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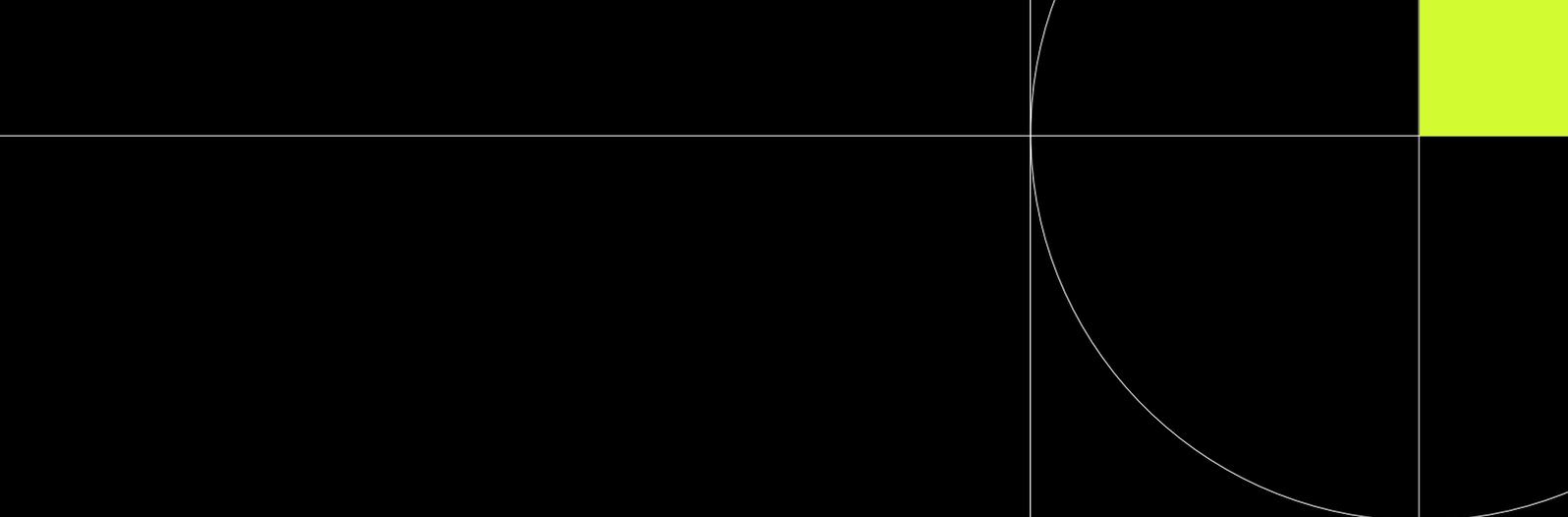
Business Council of Australia

Seize the moment: securing Australia's economic future

Election statement

APRIL 2022





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Securing our future

The Business Council of Australia, made up of the nation's largest employers, believes in a strong Australia; a country where people can get ahead, prosper and reach their full potential.

We know we have a collective responsibility to make the case for the reforms that will improve people's lives, deliver more money in their pockets, lift living standards and secure their future.

It is why we believe the 2022 federal election must be about maintaining the momentum of the COVID recovery, realising opportunities and honestly confronting the challenges of a far less certain and rapidly changing world. These include geopolitical tensions, the crisis in Ukraine and the threat of new COVID variants.

The election needs to focus on securing Australia's economic future and in turn its strategic future by making the most of existing industry strengths and advantages while building new industries, developing new capabilities and creating new higher paying jobs.

Decarbonising the economy is at the heart of strengthening the nation's future, embracing and developing cleaner energy sources and producing the new, clean products the world demands.

To realise a stronger future where everyone shares in the nation's gains, Australians must have access to the skills they need to have secure work and access to jobs in new and growing higher paying industries.

No community, group or individual can be left behind. This is the moment to become a great nation that reconciles its past by recognising and empowering Indigenous Australians in the Constitution.

And Australia must lead in the Indo-Pacific as a global middle power and economic powerhouse by standing up for democratic values and the principles of a rules-based order, multilateralism and sovereignty which define it as a nation.

We have been talking to Australians

We have consulted widely with our membership and Strong Australia network. We have also spent the past year talking to Australians, especially in the regions from Darwin to Launceston and from Perth to Geelong, and it is clear the community is ambitious for the country.

Australians told us they want more. They know they could be doing better.

They see their regions as home to untapped opportunities but feel their wings are clipped by red tape and a lack of enabling infrastructure, coordination around future industries, affordable housing, skills and workers.

Some in the community are anxious they do not have access to the skills and training they need for new, higher paid jobs or to cope with the massive global changes happening around them from technology, the rise of Asia, the adoption of green products and clean energy sources, and changing consumer behaviours.

They want to feel in control of their own destinies.

We believe the community is up for reform. They know it will require short-term trade-offs but that it remains the only way to improve their long-term prospects.

Australia is in a position of strength but underlying weaknesses need to be addressed

There is no doubt that Australia is emerging from the pandemic in a far better position than most other countries with one of the highest vaccination rates in the world, lowest mortality rates and record low unemployment. The health system, supported by dedicated professionals, has held up well under pressure.

Australia has strong companies, an abundance of natural resources, strong balance sheets and world-leading research. Prior to COVID, the economy had achieved nearly 30 years of uninterrupted economic growth and the budget was back in balance.

But the pandemic has exposed many underlying structural barriers in the economy.

The last decade in Australia has been the worst in 60 years for growth in living standards. Wages growth has been flat, making it difficult for average workers to feel they can get ahead, which is fuelling community frustration

Between the end of the mining investment boom and COVID, real wages grew just 3 per cent over seven years. This means it now takes a worker on average seven years to get a \$100 pay rise. In the past, people could expect a pay rise of this amount every year or two.

In the 1990s, on average house prices were about 2½ times larger than household income. Today average house prices are about six times average incomes. If sustained, higher rates of inflation will add further pressure to household budgets.

Importantly, the Australian economy continues to rely on a small number of highly important industries. More than half of the nation's exports are made up of just six products: iron ore, coal, natural gas, education, tourism and gold. Just ten companies account for around 30 per cent of all company tax paid.

One out of four Australian jobs are in carbon intensive industries but the nation's largest trading partners and investors are increasingly shifting away from carbon-intensive products.

So, we argue that to secure the future, Australia must reimagine its economy by building on its existing strengths while also pursuing new opportunities in growing and emerging industries.

Australia must go for growth and the private sector must lead

But returning to pre-pandemic economic growth rates will not be enough to reshape the future. It will not be enough to pay down debt, repair the budget and deliver higher living standards.

The best way to accelerate economic growth is for business to take the baton from government. Both major political parties acknowledge the recovery and long-term growth must now be private sector led.

Both major political parties agree that the private sector must drive growth.

Business can – and wants – to lead the recovery and power higher rates of economic growth. This is the only way to secure a future with higher living standards, more jobs and higher wages.

Business has the strong balance sheets and capacity to do this, but it does not have all the right policy tools.

It is the only sustainable way forward in a market-based economy. Business drives innovation, creativity and dynamism in the economy. Any other path would bequeath future generations with a crippling bill or lower living standards.

We do not have the right investment environment

Business does not have the right investment environment in Australia due to a lack of strong investment signals, the complexity of the regulatory system and the foreign investment screening regime.

As a share of the economy, new business investment last year was at a record low. But investment is the key to securing the future – it drives sustained wages growth and productivity.

Australia must urgently become a more attractive investment destination so business can strengthen existing industries and drive industries of the future. More investment is needed to lock in a foothold in global supply chains, make the global products of the future and realise a clean energy future.

Investment, coupled with making it easier to do business in Australia and continuing to tackle unnecessary red tape and regulation, is how the private sector drives innovation and creates more and higher paying jobs. It is how we create new ideas and come up with better, smarter and more efficient ways to make products and deliver services.

A skills system that works and more skilled people

To drive faster growth, business also needs a skills system that works and is able to rapidly train and reskill Australians along with population growth and skilled migrants.

Australia cannot secure its long-term future if it has a small, ageing population without the skills sets that attract new industries and support new technologies.

Every Australian needs the ability to work to their full capacity. They must have secure meaningful work over the course of their lives, and access to the skills they need to take on new opportunities and advance.

But workforce barriers still exist and not everyone who can or wants to work is in a job. More is needed to encourage greater numbers of women into the workforce or to take on extra hours and advance. Work is also needed to help migrants realise their potential.

It is also time to fix the enterprise bargaining (EBA) system which is collapsing. This system encourages collaboration, bringing employers and employees together to drive innovation, technology and skills development which enables enterprises to grow and people to share the benefits of that growth through higher wages and better conditions.

The necessary border closures during the pandemic have seen the country's population growth rate fall to its lowest level in 100 years. The dire shortage of workers is a handbrake on the future, and more people must be encouraged into the country at both the entry and high-skilled level, where expertise and skills are transferred to local workers.

This is Australia's moment

This is Australia's moment. The country is in a prime position, located on the doorstep of the world's largest growing market with the Asian middle class expected to expand to 3.5 billion people by the end of the decade.



By creating new industries on top of its world leading agribusiness, finance and resources sectors, the nation can tap into new opportunities and set itself up for the next 30 years of prosperity.

We believe that to secure world leading living standards for all Australians and secure the nation's sovereignty, our country needs to lift its ambition for its people and their potential.

Australia's best defence in a volatile world is a growing country with a socially cohesive population and a growing, very deep and diverse economic base with stronger trading relationships, access to diverse markets and global supply chains. A small country with too many dependencies is a vulnerable country.

We believe Australians are ready to embark on a new course and reforms can be broken into bite-sized chunks.

Governments across the country have demonstrated they are capable of managing tremendous adversity. Now is the time to manage great opportunity.

Whichever party forms government, there are five priority areas that must be tackled in order to give business the levers to lead the recovery and power growth. Combined, these practical, sensible, and realistic changes will help reimagine a stronger future. Incremental reforms are needed in each of these areas.

Australia needs to **remain an open, trading nation.**

It needs to **reshape its economy** around clean energy, future industries and the digital economy.

To do this, the country must create the right environment **by driving investment and making it easier to do business.** This includes cutting red tape, reducing unnecessary regulation and putting the infrastructure in place that smooths the journey for people and freight around the country and into export markets.

Importantly, the **potential of people needs to be unleashed** by giving Australians the skills they need to access new opportunities, increase women's workforce participation rates, and fixing the workplace relations system. The system needs to actively encourage employers and employees to work together to deliver more successful businesses and higher wages.

And finally, the test for any society is to ensure that all its citizens – no matter where they live or who they are – **can share in the nation's success.**



Staying an open, trading nation

Keeping our borders open

Fortress Australia must be forever consigned to the history books. The closure of our international borders at the start of the COVID-19 pandemic was an important and essential decision that played a pivotal role in Australia's overall management of the virus.

However, as the nation shifts to a 'living with COVID' phase, keeping Australia's borders open is critical to the recovery and long-term, sustainable growth.

Top priorities



All state and territory governments must continue working with the Federal Government to keep borders open for international travel, with the priority on welcoming back skilled migrants and international students.



Both parties must commit to working with the states to achieve a more consistent approach across the country on COVID rules and risk management.

Migration

Skilled migrants boost demand, increase productivity and workforce participation, and deliver talent and experience that complements local workers. In many cases they bring specific skill sets that can't be found in the domestic labour force. Economic analysis consistently shows the migration intake does not depress local jobs or wages. For instance, the Productivity Commission found that migration led to an increase in both local labour force participation and long-term per capita incomes.

With job vacancies high and rising, and borders reopened, Australia should seek to recover lost ground on population and economic growth through a boost to migration that goes beyond getting back to 'business as usual'. This would relieve critical areas of skills shortage such as IT and engineering where projects are being held back by the lack of available talent.

The Federal Government's projections suggest that after two years of going into reverse, net overseas migration is not projected to return to its pre-COVID average level until 2024-25. This will prolong the period of skills shortages and put a handbrake on recovery.

Top priorities



Restore Australia's reputation and attract global talent and critical workers by:

- returning to four-year visas for all skilled temporary migrants and improving permanent residency pathways.
- extending visa application charge refunds and increasing visa duration, to increase Australia's appeal and increase the reward for migrants who travel here for work and study.
- reforming skilled occupation lists to improve the targeting of visas to areas of greatest need.



Address areas of skills shortage through rebuilding our permanent migration program with greater emphasis on the skilled component of that program by:

- temporarily increasing the size of the permanent migration intake to 220,000 places for two years before reverting back to 190,000 places and then growing this in line with our population.
- reweighting the permanent intake back to a 70 per cent share for the skilled migrant stream, which delivers the greatest economic and fiscal benefits for Australia.



Reduce the costs and administrative burden for employers wishing to sponsor skilled migrants by:

- revamping (or otherwise repealing) the Skilling Australians Fund levy and strengthening the link with training investments that can address skills shortages
- improving the targeting of labour market testing, including through exemptions in certain highly-skilled occupations and positions with a salary above a high threshold, balanced by additional scrutiny in lower-skilled occupations.

Maintaining and developing key trading and strategic relationships

Australia's continued economic growth and security depends on pursuing stable, resilient and constructive relationships with diverse networks and partners, while being clear-eyed about the challenges posed by geopolitical tensions.

In the past decade, Australia has secured bilateral free trade agreements (FTAs) with Malaysia, China, Japan, the Republic of Korea, Hong Kong, Peru, and Indonesia, as well as joining regional trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). An FTA with the United Kingdom has also been signed. Australia's network of FTAs now provides preferential access to almost 3 billion customers for Australian businesses.

In the absence of progress in the multilateral trading system, the focus should continue on securing further high-quality agreements, including with India and the European Union, as well as ensuring effective implementation and utilisation of these agreements.

For Australia to prosper, it is essential to have an economic and strategic relationship with China. But this should not come at the expense of national sovereignty or Australia's values. We support finding a way back to a dialogue with China based on principled policy realism and grounded in mutual respect.

The United States remains indispensable to Australia's security. The AUKUS partnership with the US and United Kingdom, a multi-faceted defence and technology relationship, represents a positive for peace and stability in the region. Australia must nurture this partnership and ensure the benefits also extend to the development of ancillary industries and jobs.

The Quadrilateral Security Dialogue (Quad) between the US, India, Japan and Australia is emerging as another important stabilising force in the region and presents opportunities for further collaboration. As a middle-power trading nation, Australia cannot 'go it alone'. The nation's diplomatic commitment to multilateral institutions should be at the heart of foreign and trade policy.

Top priorities

-  Ensure adequate resources are allocated to establish and maintain effective structures that drive business to business relationships, supported by the Department of Foreign Affairs and Trade.
-  In addition to support targeted at SMEs, Austrade needs appropriate business support programs tailored for large-sized companies to assist them to access opportunities in emerging markets such as China, India and Vietnam.
-  Maintain Australia's orientation to the Indo-Pacific, including strengthening relationships with emerging economies such as India, Vietnam and Indonesia and key partners like Japan, China, Republic of Korea and Singapore. This also includes helping our Pacific neighbours with vaccination and development assistance programs.
-  Australia should consider removing remaining tariffs which now raise minimal revenue but create a massive bureaucracy and impose significant red tape.
-  Finalise and implement free trade agreements with the United Kingdom, the European Union, and India as soon as possible.
-  Support high levels of vaccination, development assistance, and climate resilience for vulnerable Pacific and Southeast Asian partners.

Remaining open to foreign investment

Businesses with foreign investment generate around 40 per cent of Australia's total exports, worth around \$132 billion. Foreign direct investment supports one in 10 jobs in Australia.

Australia is now a net capital exporter, with the exodus of capital at a level not seen since 1953. If this trend continues, it will inhibit growth, technology development and ultimately cost jobs.

Top priorities

-  Streamlining the operation of the Foreign Investment Review Board (FIRB) regime for routine and non-sensitive transactions by:
 - introducing a fast-track approvals lane for regular and trusted clients of FIRB – following a 'tell us once' regulatory approach rather than a laborious approach of rechecking credentials every time a client conducts even a minor transaction
 - taking routine transactions out of the screening process, instead moving towards a lighter touch registration process for such transactions
 - applying greater transparency and accountability to the myriad of government agencies that review FIRB transactions.

Securing international supply chains

The pandemic has added acute pressure to already stressed global supply chains. People spending more time at home, reduced workforce mobility and worker shortages due to travel and border restrictions have disrupted supply chains.

Australia cannot control the global shipping and freight crisis that is hampering supply chains. But it can reform at home to reduce costs and remove pressures. Right now, Australia ranks in the 25 per cent worst-performing container ports in the world. We support reversing this trend by upgrading infrastructure and appropriately applying market competition policy to ports.

Australia's cumbersome and slow cross border trade compliance system needs major digital, technology and regulatory reforms to deliver a 21st century cross border trading system. Otherwise, Australia will remain at 106th for cross border trade in the World Bank's Ease of Doing Business rankings, just behind Kazakhstan.

Top priorities



Continue to progress the work of the Simplified Trade System Taskforce, which seeks to make cross border trade cheaper, faster and easier.

- Reinforce support and momentum for this work by publishing the analytical work of the Taskforce, accompanied by a vision for a future system and a work agenda to get there.
- Prioritise the flow of import/export data for businesses using the customs system to help streamline business operations and make it easier for businesses to identify and manage risk in supply chains and develop mitigation plans.
- Explore new ways of speeding up cross border trade, like using artificial intelligence.



Finalise and implement free trade agreements with the United Kingdom, the European Union, and India.



Introduce sensible reforms to foreign investment screening processes to improve efficiency and reverse the decline in inward investment.





Reshaping the nation's economy

Net zero economy by 2050, greater ambition by 2030

The momentum for moving towards net zero by 2050 is unstoppable and the pace and scale of this change is accelerating globally.

To achieve a net zero economy by 2050, Australia needs an unprecedented level of coordination, with bipartisan support, to align and accelerate investment signals, enhance regulation and provide much needed policy certainty for business and communities

As we undergo this transition, the priority must be on maintaining energy reliability, affordability and security.

The crisis in Ukraine and ongoing geopolitical tensions and uncertainty highlights the value of maintaining secure global energy supply chains.

Domestically, the focus needs to be on firming the energy grid while the country shifts to a greater use of clean energy. This includes the implementation of the Energy Security Board's recommended market design reform package which has received the endorsement of Energy Ministers.

There also needs to be a focus on proactively managing the shift to new low emissions industries and ensure governments, business and communities are working together to position regional Australia as a net beneficiary of a net zero economy.

Top priorities

- ✓ Establish bipartisan support for a 46 to 50 per cent cut by 2030 and determine what each sector of the economy can reasonably be expected to contribute.
- ✓ Recalibrate the safeguard mechanism with a view to guiding each sector of the economy towards its net zero future by 2050.
- ✓ Resource the Climate Change Authority to perform the role of national climate policy adviser.
- ✓ Create a National Regional Transition Taskforce and commence development of a low carbon regional roadmap.
- ✓ Expand and deepen the domestic carbon offsets market to efficiently balance abatement activity between the easy to abate and hard to abate sectors of the economy.
- ✓ Expedite implementation of national electricity market measures as recommended by the Energy Security Board to ensure its resilience as Australia decarbonises its economy.
- ✓ Continue to develop the National Climate Resilience and Adaptation Strategy as an ongoing national process, capable of keeping pace with the escalating nature of the physical risks associated with climate change.
- ✓ Start developing a post 2030 funding model for the Technology Investment Roadmap process (and relevant support agencies) to ensure that there will be sufficient long term public funding and leveraged private investment to achieve the net zero policy goal.

Future industries

Modern industry policy cannot be about propping up unsustainable industries.

The world has moved on and it would be a disservice to current and future Australians to pretend that Australia will go back to building a car from bonnet to boot. It is about finding a niche in the supply chain, like lithium for batteries.

We need a more sophisticated debate. The challenge is one of adaptation to a changing environment and producing to scale to be globally competitive. It is about creating the conditions for industry to adapt and for good ideas to be commercialised and scaled up through collaborative research and development. It is about finding adjacencies and value add opportunities in existing industries where we have a comparative advantage in global supply chains.

In practice, Australia needs to build consensus around the priorities identified in the Modern Manufacturing Strategy (MMS).

Top priorities



Stick to and align effort with the priorities identified in the MMS.

- Both the Federal Government's Modern Manufacturing Initiative and the Opposition's proposed National Reconstruction Fund need to stay focused and support the key industrial sectors identified in the MMS.
- Align effort across all government portfolios and between layers of government to focus on these priorities, including to develop internationally significant precincts through coordinated infrastructure spending, investment attraction, and innovation policy.



Build up world-class nationally significant industry precincts by establishing a central future industries fund that supports local industries to develop capabilities, scale up and compete globally.



Invest in the right strategic industries Australia needs for the future.

- Australia cannot produce everything and needs to focus on its areas of strength. The Productivity Commission should be asked to undertake an assessment to determine the areas where Australia truly needs sovereign capabilities, with any future investments based on this analysis.

Research commercialisation

Research and development (R&D) also has a leading role to play in driving Australia's recovery and future growth. To prosper in the years ahead, productivity gains need to be made – achieving more from the country's efforts through innovation and research translation.

Australia has a strong research foundation, supported by an educated population and highly rated global universities. It ranks eighth in the OECD for highly cited publications per capita and 7th for the share of working age population with a tertiary qualification.

Reflecting these underlying strengths, Australia has consistently rated highly for the inputs into its innovation system, ranked 13th out of 49 high income countries in the 2020 Global Innovation Index.

But when it comes to the outputs of the innovation system, Australia sits in the bottom half of high-income countries. Significant government support for innovation is not delivering the returns to the Australian community that it should.

The nation can tap into new potential sources of growth taking measures to accelerate the translation and commercialisation of priority university research through partnerships with industry.

Top priorities



Encourage R&D and commercialisation activity in sectors where we have a competitive advantage or need to invest to modernise our economy, building on the government's recent \$2.2 billion research commercialisation package.

- There are quick wins that could build on existing initiatives, such as expanding the patent box to cover each of the Modern Manufacturing Priorities, or specifically including software as an eligible category in the R&D Tax Incentive.



Australia needs a single touch point within the Federal Government that coordinates industry and R&D policy, with a dedicated minister and a commitment to enduring, bipartisan research priorities and programs.



National Cabinet should commission an intergovernmental strategy to boost Australia's innovation and R&D performance, including through coordinated efforts to embed and strengthen Australia's emerging world class innovation precincts.

Leading digital economy

If Australia is to remain competitive – both globally and in the region – governments, business and the community must not just embrace, but drive, digitisation.

As the 'digital' and 'real' economies are becoming increasingly indistinguishable and inseparable, this will require effort across a wide range of policy areas, from physical infrastructure to regulation through to digital capabilities and inclusion. There is no 'silver bullet' – success will come from a cumulative effort across many policy areas.

With increased digitisation comes new risks and all businesses need to ratchet up their cyber security. This has become even more important with recent events in Ukraine, which has heightened the risks of a cyber-attack affecting – directly or inadvertently – Australian businesses. To protect Australia's digital economy, the nation urgently needs more cyber security professionals in the private sector and more support for businesses to make the right investments to secure themselves.

This can be achieved by:

- **Leadership:** It is everybody's role within government to ensure faster adoption of digital ways of working within their departments and areas of responsibility.
- **Effective, proportionate, and targeted regulation:** If Australia is to be a leading digital economy by 2030, our regulatory framework needs to continue to be consistent and promote confidence. It needs to attract, not deter foreign investment and innovative products from major international businesses.
- **High-quality regulation of the digital economy where new problems arise:** The digital economy has unique characteristics that change how regulators must approach it: it is ubiquitous, has a relentless focus on the customer, and works at an international scale.
- **Digital adoption:** Moving more businesses, including SMEs, to the digital frontier is a necessity for Australia's prosperity in a more competitive, connected and digitally enabled world.
- **Digital skills:** Targeted reform in this area could deliver nearly \$50 billion in economic benefits over the next 20 years and improve tax revenue by more than \$10 billion over this period.

Top priorities

-  Appoint a Minister for the Digital Economy to the Cabinet, to lead and coordinate this important whole-of-economy transformation and ensure it is reflected across all government priorities and regulatory arrangements.
-  Avoid poorly designed or targeted regulation of digital technologies. Any new regulation of digital technologies should be effective, proportionate and targeted, to encourage businesses to modernise and offer new services which benefit consumers.
-  Work with businesses to make the right cyber security investments through incentives and information sharing, not just regulation, and grow the cyber security workforce through a combination of training and skilled migration.
-  Given the existing process to modernise Treasury portfolio legislation, ask the Productivity Commission to review areas where modernisation of regulation and legislation outside of the Corporations Act could remove unnecessary barriers and improve productivity.
-  Continue to provide additional incentives for small businesses to adopt new digital technologies, including through the newly announced investment allowance.
-  Introduce a minimum digital literacy standard for students in primary and secondary education.
-  Extend funding for higher education short courses into 2022 and beyond, with a focus on in-demand courses including those that lead to digital careers, such as cyber security and data analytics.
-  To ensure no Australians are left behind in the digital economy, provide targeted support measures for Australians who face barriers to accessing or participating in the digital economy.
 - This could include providing targeted support to reduce the cost of connectivity (i.e. NBN or mobile costs), education to increase the confidence of individuals in engaging in the digital economy or reviewing social assistance and inclusion measures to account for new digital ways of doing business (e.g. extending subsidised taxi schemes to eligible ride share providers).
 - As part of understanding where the barriers to digitisation lie in the community, partner with industry and researchers to invest in, design and deliver additional measurements in the existing Digital Inclusion Index to create an ongoing data set measuring digital inclusion with a specific focus on Indigenous and Culturally and Linguistically Diverse (CALD) communities.



Driving investment and ease of doing business

Competitive, sustainable tax system

The current tax system must be fit-for-purpose to take on the challenges Australia faces and enable people to get ahead. As things stand, the system is not designed to efficiently generate the revenue needed to fund the services the community needs. It also acts as a handbrake on labour market mobility and advancement.

Australia cannot attract the scale of investment and innovation needed to drive new industries while it has the third highest corporate tax rate in the OECD. We are not asking for the lowest company rate but an internationally competitive one. In the absence of this, Australia needs a broad-based investment allowance to remain competitive in the global race for capital.

At a minimum, we think a process of tax reform is needed that removes the worst performing taxes such as stamp duty, creates a more competitive investment environment and encourages state-based tax reform. This includes addressing the over reliance on direct taxation, the mismatch between federal and state taxes and spending, the volatile and inefficient state tax base, and fragmented payroll tax regimes.

Top priorities

- ✓ Remove the worst performing taxes to achieve a more sustainable and predictable tax base such as stamp duty, which adds to the cost of housing and acts as disincentive to move or downsize, and insurance levies.
- ✓ Move towards a competitive company tax system. Progressively lower the company tax rate to 25 per cent to make all businesses more competitive in the global contest for investment or introduce a broad-based investment allowance of 20 per cent for all companies to provide for more sustained improvements in investment.
- ✓ A system is needed to encourage state-based tax reform, ensuring the GST distribution formula does not punish states who pursue reforms and that creates an overarching framework for the states to perform. At a minimum payroll tax, which is a tax on jobs, should be harmonised between jurisdictions with a view to potentially removing it over time.
- ✓ Improve work incentives by addressing interactions between the personal income tax system and, for example, taper rates on benefits which can dull incentives to work and make it harder to get ahead.

Sustainable fiscal equation

Australia faces a structural spending and deficit problem, with spending projected to continue to grow while revenue is projected to decline due to falling non-tax receipts. The result is an ever-growing and unsustainable fiscal gap and debt build up.

The budget must set out a coherent and credible long-term path for restoring the budget position progressively over time. It will require a systematic, careful and purposeful review and assessment of major spending programs to better target them and improve their effectiveness and efficiency. Sticking to that path will provide a clear and consistent signal to business and the community for making decisions.

Major funding pressures are emerging in areas like aged care, the National Disability Insurance Scheme (NDIS) and child care. These areas are critically important to the community and governments need to get delivery of these services right. It is also important that the right funding models are in place which allow for seamless delivery across jurisdictions, achieve the right balance between public and private provision and remain affordable over time.

Top priorities

-  Governments need to maintain a disciplined approach to spending pressures over time by constraining real spending growth through ensuring savings offsets are found in areas of lower priority to meet the cost of higher priorities. The list of asks on government funding will always exceed what is affordable and governments must be able to prioritise.
-  Major government programs need to focus on efficient service delivery and sustainable funding models that avoid wasteful duplication between jurisdictions. This means striking the right balance between private provision and public funding, especially in the provision of services to older Australians with significant assets. It also means reviewing the operation of our Federation to remove costly overlap and duplication of services.

Federation reform

The Federation, including federal financial relations, must be workable, responsive and productive.

National Cabinet should commit in the first instance to reviewing the underpinning arrangements for federal financial relations including ensuring that there are strong incentives for states to initiate tax reform.

Top priorities

-  The Productivity Commission should be charged with identifying the regulatory areas that need national prioritisation through National Cabinet as they can deliver the biggest benefits, particularly around ease of doing business and lifting productivity.
-  National Cabinet should continue in its current form, further backed by a permanent secretariat to support its agenda.
-  Review the roles and responsibilities of different levels of government under the Federation with an initial focus on designing more seamless service delivery in the priority areas of aged care, chronic care, mental health and vocational education and training.
-  Provide ongoing funding of productivity payments to states and territories that implement beneficial reforms, including tax and regulatory changes. This funding should be 'at risk' and only available for jurisdictions that fully meet their commitments and follow through with reforms.

Positive regulatory environment

Good regulation is important to ensure competitive and open markets as well as protecting the interests of workers, consumers, investors and the environment.

Poorly thought through or designed regulation means higher costs, delays and fewer choices for consumers. It also makes it harder to do business in Australia and makes the country less competitive and a less attractive place to invest.

Top priorities



All governments should commit to principles that deliver best practice regulation making and a high performing regulatory system.

- The problem to be solved for should be clear and well understood.
- Regulatory Impact Statements should identify risks and ensure they are tracked over time.
- The existing stock of regulation should be regularly reviewed to ensure it remains contemporary and fit for purpose.
- Business and the public sector should work collaborative to solve the right problem, with the right regulation, in the right way.



Funding for the Deregulation Taskforce should be made permanent to ensure deregulation and improving regulation remains an ongoing focus.

Ease of doing business

The patchwork of regulation that exists across Australia is a drag on the economy as regulatory inconsistency, varying quality, and duplication adds significant costs for businesses operating across multiple jurisdictions and impedes the delivery of positive outcomes for society.

Top priorities



Commit to making permanent the temporary easing of regulations during COVID such as delivery curfews and retail trading hours.



National Cabinet should commit to a regulatory reform program focused on encouraging governments to reform their regulations in line with the best performing jurisdiction. The Productivity Commission should be charged with informing this agenda.



Funding for the Deregulation Taskforce should be made permanent to ensure deregulation and improving regulation remains an ongoing focus.



Continue to progress the work of the Simplified Trade System Taskforce, which seeks to make cross border trade cheaper, faster and easier.



Implement the full suite of recommendations from Professor Graeme Samuel's independent review of the Environment Protection and Biodiversity Conservation Act to strengthen environmental protections while also streamlining regulatory approvals.

Corporate governance

Australia's Corporations Act and other pieces of legislation should be regularly updated whenever necessary to ensure they reflect modern technology and business practices.

Governments and regulators need to be continuously alert to the need to ensure that the corporate governance system remains up-to-date and fit-for-purpose.

Top priorities

-  Finish the process of updating all remaining Commonwealth and state and territory laws to enable electronic transactions and 'soft copy' execution and distribution of documents wherever possible.
 -  Ensure that all corporate regulators are appropriately resourced for the regulatory task and charter they have been given so their decisions are timely and efficient.
 -  Reform laws governing class actions and litigation funding to provide a fairer return for plaintiffs and protection for businesses from unmeritorious and speculative actions.
 -  Reinstate proxy adviser reforms to improve their operation and ensure they are subject to the same accountability standards that apply to other important participants in financial markets.
- In particular, advisers should be required to provide accurate and timely advice, correct errors when they occur and provide advice to businesses where such advice will have a material impact on the business.

Infrastructure

Infrastructure is a fundamental driver of productivity and investment, and it needs to be seen as a key part of the economic toolkit that must continue to be deployed to address the challenges of productivity, participation and population.

With infrastructure spending at an all-time high, it is more important than ever that long term high-value infrastructure investment is put beyond politics. To secure Australia's long-term prosperity, this investment must go towards building the nation's strategic economic priorities and needs, otherwise the benefits of the infrastructure build will simply not be realised.

To get this right, the focus must be on the delivery of infrastructure that is identified through sound strategic planning, in addition to a robust business case process. This includes:

Infrastructure funding and project selection

- Continue to use the Federal Government's investment in infrastructure to catalyse the delivery of new projects, through split funding partnerships with the states and local government, and to incentivise policy outcomes.
- Avoiding boom-and-bust cycles of investment. A 10-year rolling plan for baseline funding of infrastructure, and a project pipeline based on strategic plans rather than short-term decision making, will help instil confidence.
- While the elected government is the ultimate arbiter of how tax dollars are spent, it should do so in the context of independent infrastructure advice. Infrastructure Australia should be repositioned as a trusted adviser to government.
- Avoid the politics of adding and removing projects from the pipeline or cancelling projects that are underway.

- Supporting housing supply as a priority through funding of infrastructure targeted at unlocking new dwellings.

Long term planning

- Having the states lead strategic planning for the infrastructure required in our cities and regions in discussion with local governments. Infrastructure Australia should then draw on this work in advising the Federal Government.
- Ensuring the Federal Government undertakes long-term planning on the areas in its responsibility such as the national rail freight network.

Project delivery

- Prioritising new ways of contracting and managing risk transfer, so that risks better sit with the parties best able to manage them.
- Giving Infrastructure Australia a gateway assurance role for infrastructure projects with Federal Government involvement.
- Considering Australia's commitment to reducing emissions in delivering infrastructure.
- Complementing infrastructure packages targeted at national precincts with streamlined planning pathways.

Top priorities

▪ Infrastructure funding and project selection



Develop a Federal project pipeline of both committed and planned projects. Projects should be placed in the pipeline only when they are supported by both the Federal government and relevant jurisdiction. Infrastructure Australia should provide advice to the Federal Government on the utility of projects before they are placed on the pipeline. The Government should articulate a methodology as to how it decides to place projects on the pipeline. Projects that receive a commitment should not be removed from the pipeline for political reasons.



Commit to a 10-years baseline of rolling funding levels for nationally significant infrastructure. Funding, particularly in the outer years, would be available to commit to future projects on the Federal project pipeline as they mature and become ready for investment.



Partner with state governments on funding, to make federal funds go further when matched with state or other funding sources. Incentive programs to have states unlock new capital sources, such as the Asset Recycling Fund, should also be considered.



Establish a funding stream targeted at infrastructure that supports new housing. This should be deployed as part of a 'growth compact' for a nominated area, which together with the infrastructure, should have state and local government commitments to specific housing supply and development outcomes that the infrastructure will facilitate. City and Regional Deals could be used to advance this.



Renew the focus of Infrastructure Australia to preparing the national pipeline of projects in conjunction with the states and to be the independent voice within government around Australia's infrastructure priorities.

■ Long term planning



State governments have responsibility for planning the infrastructure for Australia's cities and regions. Infrastructure requirements must be identified as part of broader strategic work, such as land use, economic, or sectoral planning, rather than as standalone concepts. The Federal government should recognise projects that have been identified in broader strategic plans on the Federal government project pipeline. Conversely, the pipeline must be beyond politics, cancellation of projects that are already agreed must be avoided at all costs.



Identify key areas of national responsibility, including issues such as workforce and skills availability, which need national approaches, and plan to address these needs.

■ Project delivery



The state governments generally have the best capability and maturity in the government sector for the delivery of new infrastructure. Their experience should be harnessed and utilised for project delivery.



Establish a gateway assurance function within Infrastructure Australia for projects with Federal Government involvement.



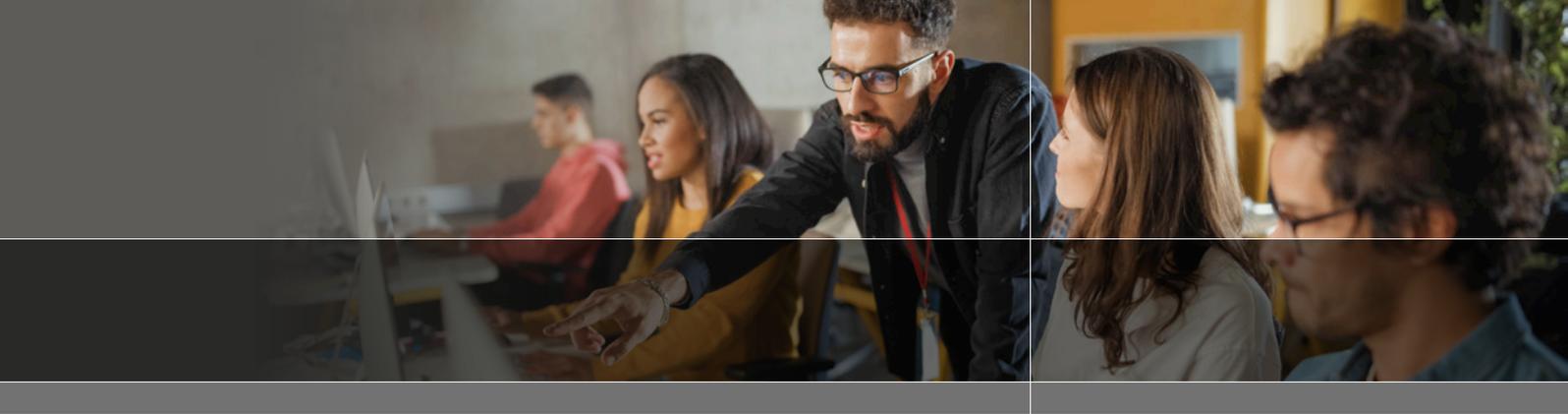
Develop and strengthen guidance for business cases that consider the carbon emissions from construction and operation of infrastructure projects. Identify how 'green' construction materials can be incorporated into projects.



There must be a focus on fairer risk allocation, collaborative contracting models, early contractor engagement, and greater coordination of the national pipeline. Many of these concepts are already in the Australian Infrastructure Plan 2021.



Partner with states and business to establish national innovation precincts for emerging industries. This should be complemented by streamlined planning pathways for these precincts, and supported by streamlined government processes and facilitation services, so they are competitive in attracting global capital and skills.



Unleashing the potential of our people

A skills and education system built for the modern era

Technological and economic changes will provide opportunities for new and better jobs, but only if the nation has an agile education and skills system that keeps pace.

In schools, performance in literacy and numeracy, which has been slipping for too long despite sustained increases in funding, needs to be urgently turned around.

Post-school education and training also needs to be ramped up. The National Skills Commission projects that 90 per cent of the million new jobs created out to 2025 will require a post-secondary school qualification, with over half requiring a bachelor degree or higher. As it stands, close to 30 per cent of the labour force lacks these post-school qualifications.

At the moment, the focus is on the skills Australians develop in their first 20 or so years. But the days of relying on an increasingly outdated certificate or degree over a 40-to-50-year career are long gone. Australians need to be able to refresh and update their skills over their lifetime, and there also needs to be a better set of options for acquiring new skills that match and track industry needs.

Top priorities



In our schools:

- set ambitious proficiency standards for reading, writing, maths and digital literacy, and provide extra help for students falling behind
- deliver on the Shergold Review by equipping all students with a Learner Profile that sets out their skills, knowledge and experience – not just their ATAR – to build on and curate over their career
- significantly strengthen careers guidance, including by lifting the bar for careers advisers, and delivering best-practice digital resources for students, parents and teachers.



In the tertiary education system:

- increase our investment in apprenticeships and vocational education and training, including through a new National Skills Agreement that improves transparency, accountability and responsiveness
- extend funding for higher education short courses and deliver additional Commonwealth Supported Places for priority fields and cohorts.



To embrace lifelong learning:

- pilot a Lifetime Skills Account model that empowers individuals to upskill and reskill throughout their career
- expand the provision of short courses and micro-credentials and support recognition and credit for these within the formal qualifications system
- support an interoperable skills passport system that makes it easier for individuals to collate and share the full set of skills and experience they acquire.



To ensure nobody is left behind:

- provide a foundation skills guarantee for all Australians, including fully subsidising approved courses up to Certificate II level, but also support for a micro-credentialing approach.

Advancing women and lifting participation

Empowering women to increase their participation in the workforce and advance their careers is one of Australia's biggest economic and social opportunities.

Women's workforce participation nationally lags 8.4 percentage points below that of men and OECD data shows Australia ranks 28th out of 42 countries for maternal workforce participation.

KPMG modelling in 2018 demonstrated that if the labour force participation gap between men and women was halved, Australia's GDP would increase \$60 billion by 2038. This would leave the average Australian more than \$2000 better off.

In addition, there is a growing recognition in Australia's business community that increasing women's representation in leadership and board positions is critical to having better run, more effective companies that can respond to the diverse demands of an ever-changing business environment.

Top priorities

-  Extend paid parental leave to facilitate greater sharing of carer responsibilities between parents by increasing entitlements for secondary carers and extending the total entitlement to 26 weeks when caring responsibilities are shared.
-  Consider further changes to the Child Care Subsidy to reduce the disincentives families face; address supply side, pricing, workforce issues and flexibility of the system and task the Productivity Commission to investigate the childcare and early childhood learning system.
-  Include taxpayer-funded Superannuation Guarantee contributions in the Commonwealth paid parental leave scheme and include no time limit on unused concessional contributions.
-  Implement the remaining recommendations made by the Sex Discrimination Commissioner Kate Jenkins in the Respect@Work Report and the Federal Government's Roadmap to Respect quickly.
-  Extend the Boosting Apprentice Commencements wage subsidy for a further 12 months at a stepped down rate (e.g., 25 per cent).
-  Extend the Additional Identified Skills Shortage program to incentivise women to take up apprenticeships in male-dominated occupations, including in the construction industry.
-  Review anti-discrimination legislation to allow employers to advertise roles exclusively for women especially in male dominated industries.
-  Pilot a Lifetime Skills Account and free foundation-level training for women returning to the workforce and those in high demand services industries such as aged care to update their skills.
-  Work with business on a Women in Leadership Report and annual survey that reports on top gender equity practices that drive cultural change.

Workplace relations

We want Australians to have secure work, to be paid properly, to have the ability and choice to work all their lives, and the capacity to understand the terms and conditions of their employment.

But the current workplace relations system is not working as intended. Needless complexity is a drain on productivity and competitiveness, and it acts as a deterrent to attracting investment and the innovation needed to strengthen existing industries and create new ones.

The highest and most urgent priority should be fixing the enterprise bargaining (EBA) system which is collapsing because of the application of the Better Off Overall Test.

This system allows employers and employees to come together to drive innovation, technology and skills development which enables enterprises to grow and people to share the benefits of that growth through higher wages and better conditions.

Workers on EBAs get paid more. Non-managerial employees on EBAs earn an average \$46 an hour, compared with \$32 under awards.

Problems in the awards system also need to be addressed. There are 122 awards, many with thousands of individual pay rates and often contradictory clauses.

This complexity has led to problems with wage compliance which in many cases have been discovered by employers. Instead of addressing the complicated nature of the system, it has reverted to an old-fashioned regime of time and attendance records which are a roadblock to productivity gains and new ways of working.

In addition, when problems arise in the workplace relations system, solutions need to be developed that are targeted at the problem and do not create even greater issues. The proposed 'Same Job, Same Pay' legislation should not be used for other purposes, such as undermining legitimate forms of contracting or undoing commercial arrangements within businesses that have helped to create jobs and improve competitiveness.

Top priorities

■ Enterprise bargaining system

A properly function enterprise bargaining system enables businesses to be more successful and the benefits of that success to be shared with employees. Agreements should be the product of genuine bargaining that reflects the specific needs of the individual business. Agreements should once again be able to be full substitutes for awards, rather than add-ons to awards. Negotiated outcomes should be respected and not be able to be undone on minor technical or procedural grounds by the Fair Work Commission or non-parties to the agreement.

As a minimum, whichever party wins government needs to fix the system by addressing the following flaws:



Fix the Better Off Overall Test (BOOT) so it means what it says – returning it to an assessment on an overall basis.

- The BOOT should be assessed on the overall benefits of the agreement reached, including both quantitative and qualitative benefits. The views of the parties as to what constitutes 'better off' should be given precedence.
- Instead, the BOOT has mutated into a 'better off in every respect' test which leads to absurd outcomes.
- Agreements should once again be able to be full substitutes for awards, rather than simply awards with 'add-ons'. This was once possible but is not now.



Streamline the bargaining process by making it less bureaucratic.

- Entire bargaining processes can currently be invalidated on obscure technical grounds, in some cases months after the event.



Limit intervention at the approval stage by non-parties.

- Right now, the approval process is uncertain and can be gamed by non-parties
- Non-parties (i.e. unions who were not bargaining representatives or unrepresentative 'unregistered' unions) can intervene at the approval stage and object to agreements being approved on highly spurious grounds, notwithstanding the views of the parties.
- Where all the parties to the agreement (business, unions, and employees as expressed in the vote) are satisfied that the agreement passes the BOOT this should be sufficient for it to be approved.

Awards



Make permanent temporary COVID-19 flexibilities in awards which get people working and tethered to their workplaces during the pandemic.



Annualised salaries – legislative amendments are needed to remove unnecessary time and record keeping requirements for high income earners.

- Keeping time and attendance records is unfeasible in the post-COVID environment where workers can manage their own time and work in a variety of different workplaces.



Establish an Award updating process that will remove outdated provisions and unnecessary red tape in awards, including:

- removing high paid managerial staff from award coverage
- removing archaic provisions (e.g., the Retail Award still includes a reference to fitting corsets)
- simplify pay scales so all parties can understand them (e.g., the Retail Award currently has 2,832 possible pay rates; the Construction Award can require over 20 separate calculations to determine a single pay rate)
- clarify award coverage to remove overlapping coverage and if separate awards cover the same work, then they should have consistent terms.

Compliance and enforcement



The Fair Work Ombudsman (FWO) to have a clear compliance regime that rewards self-disclosure by employers.



The compliance regime to include a 'non-sanction' option for employers who self-disclose when they have made inadvertent errors, combined with stronger penalties for genuine and intentional underpayment.



The FWO to have ATO-style powers to make binding rulings. There should be a 'Single Point of Truth' on which businesses and workers can rely.



Legislative amendments to expand stand down powers to other unforeseen situations, e.g., COVID lockdowns.

Greenfields agreements



Greenfields agreements should be able to run beyond the current 4-year maximum term for EBAs, for the small number of large projects that will take longer than that to complete

■ **Labour hire regulation**



The complex and excessive Same Job, Same Pay legislation currently before the Parliament should not be proceeded with. Any such legislation should be focussed solely on addressing specific, identified problems.



A single national system of labour hire licensing should be implemented rather than multiple state and territory systems.



Labour hire regulation should only cover businesses that are genuinely “labour hire”, i.e., providing workers to another business to perform work, for a fee.





Sharing in the nation's success

Regionalisation

For Australia to succeed, the regions must be front and centre of the nation's future.

The opportunities are enormous.

Australia is located on the doorstep of what will be the biggest market in the world's history – the Asian middle class will be made up of 3.5 billion people by the end of this decade.

Asia has an insatiable appetite for Australia's fresh and value-added produce and is willing to pay premium prices.

But it is not just in agribusiness where the regions can continue to excel.

Outside the city centres, places can position themselves to be part of emerging industries and growing markets in areas such as advanced manufacturing. These products and parts feed into massive global supply chains for the defence, space and aerospace industries.

In our community consultations, we heard regional Australians felt a lack of affordable housing was holding back their ability to attract more workers and grow.

Not every region, however, has what it takes to be a major economic hub. But when a hub is stronger, the spokes or towns around it also thrive.

It is why our regional strategy calls for a coordinated place-based approach. Regional locations with the greatest potential to contribute to the nation's economy should be identified and targeted for investment, coordination and concentrated effort.

Top priorities



Identify the places of growth based on our criteria:

- proximity to nearby gateway infrastructure and major power grids
- home to one or two successful industries or the capacity to attract more investment
- strategically important locations such as Darwin and Cairns
- home to a university and TAFE that can work together
- access to quality health services
- capacity to increase the supply of housing and industrial land, and
- an appetite and capacity for more people.



For places of growth, introduce a 30-year infrastructure compact, working with state and local authorities, to provide a rolling pipeline of projects. This enables regions to plan around slated projects. The compact should feed into the national pipeline of projects, and also look at projects that link regions to each other such as a fast passenger rail and freight rail.

-  Create skills hubs in growth regions to provide innovative reskilling and training tailored to the needs of locals and their employers. Under this model, people can undertake stackable micro credentials or short subjects in addition to full qualifications, with a mix of modules from TAFE and university.
-  Introduce designated area migration agreements for places of growth which provides access to more overseas workers than the standard skilled migration program.
-  Return to four-year visas for all skilled temporary migrants and improve permanent residency pathways, especially to attract people to the regions.
-  Introduce incentives to attract companies to locate or expand in regions of growth.
-  Establish a regional university precincts infrastructure fund that embeds large and small businesses on regional campuses to deliver skills, scale up and adopt new technologies.
-  Ensure land use planning, re-zoning and servicing of land runs alongside economic development opportunities. This is about using place-based planning approaches that cut red tape, give certainty to industry and cut timeframes.

Empowering Indigenous Australians

A great nation is one that defines itself. It comes to terms with its past, ensuring that every Australian can share in the wealth and opportunities of the nation, advance and lead fulfilling lives. We strongly believe that meaningful recognition of Indigenous Australians through the Constitution and the Voice are about nationhood.

These long overdue actions would enable Australia to move forward. They would deliver practical outcomes, ensuring Aboriginal and Torres Strait Islander peoples can fully participate in the Australian economy and society as a whole. It would represent a historic unifying moment.

We acknowledge the commitment by Commonwealth and state governments towards “Closing the Gap” together with the investment of more than \$1 billion.

As a nation, it is also important to move to the language of aspiration, ambition and wealth creation and prosperity in all elements of Indigenous Affairs.

Current federal and state Indigenous procurement policies have successfully created of more than 17,000 Indigenous businesses. However, capacity building across all types of Indigenous businesses is an area that requires closer focus. Business development, skills transfer, capital raising and access to capital, and assistance with business administration have been the focus of recent discussions for the National Roadmap into Skills, Jobs and Wealth Creation.

Top priorities

-  Implement the intent of the Indigenous Voice and the proposals for a National Voice and Local and Regional Voices. Constitutional recognition of the Indigenous Voice is also a critically important step.
-  Establish a series of business hubs to provide these critical business services to help create new Indigenous businesses and increase employment of Indigenous Australians.
-  These business hubs should have a direct partnership with key stakeholders such as Career Trackers, Supply Nation, Indigenous and non-Indigenous Chambers of Commerce and the Business Council to encourage cross pollination of best practice.



Work on the Indigenous Roadmap must continue. Business is invested in the roadmap and strongly supports its direction. The roadmap is an important and established partnership between government, its agencies, corporate Australia, industry, Indigenous organisations and the Indigenous community.



The next stage of the roadmap needs to focus on delivering actions and measuring outcomes. Industry has committed to work with government to support the key planks of the roadmap, especially skills and education, jobs and career progression, advancement to senior executive and board positions and wealth creation including opportunities in the new economy.



Support the creation of Indigenous businesses in new supply chains and the industries of the future such as carbon offsets, biodiversity and advanced manufacturing.



Expand support for cadetship and internship programs that provide skills and employment pathways for Indigenous Australians and other under-represented groups into in-demand fields, including digital.



Fund additional Commonwealth supported places for Indigenous Australians on a demand-driven basis to guarantee such places for all eligible candidates from 2022.

BUSINESS COUNCIL OF AUSTRALIA

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Election statement

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