of regulation accountability and transparency – and that the ultimate responsibility for regulatory quality rests with individual Ministers, departments and agencies, boards, statutory authorities and regulators.

Regulatory constraints

As outlined by Professor Gary Banks in his 'productivity to do list' in 2012:

- Native vegetation regulations are costly and can have perverse impacts. While improvements have been made in some jurisdictions, responsibility needs to be devolved, with landholders addressing local impacts and the wider community subsidising the extra costs of landholders providing public goods (PC 2004b).
- Heritage regulations can impose undue costs on certain people and stymie socially valuable developments. They should be restructured to enable up front accounting for the costs as well as benefits of controls (PC 2006b).
- Development approval processes are complex, duplicative and cause unwarranted delays with high opportunity costs for major projects (PC 2011i).
- Planning and zoning controls should meet amenity and other objectives without unduly restricting retail competition (PC 2008b, 2011i).
- Stamp duties on conveyancing inhibit housing turnover, contributing to reduced affordability and lower labour mobility (PC 2004c).
- Occupational licencing can inhibit workforce mobility, create barriers to entry and raise business costs. There are potential gains from extending the coverage of reforms (PC 2012c).
- Rural water, where ongoing State-based restrictions on trading in the Murray Darling Basin mean that water is still not flowing to its most highly valued uses (PC 2010c).
- Waste management programs often have costly targets and collection methods. Policy needs to be refocussed on achieving net social benefits, underpinned by cost-benefit analysis (PC 2006c).





Education

- Commence the implementation and roll-out of the new revised Version 9.0 of the National Curriculum in all Australian schools from 2023.
- Introduce a new priority focus in schools on teaching literacy and numeracy.
- Create a National Centre for Teaching Excellence to lead and support improved teaching quality and better teaching standards across the education system.
- Support inclusive, respectful classrooms so that teachers can help their students achieve their full potential and improve education outcomes.

As outlined by Professor Gary Banks in his 2012 'productivity to do' list:

- Re-focus early education programs on disadvantaged children (PC 2011b). It is these children who most need institutional support and for whom empirical studies show the biggest gains from participation in pre-school.



- Make greater use of salary differentials to attract and retain quality teachers in disciplines where there are persistent shortages (maths, science, IT) and in disadvantaged and remote areas (PC 2012a).
- Devolve and enhance performance appraisal for teachers, with principals having the authority to hire the best teachers and fire the worst ones (PC 2012a).

- Modify industrial relations arrangements for schools and VET colleges to allow greater variation in remuneration and conditions, more flexibility in hiring to meet skill needs and more effective management of under-performance (PC 2011e, 2012a).
- Raise required 'threshold scores' for school teachers and qualifications required for VET practitioners (PC 2012a).
- Strengthen the independent validation and auditing of service providers to ensure they deliver to the standards needed for proper skill acquisition and advancement (PC 2011b, c).



Health and public hospitals

- Extending the National Partnership on Covid-19 50-50 hospital funding commitment until well beyond December 2022 into mid-2023.
- Improved performance by reintroducing funding for performance improvement.
- Expanded capacity for public hospitals through additional funding for extra beds and staff.
- Addressing demand for out-of-hospital alternatives, prioritising programs that work with GPs.
- Increased funding and removal of funding cap by increasing the Commonwealth contribution to 50 per cent for activity as has also been proposed by the Australian Medical Association (AMA) for some time now.
- Implement a new National Health Reform Agreement via COAG which sets new transparency measures, performance targets in public hospitals and reduces Category 2 elective surgery waiting times - procedures like heart valve replacements or coronary artery bypass surgery, one in three patients waited longer than the clinically indicated 90 days, a performance decline of 17 per cent since 2016-17.
- Implement a new collaborative and leadership approach which ends the partisan political blame game and constant buck passing between Commonwealth, State and Territory Governments.
- Monitor and review implementation progress on every parameter of the new National health reform agreement performance targets every six months with all Health Ministers and implement further reform improvements and benchmarks where it is appropriate to do so.



Housing and Cities

- Pursue bilateral 'Housing Deals' with State and Territory Governments to create construction-ready housing supply pipelines in key housing corridors. These 'Housing Deals' could match Federal seed funding with State and Territory infrastructure funding and planning actions to ensure adequate pipelines of zoned and serviced land exist to match population growth, as has also been proposed by the Property Council of Australia.

- Reset the National Housing and Homelessness Agreement to ensure states and territories must meet housing supply targets in order to continue to receive increasing federal funding under the agreement.

- Support the creation of a new pipeline of quality rental housing as a faster transition to ownership and providing stronger construction pipelines.

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- Support the creation of a new pipeline of quality rental housing as a faster transition to ownership and providing stronger construction pipelines, as has also been proposed by the Property Council of Australia.

- Support the affordability of retirement living with Commonwealth Rent Assistance by amending the eligibility criteria to align it with other forms of seniors housing.

- Introduce new National Competition Policy-style supply and housing incentives to boost state housing supply and spur state housing production within three years.

- Establish a government and industry taskforce to assist the Productivity Commission and NHFIC to establish a credible framework for annual productivity score-carding and ranking of state and territory planning schemes.

- Establish a property sector-specific national plan towards net zero emission buildings, aligned with Australia's Net Zero by 2050 plan.

- Identify and fast track high-impact City Deals and develop a pipeline of future City Deals both for capital and regional cities.

- Re-introduce the Federal Asset Recycling Fund to incentivise State and Territory Governments to manage their balance sheets responsibly.

Skills and Training

- Implement a Commonwealth initiated and led Workforce Development Strategy which looks at labour market demand and supply across the entire education and training system in Australia.

- Incentivise pre-apprenticeships, pre-traineeships and work experience opportunities which allows young school leavers to experience their potential field.

- Allocate additional Commonwealth funding for the revitalisation of existing TAFE campuses, buildings and facilities.

- Increase funding for Commonwealth youth mentoring programs to help build resilience and social inclusion. The evidence on youth mentoring indicates that a well-managed mentoring program with effective relationships between mentors and mentees can produce a range of positive outcomes for young people.



- Increase the number of trainers available in RTOs as the supply is not matching demand resulting in course delays or cost and time in accessing training.

- Establish a Commonwealth initiated and Commonwealth-led Apprenticeship Advisory Board to work with Governments to implement the Skilling Australians Fund and to provide advice on growing apprenticeship opportunities across the board, which has also been proposed by the

Australian Chamber of Commerce and Industry in its workforce policy position paper: *'Overcoming Australia's Labour & Skills Shortages through Skills Development, Workforce Participation and Migration'*.

- Establish a Commonwealth Partnership Agreement on Quality Careers Education to drive quality, world-class and experienced careers education and careers counsellors in all high schools to help ensure that school leavers are 'industry ready' and 'industry prepared'.



Workforce Participation

- Expanding successful TradeUp and other pilot programs which encourage more young women to take up apprenticeships and then employment in non-traditional trades such as building and construction, automotive, manufacturing, boiler making, butchery, horticulture, engineering, carpentry, welding, plumbing and electrical.
- Introduce a Commonwealth gap year program including training for a period of six month to two years which is targeted to everyone from the age of 18 to 25 living in Australia.
- Address regional housing affordability by expanding the first home buyers grants.
- Allow older Australian seniors to keep more of their age pension when they earn income by raising the fortnightly income threshold and increasing the Work bonus.
- Make childcare more accessible and affordable, with more flexible options to assist parents return back to work sooner.
- Implement part-time flexibility arrangements to make it simpler for part-time employees and employers to agree to that employee working additional hours, without the employer being financially penalised.
- Introduce changes to ensure the employment services system is better positioned to connect the long term unemployed to job opportunities.
- Develop a nationally co-ordinated domestic backpacker program that encourages young Australians to work in a regional or remote area in the fields of hospitality, agriculture, construction, retail, where they can learn and develop basic workforce skills as well as gain useful life experience.



Skilled Migration

- Lift the permanent migration intake, including a significant increase in the cap for skilled migration to 275,000 for the next two to three years at least to help fill the skills gap and labour lost during the pandemic.

- Skilled migrants tend to have high participation rates in the workforce. This means skilled migrants help stimulate productivity, economic growth and jobs growth (Source: Productivity Commission, *Migrant intake into Australia*, 2016).



- Maintain focus on the fastest possible migration restart and filling our medium-term population growth deficit.

- Australia's population is projected to be 1.5 million smaller after 10 years compared to pre-pandemic projections.

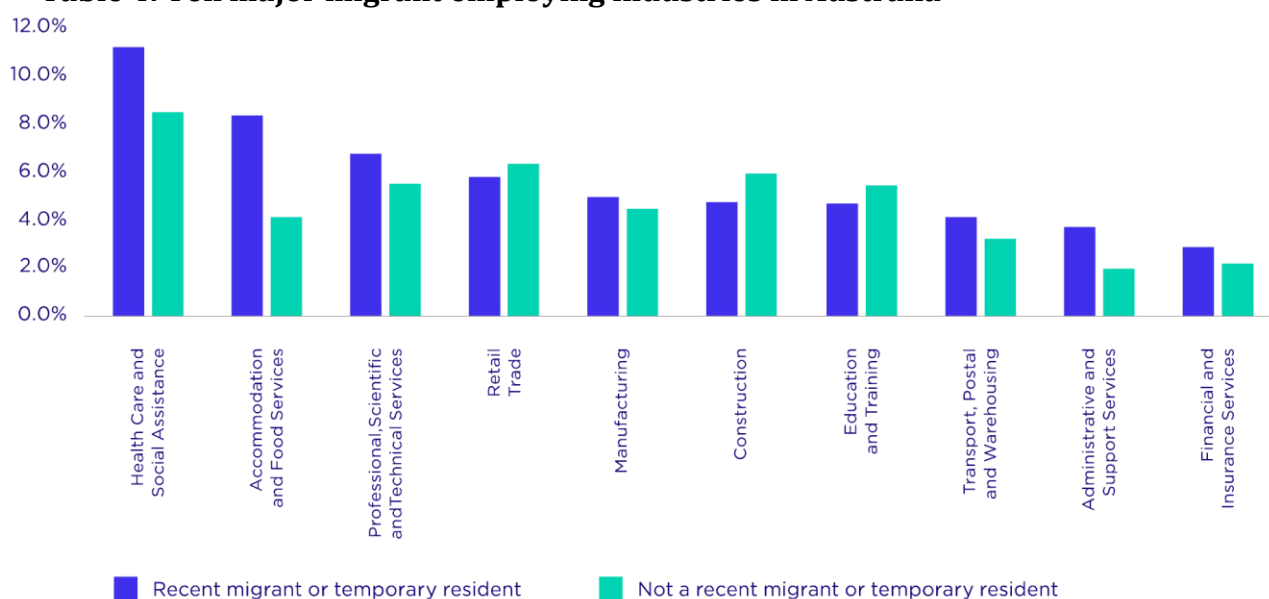
- Implement policies which position Australia as a magnet for talent and capital.

- Focus on promoting and marketing Australia as a destination of choice for highly-skilled migrant workers, entrepreneurs and international university students.

- Australia's traditional migration program also boosts our overall productivity by bringing in skilled and relatively younger people.

- Develop a National Skilled Migration Plan with a clear and targeted focus on attracting skilled migrant workers to help drive domestic productivity growth in our economy.

Table 4: Ten major migrant employing industries in Australia



Source: Australian Bureau of Statistics (ABS), *Characteristics of recent migrants survey*, November 2019.

Natural Resources

Forestry industry

- Continue to support the model for a National Institute for Forest Products Innovation (NIFPI) and support the roll-out of additional pilot regional NIFPI centres.
- Commit to re-establishing Australia as a leader in research and development and boosting our capability in timber production to drive productivity and jobs growth.
- Maintain the National Forestry Recovery Development Fund to provide grants to wood processing facilities to help boost productivity and supporting more job creation.
- Invest in a Wood Processing Innovation Program to help forest industries increase productivity and process more domestically grown timber onshore.
- Develop and release a new 2022 National Forest Industries Plan and Roadmap to outline the overarching strategic national goals and policy targets for the forestry sector along with performance measures to drive productivity growth to be reviewed annually by an independent panel of experts.



Agriculture

The gross value of agricultural production is forecast to be \$86.8 billion in 2021–22, comprised of \$81.0 billion farm and \$5.8 billion in fishery and forestry production. It was one of the only industries to grow in value despite the challenges of 2020 and 2021.

- Delivering a well-functioning voluntary biodiversity market providing a new income stream for farmers.
- Supporting a nationally focussed digital innovation systems across the whole supply chain, delivering value for all Australia.
- Making exporting easier by streamlining processes.
- Maintaining a meat export market access prioritisation framework, driving market expansion and access.
- Continuing industry consultation to identify potential opportunities to reduce regulatory costs in the meat, live animal, seafood and plant export industries.
- Providing more secure access to meat product hygiene dashboards, supporting risk-based auditing and improving market access for establishments.
- Keep the Seafood Export Facilitator to help support our seafood exporters.



National Freight and supply chain



- Hit the reset button to re-energise the National Freight & Supply Chain Strategy onto the 2022-2023 COAG agenda to help position Australia to meet its emerging freight and supply chain challenges

- Have a new National Freight Action Plan endorsed by the Transport and Infrastructure Council.

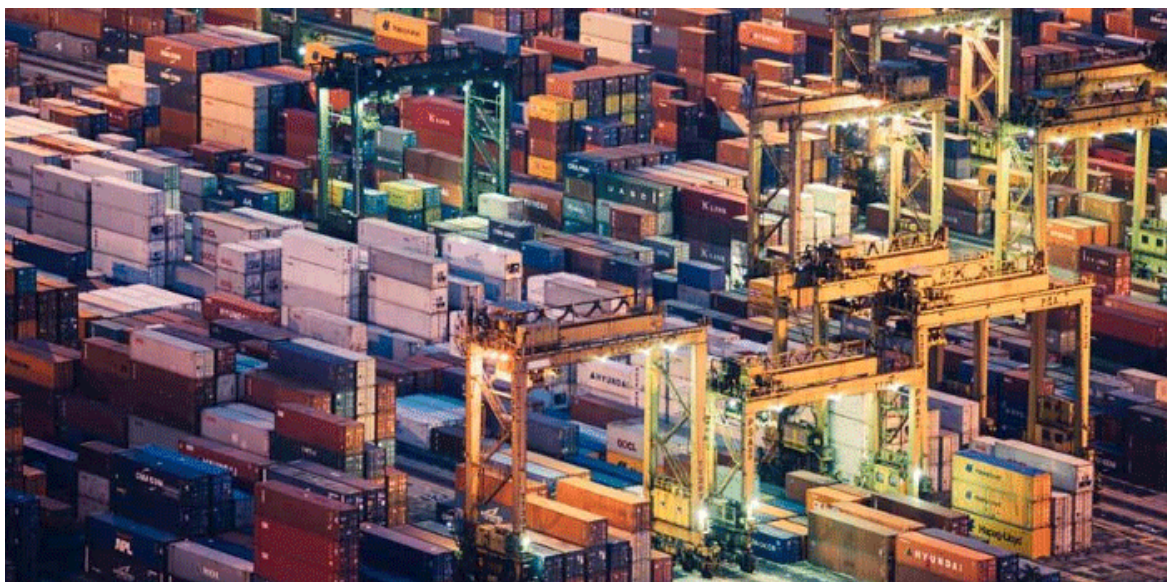
- Develop and implement an updated strategy and action plan that outline key goals for integrated and nationally coordinated action across all freight modes over the next twenty years and beyond. Also commit to national action in five critical areas:

1. Smarter and targeted infrastructure.
2. Enable improved supply chain efficiency.
3. Better planning, coordination and regulation.
4. Improved productivity benchmarks and targets.
5. Better freight location and performance data.



- Continue to invest additional Commonwealth Government funding for the National Freight Data Hub and the Hub's Industry Advisory Panel.

- Invest in new Hub projects that open data exchange through an efficient and safe data sharing system supported by data standards, to enable more businesses to share data for mutual benefit and promote leadership and innovation to connect freight data users with each other and build skills, capability and new connections.



Sport

- The Australian Sports Industry generated approximately \$32.2 billion in sales in 2016/17, resulting in a contribution to gross domestic product (GDP) of approximately \$14.4 billion and supporting approximately 128,000 full-time equivalent jobs. (Source: 'Sports Industry Economic Analysis: Exploring the size and growth potential of the Sport Industry in Australia' – Office for Sport – Commonwealth Department of Health – March 2020).



associations, Speedway Australia and Karting Australia to highlight the significant economic contribution (\$8.6 billion gross output in 2019, Ernst and Young) motorsport makes in Australia, along with a strategic roadmap which outlines key motorsport industry goals, targets and objectives in the next 3 to 5 years.

- Establish a Motorsport Infrastructure and Investment Fund linked with an initial \$280 million capital works budget which will allocate Commonwealth funding grants to governing Motorsport bodies for upgrading premier motorsport circuits, new track surfaces and modern pit-lane facilities across Australia. With implementation, roll-out and portfolio responsibility to sit with the Commonwealth Minister for Sport.
- Continue to use well-known sporting Ambassadors and sporting role models from various codes to promote the importance of everyday road safety rules and continue to raise national awareness with new marketing campaigns.

- Develop and implement a new National Sport Strategy 2022-2032 to build on the previous Sport 2030 plan released in 2018 to build a more active Australia, achieve sporting excellence, safeguard the integrity of sport, and strengthen Australia's Sport Industry.

- Develop a National Motorsport Strategy in collaboration and partnership with Motorsport Australia and representatives from Supercars, drag racing



Ben Blackburn Racing Supercars Ambassador André Heimgartner in the R&J Batteries BJR #8 Commodore at Sydney Motorsport Park, 5th March 2022.

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