

BCA

Business Council of Australia

Seize the moment

A plan to secure Australia's economic future

AUGUST 2023

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PART 1 Australia at the crossroads

1

Foreword

The purpose of the Business Council of Australia is to ensure the country is economically strong to support a fair, free and inclusive society for all Australians. This year, in 2023, as the BCA enters its 40th year of advocating in the national interest, this mission remains as relevant today as it was on day one.

The BCA believes that achieving a more resilient, productive and competitive economy requires successful, well-run businesses that create meaningful jobs and inclusive work environments which reflect and are accountable to the broader Australian community.

We champion the role that responsible businesses play in providing much needed goods and services that deliver on the promises they make to consumers, generating sustainable economic growth, and take our responsibility to the community seriously.

For the past five years, we have been speaking with Australians about their hopes and ambitions for the country. Despite the pandemic, extreme weather events and geopolitical tensions, they are overwhelmingly optimistic about the potential of our nation. That said, they worry that we are not on the right path and will let our opportunities pass by – they want change that will improve not only their lives, but those of their children and grandchildren.

This document, *Seize the moment*, is the BCA's significant contribution to Australia's public policy agenda, at a time when the country faces global uncertainty and the urgent need to decarbonise our economy, and is witnessing other nations embarking on policies that risk shifting investment and activity away from our shores.

Australia has tremendous endowments including our natural resources, skilled and educated population, stable institutions, and proximity to the emerging Asian markets that will drive new forms of prosperity.

The challenge is twofold. Together, all of us – business, governments, unions and civil society – must build on the community's appetite for reform by speaking openly and honestly about the choices we face. Then, we just need to get on with it.

We believe now is the time to embark on carefully considered, staged and practical change that will position Australia for decades of prosperity through enhanced productivity, competition and resilience.

We hope this document will prompt conversation, debate and ultimately action.

The BCA stands ready to work with governments and key partners across the nation to move the country forward. We know every Australian will be better for it.

BCA President Tim Reed

BCA Chief Executive Jennifer Westacott AO

Incoming BCA Chief Executive Bran Black

Executive summary

The future is in our hands

Few countries have as many advantages as Australia does.

Our abundant critical minerals and rare earths will help drive decarbonisation across the planet. Our businesses are innovative and world leading, and our institutions are stable and respected. We are home to a rich array of talented and educated people.

Yet we are languishing when it comes to productivity and global competitiveness.

On our current trajectory, without remedial action, we risk surrendering our advantages in energy, and our chance to capitalise on the skills and experience of our people. We will let the opportunities in front of us slip away as other nations take our place on the global stage.

We live in a rapidly changing world driven by the shift to clean energy, the rise of the Asian middle class, digitalisation and increased geopolitical instability.

While other countries take urgent, decisive action to reshape their economies in the face of these challenges, we risk being left behind.

Our competitors are diversifying, adopting new technologies, increasing productivity and looking outwardly to tap into global supply chains and opportunities. They are offering incentives to attract large-scale investment, ideas and talent.

In Australia only six products – coal, iron ore, natural gas, education, gold and wheat – make up more than 60 per cent of our exports.

Our narrow economic base makes us vulnerable to global shocks and the decarbonisation agenda, while red tape and overregulation are suffocating business, and deterring investment and innovation. Government spending is rising, while our children's education standards are slipping.

On our current path, we face the real risk of Australia being overtaken by the rest of the world and Australians being worse off for generations to come.

If we want sustained wages growth and to maintain full employment we need a reinvigorated economic growth agenda driven by large-scale investment, higher productivity and greater innovation.

We must add value to existing industries and create new ones. We must enable all Australians to reach their potential by enabling them to access training and skills development throughout their lives.

To get ahead, we must remove the obstacles that are harming our economy and holding us back globally.

Many Australians have told us they are concerned about the direction our country is taking and that they fear we are leaving a challenging legacy for future generations. They believe there has been a lack of planning and vision for the nation over many years.

We are at a crossroads, and we have two choices.

We can act immediately to address the decline through broad-reaching economic reform and ensure all Australians are better off now and long into the future. Or we can remain complacent and risk bequeathing our future generations a country that is economically and socially weaker.

We need to sharpen our focus on driving ways to lift productivity. An economy with greater productivity means the benefits can be shared by all Australians through lower prices, higher wages, higher profits and better shareholder returns.

This report focuses on how we can enhance productivity to improve the living standards of Australians. It puts forward the six big shifts needed to drive productivity harder and ten policy levers to action change.

What is productivity?

Productivity is about getting more output from every dollar invested or hour worked. Productivity is what drives higher wages and higher living standards. It's about working smarter, not harder, to get more from what we put in (whether the inputs are labour, capital or raw materials).

Increasing our productivity is about producing goods and services in a better way or developing new ones by:

- investing in new facilities and equipment
- better use of existing technology and investment in new technology
- lifting the skills of our workforce to realise their full potential
- innovating and adopting new ideas to do things better and faster
- removing the frictions in the way we do things by reducing red tape.

Productivity is not about workers being forced to work harder or a cost-cutting race to the bottom.

The key levers to drive improved productivity include a competitive business environment that encourages and incentivises investment, an educated workforce with the right skills mix, a competitive and efficient tax system, minimal red tape and compliance regulations, access to integrated global supply chains and reliable and affordable energy sources.

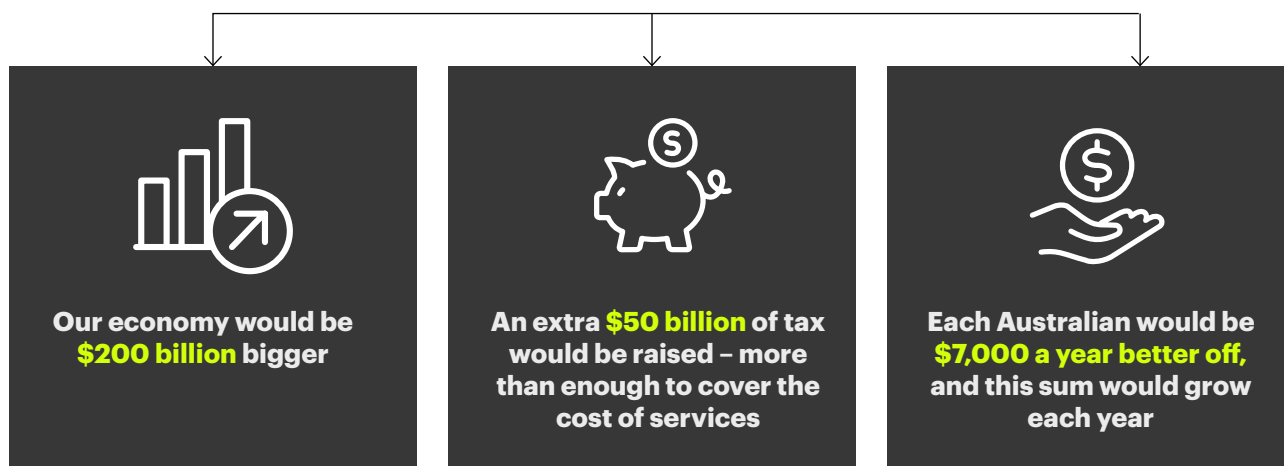
Increased productivity underpins the ongoing success of a business and the engagement of its workforce drives higher profits, fosters even more investment and allows higher wages to be paid to employees.

Increased productivity delivers more consumer choice in terms of goods and services. It can lower prices and provide Australian workers with more leisure time.

Increasing Australia's productivity is the key to better living standards, sustained higher wage growth and maintaining full employment.

Part 1 Figure 1: Lifting economic growth is the key to higher wages and better services.

If the Australian economy was to grow at its long-run average of 3.3 per cent a year rather than the status quo, after a decade:



Source: ABS and BCA

Our vision for the country

If we seize the moment, Australia could enjoy decades of growth and higher living standards, even as fewer older Australians are in work.



Australia has an opportunity to:

- be a country with the best and brightest people and a place where all Australians can contribute to their full potential
- maintain full employment
- generate the revenue to pay for the world-class services that Australians need and expect
- control our own destiny so we are less vulnerable, and our fortunes are in our own hands
- become a magnet for international investment
- grow our existing industries while creating new industries and capabilities
- add further value to our existing products
- become more deeply embedded in large international supply chains such as defence, energy, advanced manufacturing and agribusiness
- be respected as an outward-looking, important middle power and strategic partner in defence, foreign policy and trade.



Our vision for every Australian is to:

- create a brighter future for the next generation, so they can be economically, environmentally and socially better off than the last
- enjoy higher take-home pay through increased productivity and sustained real wages growth
- have more fulfilling and rewarding jobs
- choose to keep working if they want to
- be better able to relocate for work or new opportunities
- have access to the skills and training needed throughout their lives to advance their careers and/or take up jobs in the industries of the future
- have access to more affordable homes in safe, connected, and well-serviced communities
- have access to affordable, high-quality health care
- have dignified retirements with affordable, high-quality aged care
- close the digital and regional divides that hold back many communities and people
- remove the barriers that lock some people out of work and advancement, including Indigenous Australians, people with disabilities and women
- value the contribution of all Australians, ensuring our most vulnerable citizens are not left behind.

Our advantages

Australia is fortunate to be home to many of the critical minerals, rare earths and abundant sources of clean energy that will power the global journey to decarbonisation.

Our proximity and access to the world's emerging markets means we are strategically well placed in what is now the Asian Century. By the end of the decade there will be 3.5 billion people in the Asian middle-class on our doorstep lining up to buy our high-quality products and services.

Digital and technological advances are changing the way products are made, presenting opportunities for our technology businesses, advanced manufacturers and innovators to get a stronger foothold in the large integrated global supply chains that dominate international trade.

Australians want a new direction

The Business Council of Australia has been talking to Australians. Over the past two years they have told us about their aspirations for themselves, their families, their communities and the country.¹

Many spoke of their concerns for the direction of the country and fears that their children and grandchildren will be left worse off than their own generation.

The BCA also commissioned nationwide C|T Group research to test community attitudes, including a quantitative poll of more than 2,000 Australians and a series of focus groups.

One in three Australians believe the country is 'seriously headed in the wrong direction'. They are not confident the right decisions are being made.

Half of all Australians believe successive governments over the past 20 years have failed to outline a clear plan and vision for the nation.

These concerns are coupled with anxiety over cost-of-living pressures, with the cost of housing – mortgages and rents – the biggest financial worry for Australians, above groceries, electricity prices, health costs, or petrol.

Most Australians think they pay too much tax, and don't believe the government spends taxpayers' money effectively.

They are also concerned that a high company tax rate in Australia will make local businesses less competitive, resulting in lower economic growth, fewer job opportunities and businesses moving offshore.

Their priorities for government attention are:

- addressing cost of living and cost of housing pressures
- improving health services
- reforming the tax system
- reforming aged care
- making it easier for small businesses to survive
- reforming the National Disability Insurance Scheme (NDIS)
- resetting the roles and responsibilities between the Commonwealth and states
- encouraging start-up businesses
- cutting red tape.

It's clear Australians understand the urgent need for a new direction. They also understand that failing to proceed with overdue reform will have a detrimental impact on their lives.

¹ <https://www.strongaustralia.net/>. BCA has spoken to more than 5000 Australians over two years.

What we need to do

To achieve our bold ambitions, Australia must reposition itself at the forefront of the global economy.

We need to strengthen our existing industries and create new ones. We must improve our capabilities and find new markets.

Critically, we have to confront the disastrous investment drought that has left business investment at near 30-year lows as a share of GDP and commit to rapid innovation in capital-light, labour-heavy service industries.

Increased investment is crucial. Investment in tools and machines allows us to produce more and drives productivity, which in turn delivers higher wages, faster economic growth and improved living standards.

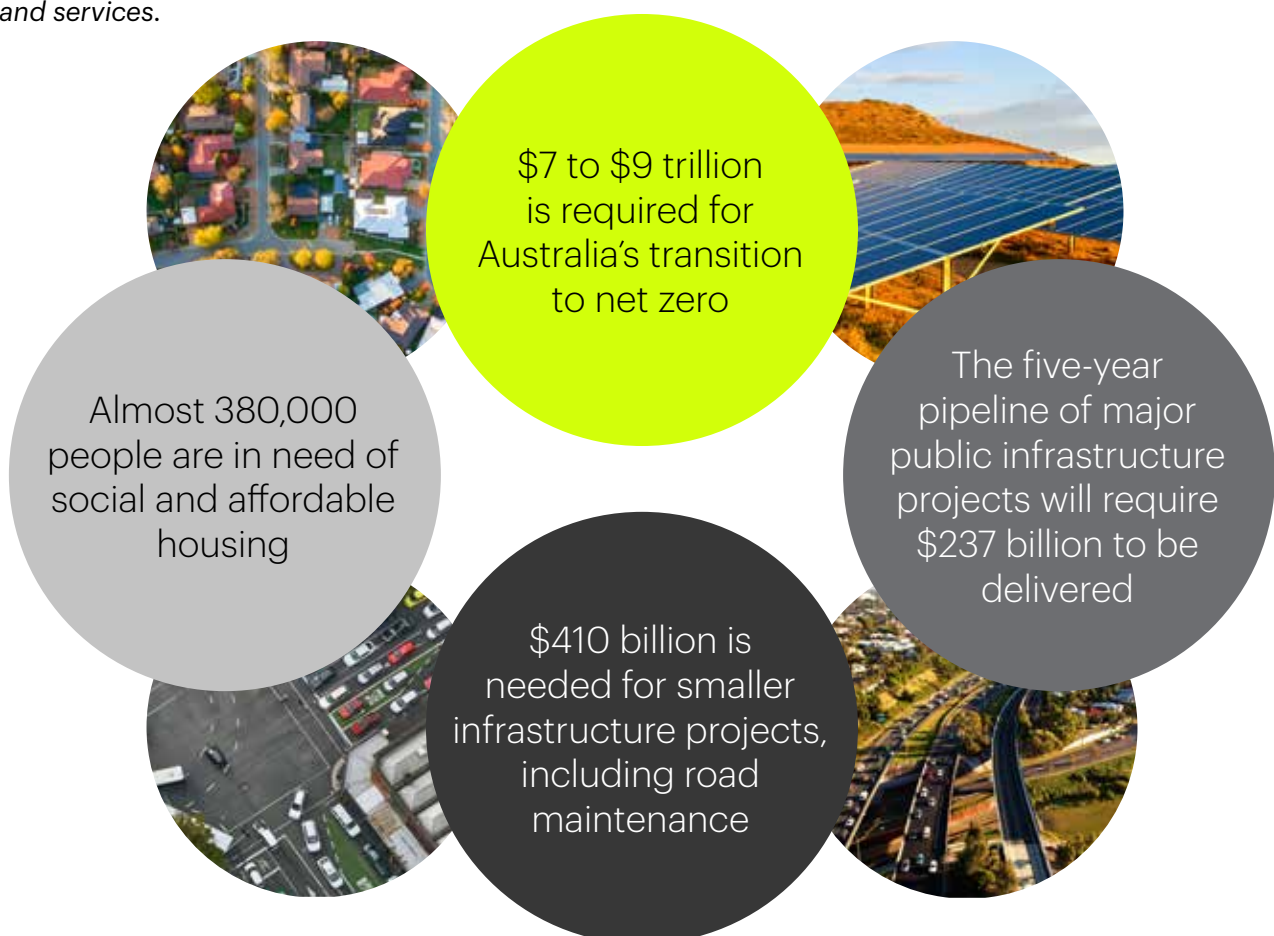
In industries where tangible assets such as machinery and equipment are a small part of the production equation, we need to discover new ways of working (leveraging technology, training or improved business processes) to lift the quality and quantity of output for each person we employ.

We must invest in and develop the skills and capabilities of our people across the board, ensuring that everyone has the opportunity to contribute to their full potential throughout their working life.

Australia is a highly desirable place to live. A strategic immigration program that complements our locally developed skills will enable us to welcome the best and brightest minds from around the world.

Part 1 Figure 2: Australia's looming investment challenge²

Government and business investors will need to find trillions of dollars to fund our energy transition and services.



² 2022_IA_Market-Capacity-Report_2.0_HR.pdf (infrastructureaustralia.gov.au) https://www.nhfc.gov.au/sites/default/files/2023-03/state_of_the_nations_housing_report_2022-23.pdf Net Zero Australia, The University of Melbourne, The University of Queensland, Princeton University and Nous Group, April 2023.

Six big shifts are needed to build a more productive and competitive economy

Develop a more diversified and resilient economic base	From an economy with a narrow industrial base with too many eggs in one basket.	To a more diversified and resilient economy with stronger existing industries, the creation of new industries and increased integration into global supply chains.
Unleash the potential of our people	From a disjointed, outdated and uneven approach to education, skills and training.	To a modern education and training system driven by lifelong learning that enables people to get the skills they need, starting in early childhood.
Be more outward-looking	From a position where the nation relies on a few key markets and a narrow range of exports.	To moving increasingly into the value-added end of global supply chains and finalising trade agreements to increase our export reach.
Be more competitive and productive	From near 30-year lows for business investment as a share of GDP and woeful productivity growth.	To actively creating an environment that incentivises investment, makes it easier to do business, encourages innovation, and has a competitive tax system.
Be private sector led	From red tape and an overregulated environment with a growing government footprint that can suffocate business operations, and deter investment and innovation.	To an economy that makes it easier to do business, create new jobs, innovate and invest so businesses can drive economic growth and lift productivity and wages.
Implement more effective government across the country	From a situation where Australia's public finances are on an unsustainable trajectory.	To a model where there is better value from government through more disciplined spending and significant improvements in the delivery of services.

Summary – the big ideas to achieve these shifts

To ensure Australia can do everything within its control to seize the moment and realise faster economic growth, improved living standards and higher wages, the BCA is putting forward big ideas for action.

- **Lever 1** – Introduce a reinvigorated and contemporary industry policy that strikes the balance between getting the fundamentals right, driving industries where we have a comparative advantage, and building the cross-economy capabilities needed to tap into the world's supply chains.
- **Lever 2** – Realise the full economic, trade and investment benefits from our proximity and deepening strategic ties, especially with India and Southeast Asia.
- **Lever 3** – Undertake broad-based reform of the tax system to minimise distortions and increase incentives to invest, innovate and hire.
- **Lever 4** – Establish a five-year 'ease of doing business' agenda, including undertaking incremental reforms that together can make a big difference.
- **Lever 5** – The Australian Government and state and territory governments should commit to a detailed 10-year national Net Zero Roadmap based on a whole-of-system approach to decarbonising the economy to 2050.
- **Lever 6a** – Australia needs to move away from its fragmented system of education, skills and training and move towards a coherent system of lifelong learning, that is flexible and responsive to a changing economy.
- **Lever 6b** – Move to a three-tier temporary labour migration approach.
- **Lever 7** – Implement a 10-year roadmap with actions by government, business and others to lift the economic participation of women. A report card on progress should be released annually to coincide with International Women's Day.
- **Lever 8** – Change the national model of social inclusion from one of 'placement' to 'advancement' to allow all Australians to reach their full work potential.
- **Lever 9** – Implement a workplace relations system that lifts performance, encourages flexibility, and allows wages to rise with productivity.
- **Lever 10** – Prevent a looming catastrophe of unaffordable government service delivery by resetting fiscal sustainability and providing fit-for-purpose services.

Are we ready?

To realise these opportunities and bank these gains we must ask ourselves:

- Are we ready to seize the moment?
- Do we have the courage and vision?
- Are we willing to make the right decisions and policy choices?

The clock is ticking. Now is the time to work together with a shared ambition to secure Australia's future. Now is the time to seize the moment.



PART 2

Global challenges,
opportunities
and threats

2

The seven major global shifts

We must move with the times

For Australia to prosper, we must come to terms with the barriers that are holding us back.

Australia's uncompetitive tax system, skills and migration processes that are failing to deliver the talent we need and a clunky and expensive energy transition mean opportunities are slipping away from us.

To deliver greater choice, better jobs and sustained wage growth we must add value to everything we do and make sure we're producing the goods and services the world demands.

Critically, our economic security relies on us being closely intertwined in key integrated global supply chains.

The choices we make today will shape our destiny.

Standing still and hoping for the best is not an option. The rest of the world is taking decisive action to modernise and energise their economies. Australia will fall further behind if we do not do the same.

A global transformation of industry policy is under way and the pace of change is quickening. We must seize our moment, or risk being left behind.

There are seven major global shifts underway.

1. The world of production has changed

About 70 per cent of global trade involves integrated value chains.¹

Production processes, or how goods and services are made, have changed substantially in recent years.

Very few products are now made end-to-end in one location. The gain is at the value-added end of production, where major upgrades are introduced.

The use of new materials and production methods, along with state-of-the-art digital technologies, are driving innovation in how goods and services are made.

Today's large global production supply chains are broken into more parts.

Apple has supply chains for its products in over 50 countries.

Boeing procures 783 million aviation parts in a single year, with work done by 500,000 people at 5,400 factories around the world.

The availability of low-skilled, low-paid workers no longer determines where production is based. Manufacturing – particularly high-value manufacturing – relies on highly skilled and educated workers using new technologies. This shift is to Australia's advantage, given our highly educated, highly skilled population.

The fragmentation of supply chains provides exciting new avenues for Australia to tap into world trade opportunities.

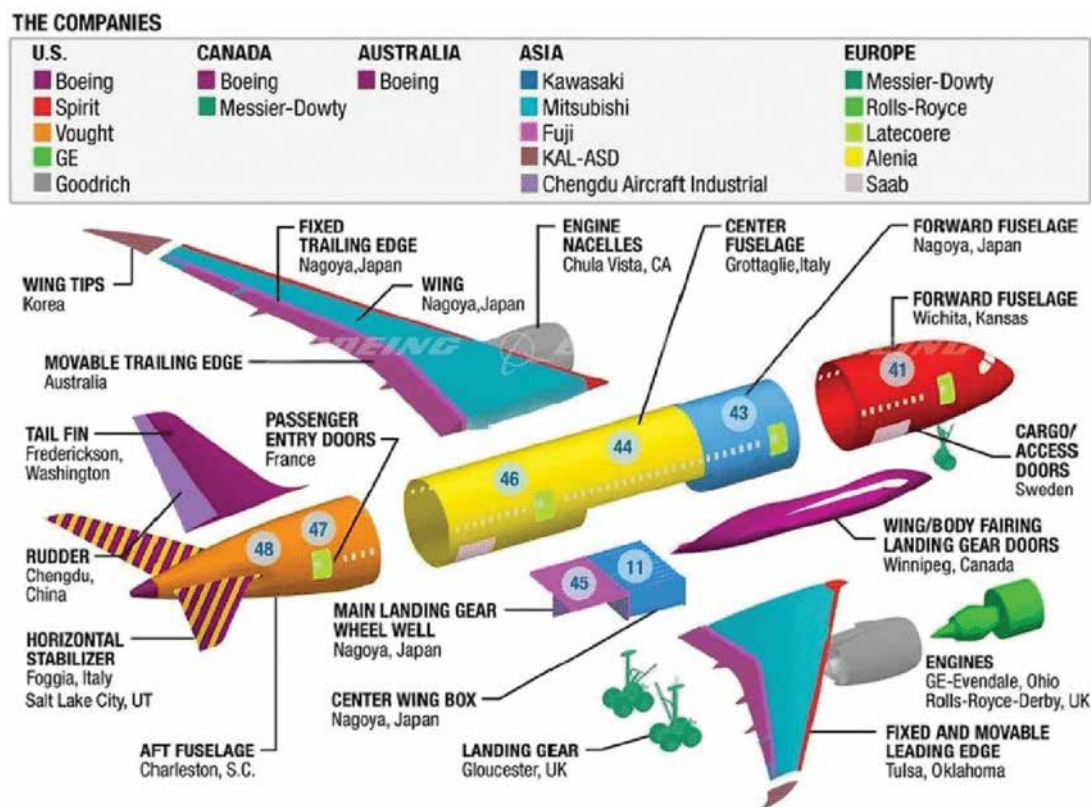
The World Bank says countries that embrace global value chains 'grow faster, import skills and technology, and boost employment'.²

¹ Organisation for Economic Cooperation and Development, The trade policy implications of global value chains, OECD, <https://www.oecd.org/trade/topics/global-value-chains-and-trade/> (accessed April 2023)

² The World Bank, Global Value Chains, <https://www.worldbank.org/en/topic/global-value-chains> (accessed April 2023)

Part 2 Figure 1: Boeing's global supply chain³

The production of many products is intertwined throughout the world



2. Digitisation and technological change is transforming business

Australia is ranked 14th in the world for digital competitiveness, up six places since 2021.⁴

Technology is transforming some business models and threatening others. It has also redefined the relationship between consumers and businesses.

Advances such as 3D printing, new battery technology and driverless vehicles on mines and farms are changing how Australians do their jobs and make the goods we sell to the world.

Digitisation – the use of software, data, and high-powered computing – is similarly improving how people communicate, connect and get the things they want.

These innovations come with challenges, including cyber security risks, data protection imperatives, and questions around appropriate regulation, access and equity.

Nine in 10 Australians agree that spending on research and development is vital to give us a competitive edge.⁵

³ Celso, S, Nebus, J & Wang, K 2018, 'The Role of Internal and External Complexity in Global Factory Performance: An NKC Application', Journal of International Management, 24, https://www.researchgate.net/figure/Boeing's-global-supply-chain_fig1_322270152 (accessed April 2023)

⁴ CEDA 2022, World Digital Competitiveness Ranking 2022, media release, CEDA, Melbourne, CEDA - World Digital Competitiveness Ranking 2022 (accessed May 2023).

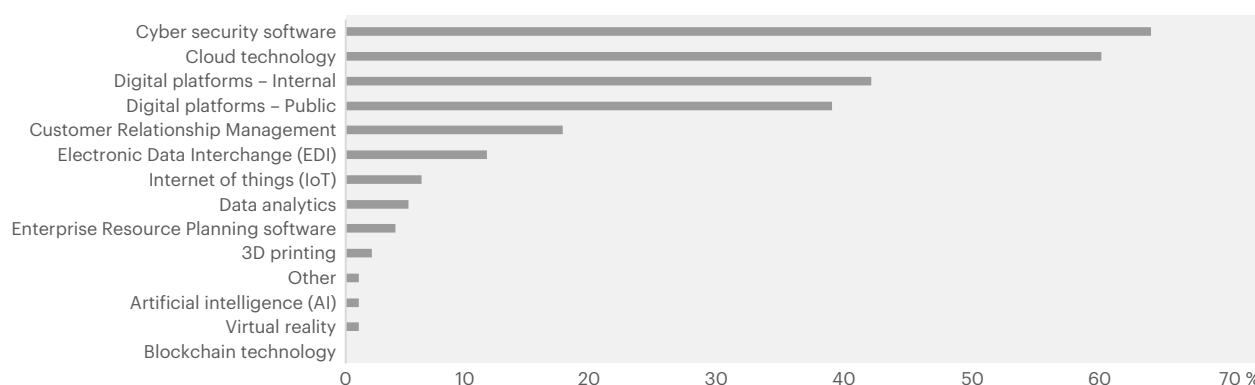
⁵ CJT Group, BCA commissioned research, CJT Group, May 2023.

But they also provide enormous opportunities, ranging from doing our banking and shopping online and replacing dangerous jobs in mines with driverless freight trains, to finding better ways to diagnose illnesses. For Australians, this means safer workplaces, more productive and higher-paid employment and less time spent on mundane activities. Ultimately, it translates to more leisure time, better health and an overall improvement in our quality of life.

To thrive, every business must go digital and have access to workers with the skills to leverage new technologies. But adoption of these varied technologies has been uneven to date.

Part 2 Figure 2: Business uptake of digital technology is varied

Share of Australian businesses using different information and communications technology, 2021-22



Source: ABS

3. The world is more volatile

One-third of global CEOs have stopped a planned investment because of geopolitical challenges.⁶

The COVID-19 pandemic highlighted the vulnerabilities of global supply chains, and fractured many.

We are seeing major shifts in geopolitical power and continued tensions between the United States and China. At the time of writing, the conflict in Ukraine was ongoing and adding to tensions.

Many nations have resorted to protectionism and nationalism to mitigate risk. They have been forced to reconsider what they produce at home to shore up their sovereign capability, as well as what they import and export.



Three quarters of Australians are concerned about the prospect of Australia entering a war or conflict in the next 10 years.⁷

⁶ Ernst and Young 2023, Majority of CEOs fear recession could be worse than the financial crisis, media release, EY, London, 11 January, https://www.ey.com/en_gl/news/2023/01/majority-of-ceos-fear-recession-could-be-worse-than-the-financial-crisis (accessed January 2023)

⁷ C|T Group, BCA commissioned research, C|T Group, May 2023

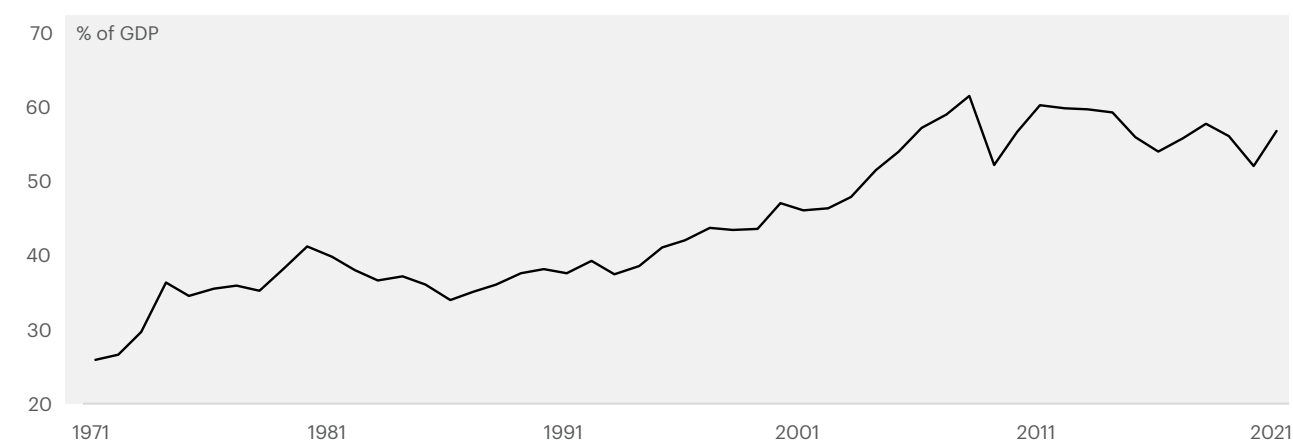
This is creating new trade barriers, with some economists labelling the trend a sign of 'deglobalisation' in which imports and exports are shrinking as a share of the world economy.

Businesses, too, have been forced to assess their supply chains – to identify points of failure, geopolitical risk and environmental, social and governance (ESG) concerns. This has often led to greater diversification across a wider network of partners.

It is critical that Australia collaborates with trusted trading partners to diversify and expand our markets, including rapidly growing economies such as India and Indonesia.

Part 2 Figure 3: “Slowbalisation” – global trade has plateaued

Exports plus imports as a share of global GDP



Source: World Bank

4. We're in the midst of an energy revolution

Almost half of our exports rely on fossil fuels and one in four jobs is in a carbon-intensive industry.⁸

The world is on an unstoppable trajectory to a cleaner energy future through lower emissions and a reduction in the environmental impact of everything we produce.

Globally, this shift will require more effort than post-World War 2 reconstruction.

The Inflation Reduction Act (IRA) in the United States is likely to fundamentally change industry policy in North America. Already, investment is being drawn into the US, and not just in clean energy. The US has turned inwards to its huge domestic market – we do not have that option.

Australia has many of the critical minerals needed to aid decarbonisation and electrification, but so too do other countries. This was not the case with our world-class iron ore and coal. Australia will lose vital investment opportunities if we remain complacent.

McKinsey & Company estimates that global investment in the net-zero transition between 2021 and 2050 will be about \$US275 trillion – or \$US9.2 trillion a year on average. This is an annual increase of as much as \$US3.5 trillion from today.⁹

Australia's journey to net zero will drive significant change in at least 10 per cent of our economy, but every part of the economy will be impacted.

⁸ Department of Foreign Affairs and Trade 2022, Australia's top 25 exports, goods & services, media release, DFAT, Canberra, <https://www.dfat.gov.au/sites/default/files/australias-goods-services-by-top-25-exports-2021-22.pdf> (accessed March 2023)

⁹ McKinsey and Company 2022, 'The net-zero transition - What it would cost, what it could bring', January, p. viii. <https://www.mckinsey.com/capabilities/sustainability/our-insights/the-net-zero-transition-what-it-would-cost-what-it-could-bring> (accessed March 2023)

Almost two-thirds of Australians support reducing carbon emissions to meet net zero by 2050.¹⁰



It is paramount that we commit to an orderly and planned clean energy transition and at the same time be able to grow new industries.

Australia has an important role to play on two fronts in the near term.

Emerging nations need our coal and gas to maintain their energy security in the face of rapid population and economic growth. These nations will also need our clean energy and renewables technology as they begin their own journey to full decarbonisation.

Australia's abundance of clean energy sources and reserves of critical minerals puts us in prime position to lead the clean energy revolution, but this will require policy certainty and investment incentives.

Global competition will be fierce, with technological breakthroughs and the deployment of new technologies at scale playing a key role.

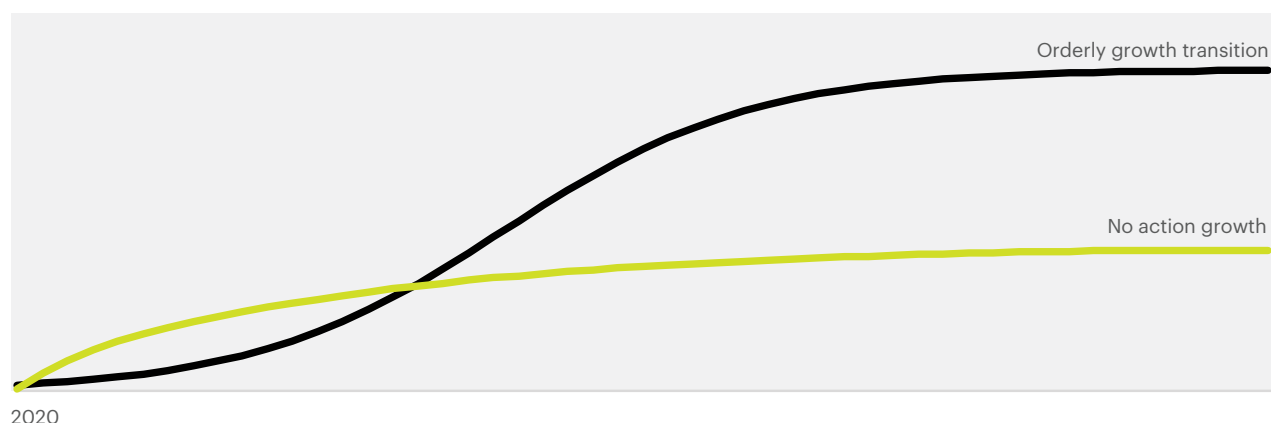
Reducing the carbon intensity of products such as steel means our manufactured goods will have a lower carbon footprint and a greater competitive advantage.

Deloitte estimates that over the next 50 years, unchecked climate change will reduce Australia's economic growth by three per cent a year on average and cost more than 300,000 jobs per annum.

An orderly global transition to net zero, by contrast, will increase Australia's Gross Domestic Product (GDP) by 2.6 per cent and add more than 250,000 jobs by 2070.¹¹

Part 2 Figure 4: There are enormous benefits to an orderly transition to net zero

Australian GDP under net zero transition scenarios



Source: BCA

¹⁰ C|T Group, BCA commissioned research, C|T Group, May 2023

¹¹ Deloitte Access Economics 2020, A new choice Australia's climate for growth, media release, DAE, Brisbane, November, [deloitte-au-dae-new-choice-climate-growth-051120.pdf](#) pp.5, 50 (accessed March 2023)

5. The Asian middle class is growing rapidly

We are living in the Asian Century, and Australia is well placed to take advantage of it. Asia's middle class is forecast to reach 3.5 billion people by 2030.¹²

The rapidly growing Asian middle class means an increasing number of new consumers vying for the world's best goods and services are right on our doorstep.

With high disposable income, this emerging market demands premium products that denote provenance and status.

Spending by the Asian middle class is projected to grow from \$18 trillion in 2020 to \$37 trillion in 2030. While the North American and European middle classes also spent \$18 trillion in 2020, their outlay is projected to rise to just \$19 trillion by 2030.¹³

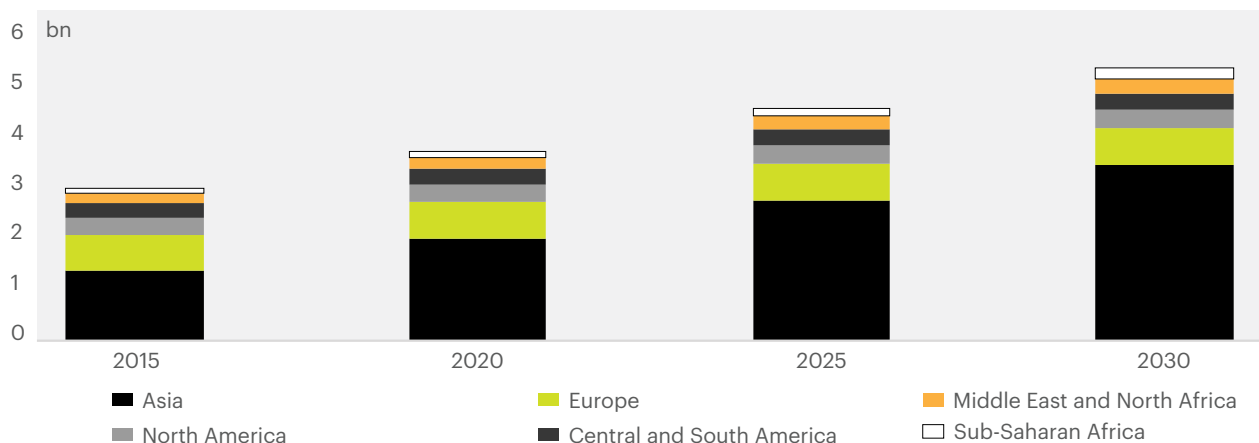
Australia's reputation for clean, safe and reliable products is a huge advantage, along with our proximity to these emerging Asian markets.

With direct flights, goods can leave Sydney and be in Asian markets within eight hours. We are also well placed to capitalise on other big supply chains in the Indo-Pacific region, particularly for clean energy technologies and advanced manufacturing.

There will be new opportunities for a wide range of Australian service exports, too, building on our world-leading tourism and education offering.

Part 2 Figure 5: The Asian middle class will continue to grow

Number of middle-class people, by region



Source: DFAT, Brookings Institution.

¹² World Economic Forum 2020, This chart shows the rise of the Asian Middle Class, media release, WEF, 13 July, The rise of Asia's middle class | World Economic Forum (weforum.org) (accessed March 2023)

¹³ Global Economy & development 2017, The unprecedented expansion of the global middle class, media release, GED, February, https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf (accessed March 2023)

6. It's the age of the consumer

Every minute of the day, around the globe, Microsoft Teams connects 52,032 users, Amazon ships 6,659 packages and Google conducts 5.7 million searches.¹⁵



About 200 million people worldwide accessed the internet for the first time in 2021 thanks to new connection technologies.¹⁶

Digitisation means consumers are more empowered than ever.

They can buy anything from anywhere in the world. They expect services to be delivered instantly and seamlessly.

This is transforming the delivery models of businesses, governments and communities. It is also the catalyst for increasingly innovative digital applications and platforms being developed to offer the high-value experiences consumers demand.

A rising number of digital one-stop shops are catering to the multifaceted needs of customers and delivering services to those who may previously have missed out because of where they live.

We must remove frictions such as excessive regulations and costs from Australian supply chains so the nation can embrace these changes, remain competitive and become a leading digital economy.

If we fail to do so consumers, who are now inundated with choice, will spend their money elsewhere.

Part 2 Figure 6: The way we shop has changed markedly in recent years¹⁷

Shifts in consumer behaviour

2013 no payments were made by tapping devices	2013 six per cent of online payments made on mobiles/apps	2014 online was three per cent of retail spending
2022 30 per cent of payments made by tapping devices	2022 37 per cent of online payments made on mobiles/apps	2022 online was 11 per cent of retail spending

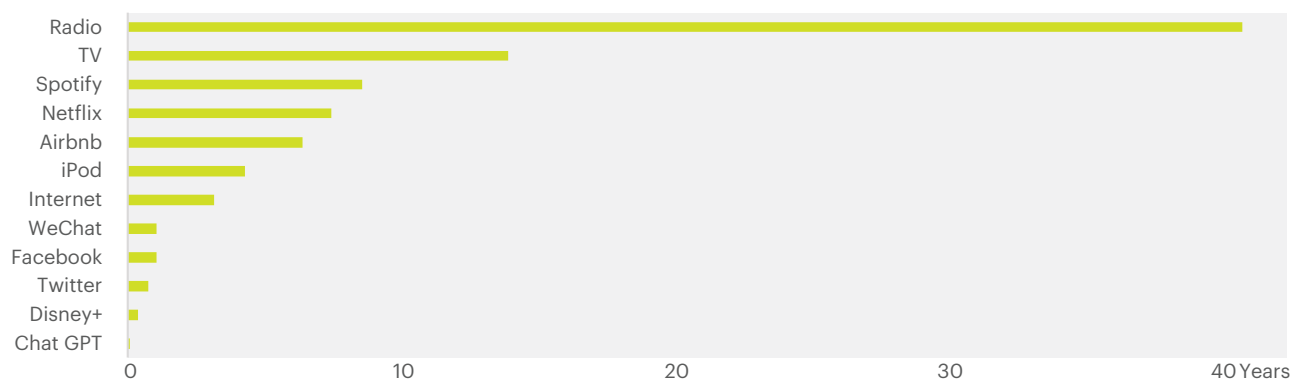
¹⁵ Domo 2022, Data never sleeps 10.0, media release, Domo, 21 September, <https://www.domo.com/news/press/domo-releases-10th-annual-data-never-sleeps-infographic> (accessed March 2023)

¹⁶ McKinsey & Company 2022, Technology trends outlook 2022, media release, McKinsey & Company, August, [mckinsey-tech-trends-outlook-2022-full-report.pdf](https://www.mckinsey.com/tech-trends-outlook-2022), p. 11 (accessed March 2023)

¹⁷ Reserve Bank of Australia 2023, Consumer Payment behaviour, media release, RBA, 15 June, <https://www.rba.gov.au/publications/bulletin/2023/jun/consumer-payment-behaviour-in-australia.html> (accessed June 2023)

Part 2 Figure 7: Adoption of new technologies and applications¹⁸

Years it took to reach 50 million users



7. Our ageing population is a demographic timebomb

The ratio of working-age Australians to those over 65 is projected to fall from around 4 to 2.7 over the next 40 years.

Many countries, including Australia, have ageing populations. There will be fewer workers to support older Australians.

This means lower workforce participation over time, fewer taxpayers to fund social services and, inevitably, rising health costs.

The number of Australians aged over 70 will increase by more than 2,000 people a week over the next decade.

For men, life expectancy will increase by almost six years to 86.8 by 2061. For women it will rise more than four years to 89.3.¹⁹

A national conversation about health and aged-care services is needed as we face into this demographic timebomb. Who ends up paying for aged-care services and how quality services can be provided sustainably into the future are questions that must be addressed.

Our ageing population will also intensify the global contest for workers. If we can't find sufficient people with the right skills and training, Australia's economic growth and prosperity will suffer.

A well-calibrated migration program targeted at countries with young populations such as India and Indonesia, supported by planned housing and infrastructure, is needed.

¹⁸ The Treasury of the Commonwealth 2021, Intergenerational report, media release, The Treasurer, Canberra, 28 June, <https://treasury.gov.au/publication/2021-intergenerational-report> (accessed March 2023)

¹⁹ Intergenerational Report 2021

Australia's current working generation threatens to leave a poor legacy for the generations that follow.

Younger Australians will bear the burden of paying for the services needed by older Australians – at a time when they already face considerable pressures such as prohibitive housing prices and an inflated cost of living.

The tax system makes it tougher for younger and working Australians to get ahead. We have burdened them with the biggest debt since World War 2 and must take action now to fix it.

Part 2 Figure 8: An ageing population means fewer workers to support older Australians

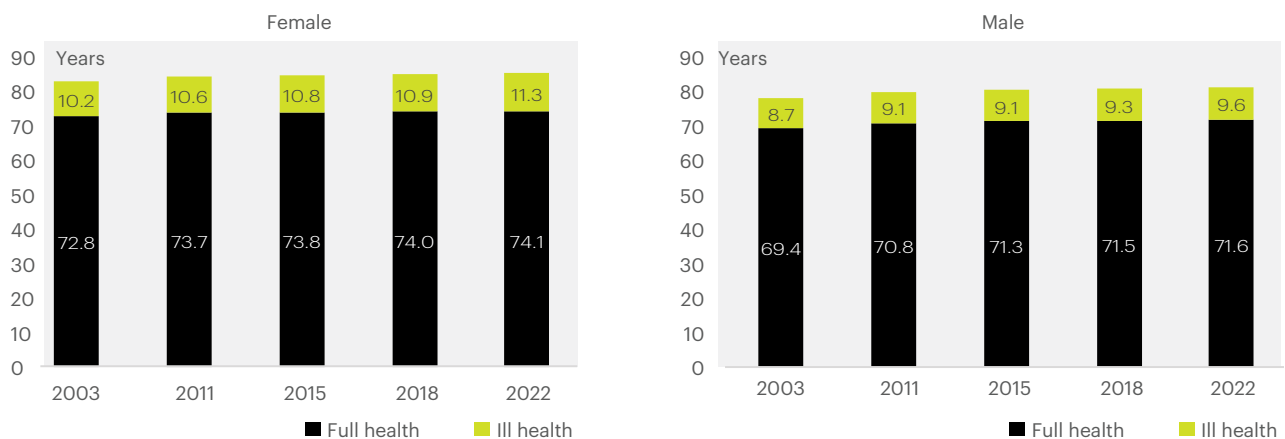
Ratio of people aged 15-64 to people aged over 65



Source Intergenerational Report 2021

Part 2 Figure 9: Australians are living longer lives in full health, but years in ill health are also rising

Distribution of health status by gender over time



Source Australian Institute of Health and Welfare

Australia's narrow economy puts our prosperity at risk

Against these massive forces of global change, Australia faces heightened risks that threaten our long-term prosperity.

The greatest danger lies in the narrowness of our industrial base. In simple terms, our economy is at risk of having too many eggs in one basket. Our top 12 companies pay around 35 per cent of all company tax.

And just six products and services make up more than 60 per cent of the country's exports. This leaves us exposed to global shocks.

We will be vulnerable to the fortunes of a few exposed areas of the economy if we continue to rely heavily on industries that are being disrupted as the world decarbonises.

Other countries are taking decisive action to reindustrialise and move up the value chain. We run the risk of trailing behind.

Business is the key to success

Business and entrepreneurs – supported by pro-growth policies – can drive the ingenuity, innovation and calculated risk-taking needed to add value to the Australian economy and demonstrate global best-practice in everything we do.

This will lead to higher wages, improved living standards and faster growth.

The Australian business community:

- employs 12 million of the 14 million working Australians – six in seven workers
- accounts for about 80 per cent of economic activity
- paid \$126 billion in company tax in 2021-22
- generates more than \$650 billion for the Australian economy each year.

More than seven million everyday Australians own shares in Australian companies, and over \$500 billion of everyday Australians' superannuation investments are in Australian listed companies.



PART 3 Australia – a 40-year snapshot

3



Hard decisions paved the way for prosperity

Australia enjoys some of the best living standards in the world. Our prosperity has been the result of hard work, ingenuity, good government decisions during the 1980s and 1990s, and decades of courage.

But in the early 1980s, things were very different. Australia was in a recession.

An old-fashioned, inward-looking, inflexible and inefficient economy that was protected by tariffs meant we were missing opportunities that came our way and failing to make the most of our advantages.



Inflation was running at **11%**

Unemployment reached **10.5%**

1.6 million days lost to strikes

Wages were divorced from productivity, inflation was spiralling. Unemployment was at 10.5 per cent, with almost three quarters of a million people out of work. The country was in the grip of industrial unrest.

The community accepted there was urgent need for change.

Australia then made its own luck. The government made decisions, companies took risks and together we unleashed the potential of our people to modernise the economy, and our society, for a new era of growth.

Governments led with reforms

Governments provided the momentum for positive change through a set of ground-breaking reform decisions in the 1980s and 1990s.

We opened up our financial system

The deregulation of the financial system enabled us to better connect to the rest of the world and be competitive.

We established central bank independence and liberalised our financial system. Foreign banks that were previously barred were now allowed to enter, enabling transformational investment in our economy.

The Australian dollar was floated in 1983, providing a shock absorber for the economy and improving our economic resilience.

Competition reforms offered more choice

The National Competition Policy reforms took 10 years to implement and required the effort of all levels of government. These wide-ranging reforms involved changes to regulations, including around agriculture, professions, transport, utilities and telecommunications.

This decade of important microeconomic reform, covered by close to 1,800 pieces of legislation, boosted the economy to the tune of at least \$60 billion in today's dollars. The benefits, including more choice and lower prices, flowed directly to people's pay packets. Services became more efficient, meaning better outcomes for consumers.

Prices and Incomes Accord ushered in a new era of productivity

At a time of national crisis, business, government and the unions came together to set a direction for the country, driven by an urgency to lift productivity.

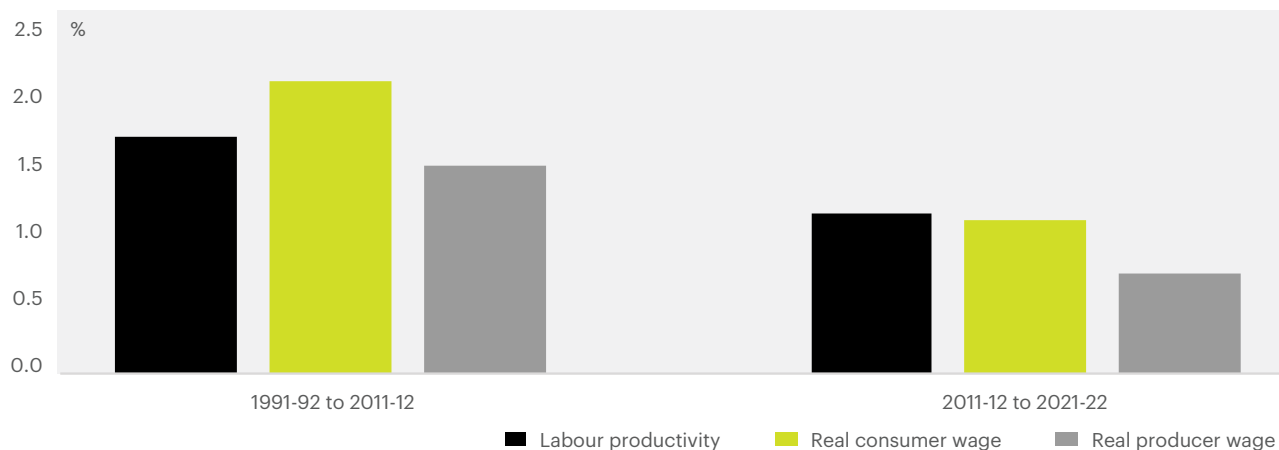
This resulted in the Prices and Incomes Accord – a series of agreements between Labor and the ACTU which saw unions moderate wage demands in return for more funding for child care, social security, education and training, and superannuation.

In the 1991 version of the accord, enterprise bargaining was introduced. This enabled workers and their employers to sit down together, solve problems, find innovative ways of working and share the benefits of higher productivity through better, safer jobs, increased wages and improved conditions.

This ushered in a new era of productivity where both profits and wages increased, enabling business and workers to share the benefits. To illustrate, real wages growth doubled in the 1990s relative to the previous decade.

Part 3 Figure 1: Productivity is the key driver of real wages growth

Average annual growth in productivity and real wages



Source ABS

Tax reform made us more competitive

Personal tax rates were reduced in the 1980s while the personal tax base was broadened through the introduction of fringe benefits tax and capital gains tax.

In 1988, the company tax rate was reduced from 49 per cent to 39 per cent to make Australia more attractive to international capital as we opened up to the world.

The introduction of the Goods and Services Tax in 2000 and the abolition of sales tax marked the end of a raft of complex, costly and inefficient taxes that increased the cost of production in Australia and held us back.

The company tax rate was again reduced at the turn of the century, from 36 per cent to its current rate of 30 per cent for large businesses.

Part 3 Figure 2: Decades of reforms have driven higher wages and living standards¹

1970s	1980s	1990s	2000s	2010s
<ul style="list-style-type: none"> ■ Tariff reduction ■ Interest rate controls removed from banks ■ Capital controls eased 	<ul style="list-style-type: none"> ■ Tax reform – lower company tax; FBT and CGT introduced ■ Original Accord and Accord Mark II-VII implemented ■ Floating of the Australian dollar ■ Entry of foreign banks ■ ASX commences operations ■ HECS introduced 	<ul style="list-style-type: none"> ■ National Competition Policy reforms ■ Compulsory superannuation ■ Company tax rate lowered ■ Further tariff reductions ■ RBA inflation targeting and independence ■ ACCC, APRA, and Productivity Commission established ■ Charter of Budget Honesty ■ Adoption of a "Twin peaks" financial regulations model ■ Corporatisation and privatisation of government enterprises (CBA, Qantas, Telstra etc.) 	<ul style="list-style-type: none"> ■ Tax reform – GST replaces wholesale sales taxes ■ Company Tax reform – Ralph Review ■ First IGR 	<ul style="list-style-type: none"> ■ Henry Tax Review ■ NDIS established ■ Carbon tax introduced, then repealed ■ Productivity Commission's first five-year review released ■ Harper Competition Policy Review ■ PBO established ■ Medibank privatised

Companies took risks

Companies were emboldened by the reforms to invest, take risks, tap into new export markets, and back themselves. They grew their operations and expanded their exploration and mining activities, particularly in areas such as iron ore and liquified natural gas.

Innovations helped agriculture become more productive and export-orientated, and our education sector grew into the nation's fourth-largest export.

Trade with China was embraced

During the 1980s and 1990s, Australian businesses embraced trade with Asia, particularly with China which was opening up to the world and expanding at an incredible rate.

Our commodity prices boomed with increasing demand from China for our iron ore, coal and gas, agricultural products and, more recently, our services. We achieved record high prices for gold bullion and export volumes surged, including service exports.

The liberalisation of merchandise trade alone is estimated to have raised Australia's real GDP per person by at least \$3,506 and real wages by 7.4 per cent between 1986 and 2016.²

¹ Australian Treasury 2018, *Australia's experience with Economic Reform*, Treasury Working Paper October 2018, Canberra, p 39.

² <https://www.dfat.gov.au/sites/default/files/cie-report-trade-liberalisation.pdf> page 13

Part 3 Figure 3: Australia's terms of trade are at record highs

Terms of trade



Source: Gillitzer and Kearns (2005) and ABS

Entrepreneurship flourished

As Australia began three decades of uninterrupted economic growth, more individuals became small business owners, workers became more productive and engaged and job growth accelerated.

The number of new businesses took off and Australian companies began to lead the way in innovation. Small companies such as Cochlear went global, joined by the likes of ResMed in the medical technology field. Australian universities entered the world's top 100 rankings.

The hard work paid off

These bold reforms reshaped modern Australia and drove our last significant era of productivity gains. They positioned us on the world stage, gave us a newfound sense of confidence, delivered almost three decades of uninterrupted economic growth and saw the wages of Australians double over 40 years.

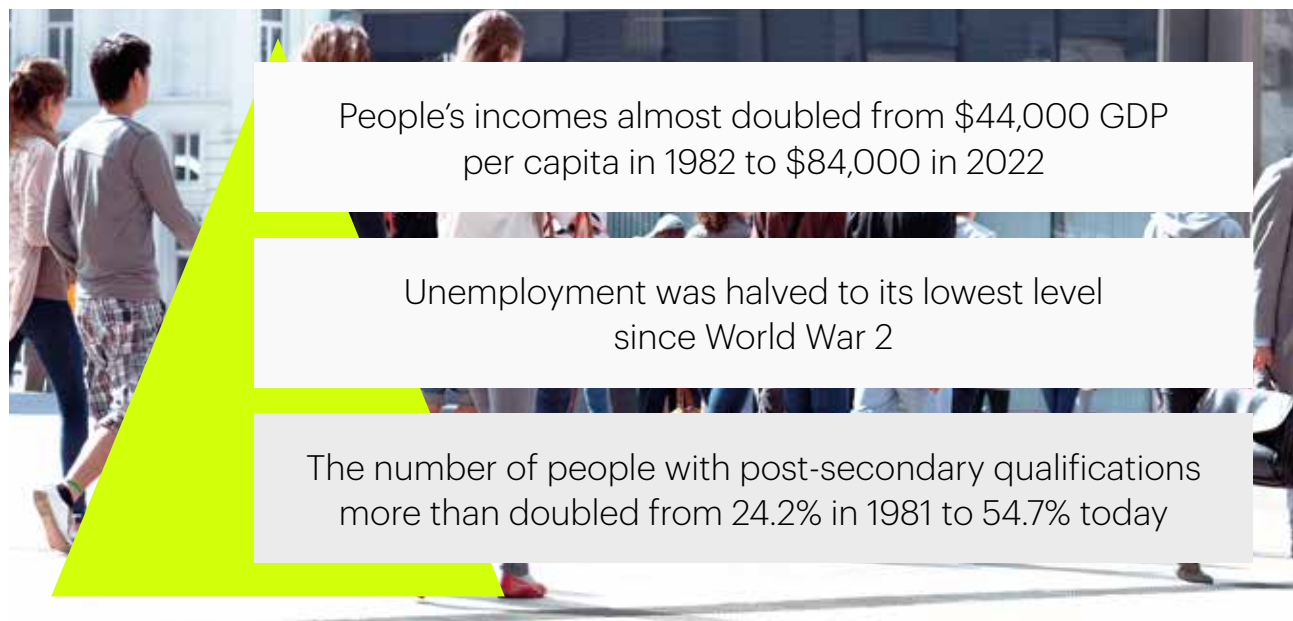
The country experienced:

- consistent rising living standards
- record job creation
- higher incomes
- transformational modernisation of our economic base and the development of new industries
- globally competitive commodities
- world-class service exports.

More Australians were able to go to university after the Higher Education Contribution Scheme (HECS) reforms. We enjoyed higher rates of home ownership and greater opportunity to create wealth through superannuation and share ownership.

The profound impact of these reforms is perhaps best summed up in a single statistic – Australia's ranking in GDP per capita has risen from 23 in 1993 to 10 today.

Part 3 Figure 4: Australia's upward trajectory over 40 years of reforms³



How are we travelling now?

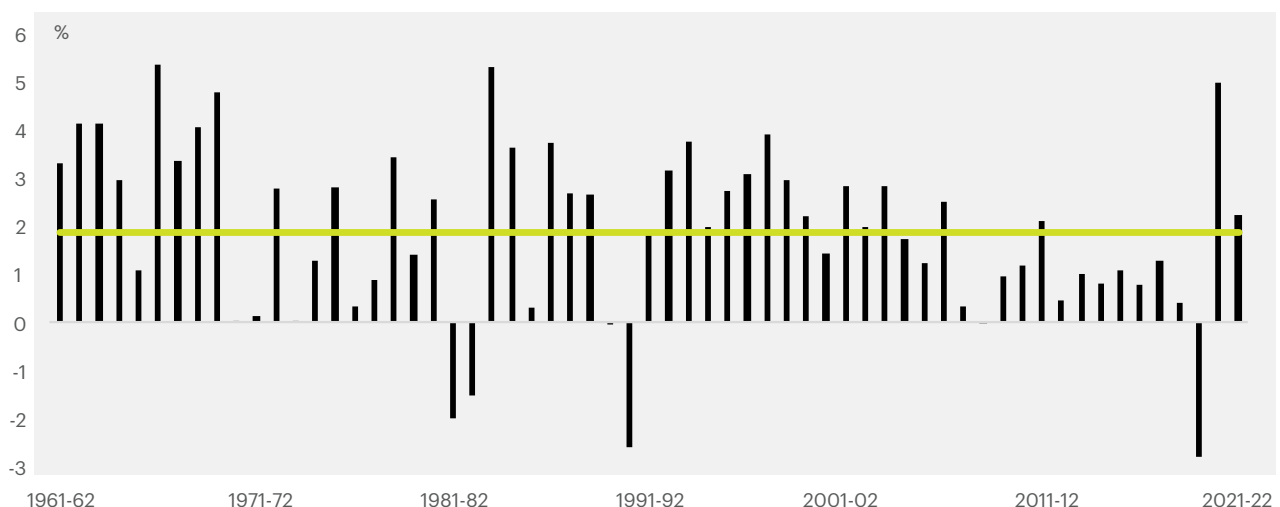
Our luck is running out

The growth and prosperity achieved during the 80s and 90s now seems a distant memory. The past decade saw the lowest rate of productivity growth in Australia in 60 years; real wages are falling at their fastest pace in decades, and our children are lagging behind the rest of the world when it comes to education standards.

One in 20 Australians experiences deep social exclusion, and home ownership is increasingly out of reach for average income earners.

Part 3 Figure 5: Growth in living standards has slowed over time

Growth in GDP per capita



Source: ABS

3 2021 Census shows higher rates of higher education | Australian Bureau of Statistics (abs.gov.au)

We need to reverse the malaise

While 60 per cent of Australians report being satisfied with their living standards, many were experiencing cost-of-living pressures at the time of writing.⁴ Fifty five per cent said they were financially worse off compared with a year ago; 17 per cent said they were much worse off.⁵

As a country, we are failing in many areas to match our competitors who are offering huge investment incentives to attract industries and grow them at scale.

They are quicker to market than us, spend more on innovation, adopt technology faster and upskill their people more rapidly.

We need urgent reforms, but to ensure all Australians support them we must clearly explain the benefits, and the trade-offs. One of the biggest threats to Australia becoming a frontier nation, demonstrating world's best practice in everything we do, is failing to get the community onside.

Part 3 Figure 6: National dashboard

A snapshot of how the Australian economy is travelling

Measure	What has happened	Symptoms/causes
Productivity	The past decade saw the lowest rate of growth in 60 years.	Lack of a national reform agenda, lingering COVID effects, a growing service sector.
Wages and pay rises	Wages grew about \$2,100 a year in the past decade. This compares with about \$2,700 a year in the decade prior.	Low productivity growth, decline in enterprise bargaining, rigidities in the broader wage-setting environment, high and persistent inflation.
Growth	2.3 per cent a year over the past decade, below the long-run average of 3.3 per cent a year.	Declining productivity growth, the drag from the pandemic and slower growth in world GDP.
Investment	Business investment at near 30-year lows as a share of GDP.	Uncompetitive tax settings, increased regulatory burden, dwindling domestic investment opportunities, rising cost of capital, overseas incentives.
Education standards	Reading from fourth place in the OECD to 16th science from eighth to 17th maths from 11th to 29th.	Lack of focus on excellence in teaching, and lack of agreement on a focused curriculum.
Disadvantage	1.2 million Australians – or one in 20 people – experience deep social exclusion.	Too many Australians are left behind either due to structural disadvantage, discrimination or poor support systems.
Home ownership	The average house value is seven times average incomes compared with four times the average income in the 1990s.	Lack of supply driven by restrictive zoning and regulation, combined with insufficient infrastructure delivery, have driven up home prices and rents.
Income per person	High, but slowest growth in living standards per person in 60 years.	Rapid growth in population, slow growth in productivity.
The size of our economy	Australia is poised to slip from the world's 13th largest economy to the 21st by 2050.	Other countries will grow more quickly as sluggish growth continues in Australia's GDP.
Unemployment	50-year low in 2022, although forecast to rise.	Healthy economy pre-COVID, very strong demand for labour, especially post-pandemic, with severe labour market shortages

⁴ C|T Group, BCA commissioned research, C|T Group, May 2023.

⁵ C|T Group, BCA commissioned research, C|T Group, May 2023.

Where we're falling behind

Education

While we are performing well in the tertiary sector, our school education results have declined compared with earlier years.

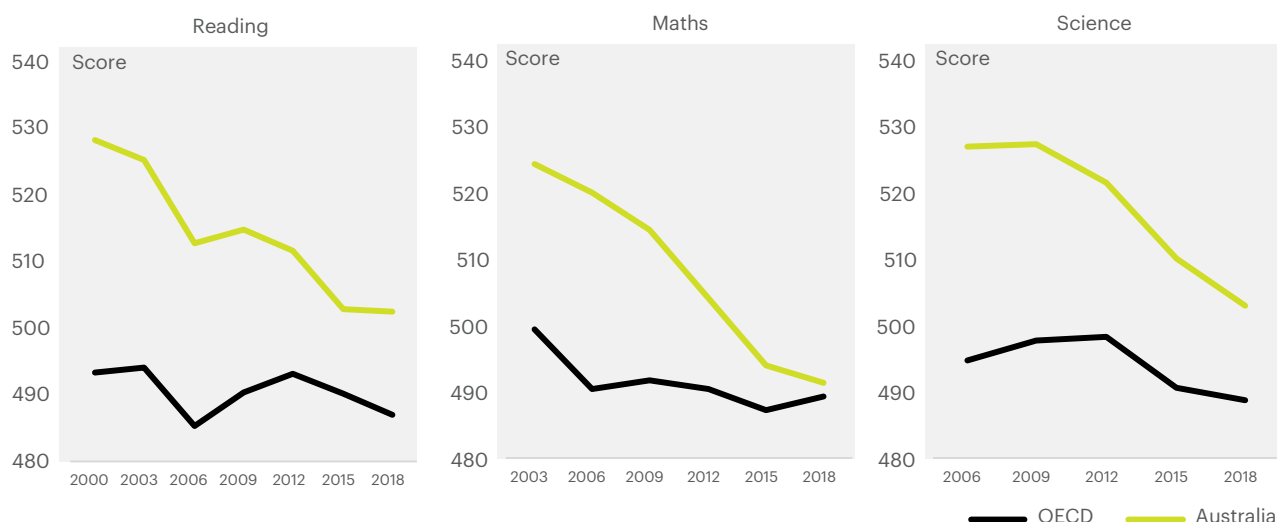
Despite the billions spent on education each year, Australian primary and secondary students are still falling behind overseas students.

We now sit behind Poland, Estonia and New Zealand in the international rankings in reading, science and maths. Where once we ranked fourth in the world for reading, we are now down to 16th. In science, we have fallen from eighth to 17th. We've seen our biggest decline in maths, where we've dropped from 11th to 29th.

The average 15-year-old Australian student is a full year of learning behind where they were in the early 2000s.⁶

Part 3 Figure 7: Our students are falling behind in reading, science and maths

Programme for International Student Assessment (PISA) scores



Source: PISA

Disadvantage

Addressing poverty and disadvantage should be a priority.

One in eight young people, or about 400,000 Australians, live in households deprived of two or more essential items such as medical treatment, warm clothes and a separate bed for each child.⁷

Of those young Australians living in material deprivation, one-third also experience financial stress.

In total, it is estimated that 1.2 million Australians experience deep social exclusion, or roughly one in 20 people.⁸

Youth unemployment is at almost eight per cent, more than twice the overall rate. In some parts of Australia, more than one in five young people is unemployed.

A divide between cities and regional areas persists in terms of access and services. People living in a major city are more than twice as likely to have a bachelor's degree than those in regional areas.⁹

⁶ Organisation for Economic Cooperation and Development 2018, Programme for International Student Assessment (PISA) Results from PISA 2018, media release, OECD, https://www.oecd.org/pisa/publications/PISA2018_CN_AUS.pdf (accessed March 2023)

⁷ Australian Institute of Health and Welfare 2021, Australia's youth: Material deprivation and financial stress - Australian Institute of Health and Welfare, media release, AIHW, Canberra, 25 June, <https://www.aihw.gov.au/reports/children-youth/material-deprivation-and-financial-stress> (accessed March 2023)

⁸ Brotherhood of St Lawrence 2020, Social Exclusion Monitor, based on Australian Population, media release, October, <https://www.bsl.org.au/research/our-research-and-policy-work/social-exclusion-monitor/> (accessed March 2023)

⁹ Australian Bureau of Statistics 2021, Census, <https://www.abs.gov.au/census>



PART 3 EXHIBIT BOX 1

A reduced inheritance

If Australia continues on its current economic trajectory, we risk bequeathing future generations a reduced inheritance.

We will leave our children with \$1 trillion of debt – over \$40,000 per person.

An ageing population means health and aged-care costs will continue to increase.

In turn, there will be a higher tax burden on working Australians who are already struggling to pursue their own aspirations and get ahead.

Wages growth

Real wages are falling at the fastest pace in decades.

The average income for people aged 15 to 24 and from 25 to 34 declined by 1.5 per cent and 0.8 per cent respectively, while the average income for older Australians increased steadily between 2008 and 2018.¹⁰

Average full-time wages grew around \$2,100 a year in the past decade – well below the \$2,700 a year they grew in the decade prior.

Home ownership

Only 50 per cent of Australians aged 30 to 34 own their own home.

An average buyer today needs to spend almost 43 per cent of their income on their mortgage to afford the median dwelling, compared with 20 to 30 per cent of their income over the previous 30 years.¹¹

The average dwelling value is now more than seven times average income levels, compared with four times in the 1990s.

It takes almost 10 years to save a deposit.¹²

Rates of home ownership in Australia have declined and now sit at about 67 per cent, down from 70 per cent in 2006.¹³

Wellbeing

The wellbeing of Australians aged 25-34 compared with other age groups is now lower than at any other time in the past 20 years.

Australia ranks poorly in a range of wellbeing measures in the OECD's Better Life Index.¹⁴

We sit at 33rd in the world for work-life balance, 20th for community, and 13th for life satisfaction.

Many Australians experience long daily commutes to work, which robs them of time with their family. More than one in four Victorians travels over an hour in each direction to work; nearly one in 10 spends more than two hours travelling in each direction.¹⁵

10 Productivity Commission, why did young people's incomes decline? July 2020.

11 Dwelling Prices and Household Income (rba.gov.au)

12 ANZ/Corelogic report (ANZ CoreLogic Housing Affordability Report 2023)

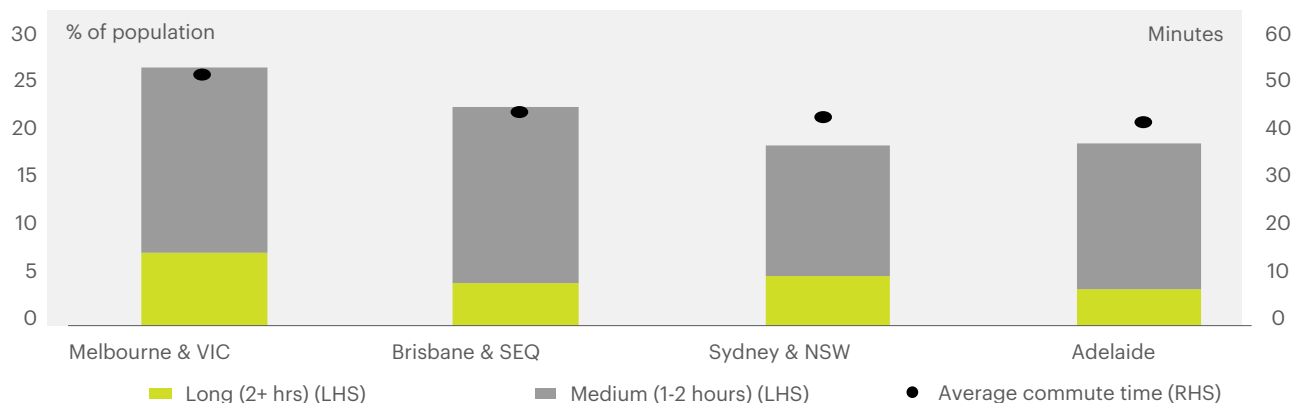
13 Australian Institute of Health and Welfare 2023, Home ownership and housing tenure, media release, AIHW, Canberra, 05 April, <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure> (accessed April 2023)

14 Organisation for Economic Cooperation and Development 2020, Better Life Index, media release, OECD, Paris, OECD Better Life Index (accessed March 2023)

15 Moovit 2022, Global Public Transport Report, https://moovitapp.com/insights/en/Moovit_Insights_Public_Transit_Index-countries (accessed April 2023)

Part 3 Figure 8: Many Australians face long commute times

Commute times by selected region



Source: Moovit, 2022

The causes

Australia is underperforming in several areas that directly impact our quality of life and ability to get ahead.

Failure to make Australia a more attractive destination for investment, to overhaul our education and skills systems, and to tackle our uncompetitive company tax rate has contributed to the situation in which we find ourselves.

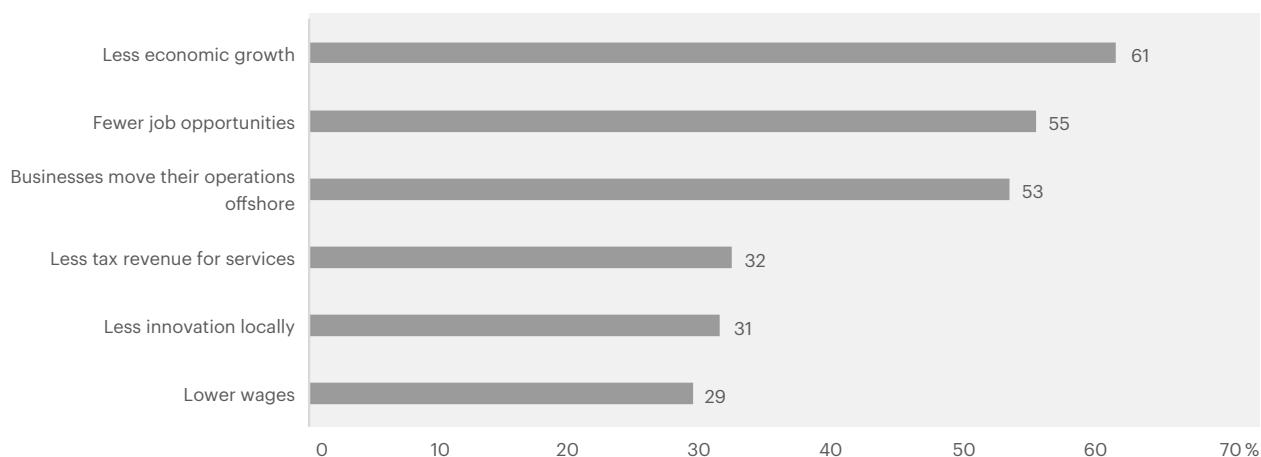
We must reverse our investment drought

Investment is at recessionary levels. We are near 30-year lows as a share of GDP in attracting the capital that is key to driving innovation, expansion and lifting productivity.

Adding to the pressure is that Australia is moving more to a services-based economy, which is lighter on capital and a sector in which we haven't yet worked out how to ramp up productivity gains. Service sector employees are paid less than most other Australian workers.

Australians understand that lower business investment has consequences, including lower economic growth, fewer job opportunities and businesses moving their operations offshore.

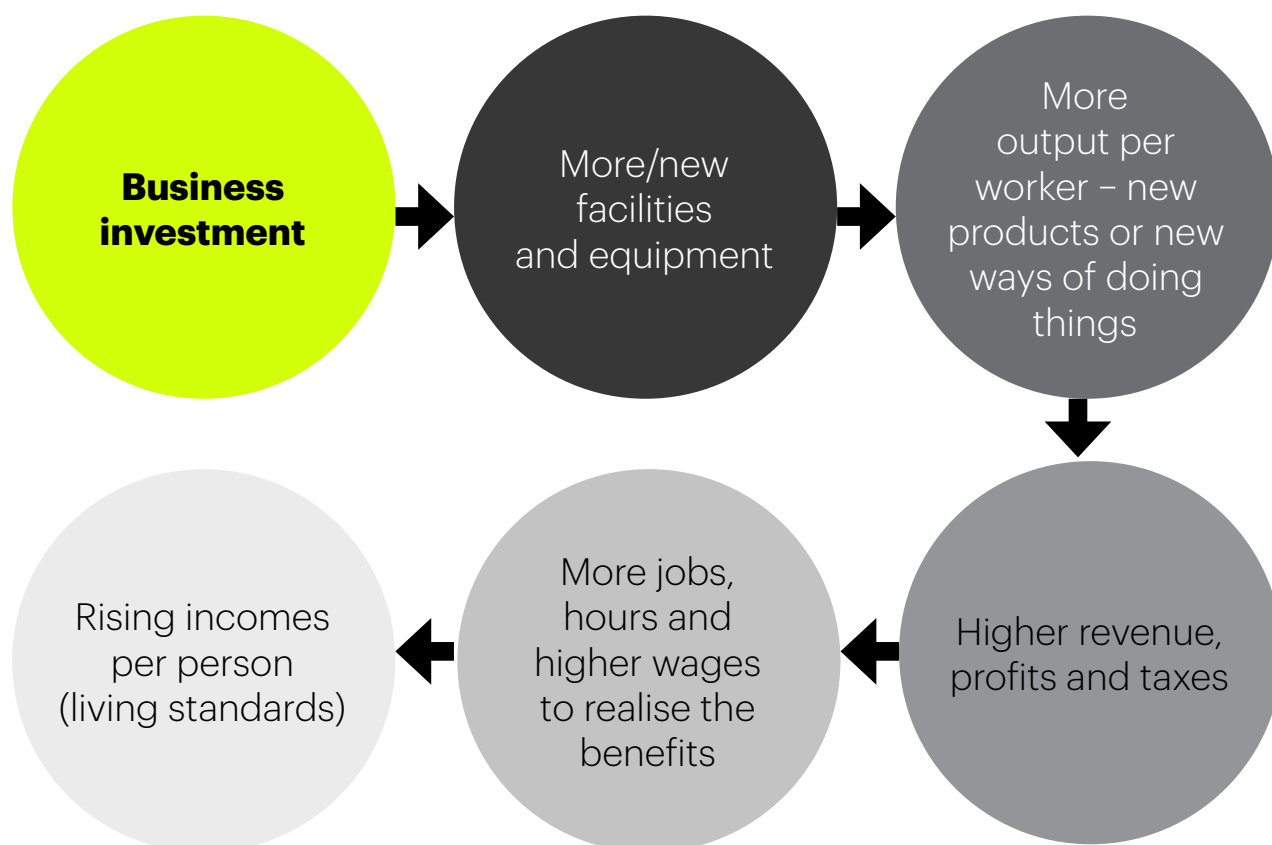
Part 3 Figure 9: Economic consequences of low business investment



Source: BCA commissioned research, C|T Group May 2023

Part 3 Figure 10: What investment does

How business investment delivers benefits across the economy



Source: BCA

We can't compete for investment and there is less reward for effort

Australia's uncompetitive tax system is one of the main barriers to attracting the investment we need to reshape the economy.

Our high personal tax rates remain a disincentive for people to return to the workforce or to work more hours; they punish those moving from welfare into work.

Our tax system is complex and outdated. We over-tax some activities, such as working, and under-tax others, like spending. The Goods and Services Tax (GST) base is shrinking.

At 30 per cent, Australia's tax rate for larger companies is among the highest in the world. While other countries, including the US, have cut their company tax rate, ours hasn't moved in more than 20 years.

Half of the respondents questioned by the BCA believe Australian companies should pay the same amount of tax as their international competitors. Almost two-thirds of Australians are concerned that a high company tax rate will make local businesses less competitive.

Our productivity is flatlining

Productivity growth over the past 10 years is at its weakest in six decades and living standards have grown at their slowest rate since the Great Depression.

Economists define productivity as the amount each person produces per unit of work. Improving productivity is about investing more and improving processes and ways of working to create additional

value. This could be through better skilling and training workers, adopting new technology and innovation, or updating equipment and machinery.

It's about being smarter, not cutting corners, to deliver new value in our existing industries while creating new ones at the cutting edge of innovation.

It's also about finding our niche in lucrative global supply chains and new export markets.

Improved productivity delivers higher-value, higher-paid, safer and more rewarding jobs, as well as better living standards.

The heavy burden of regulation stifles investment

The cumulative burden of regulation is a significant issue for companies around Australia. It adds costs, causes delays for customers and limits flexibility.

Businesses face duplication and inconsistency across the Federation. Frequent changes to laws and regulations, and a poor understanding from policymakers and regulators of the complexity, time and cost of implementing these changes, is adding to the pressure.

The patchwork of regulation across the nation discourages investment and is a barrier for companies to expand and trade across state lines or overseas.

Almost three-quarters of Australians agree that shops should have greater flexibility in their trading hours in order to compete with online retailing.¹⁶

The heavy regulatory burden is reflected in the fact that there were 120,000 clauses regulating behaviour and changing incentives in Commonwealth legislative instruments in 2022.

This is despite Australians rejecting bigger and more intrusive government. Roughly three-quarters say they prefer to take personal responsibility for their own lives rather than have the government take a greater role in their activities.¹⁷


Carbon intensity leaves our economy vulnerable

Our economy is vulnerable to disruption because it is highly carbon intensive.

About one in four Australian jobs is in a carbon-intensive industry and almost half our exports rely on fossil fuels.

While emerging nations will continue to demand our energy exports, particularly gas, as they transition to a clean energy future, we will need to reduce the carbon footprint of our goods and services to remain competitive in overseas markets.

To develop and adopt cutting-edge emissions reduction technologies and position Australia as a clean energy leader, we require vast amounts of investment.



Right now, we are sending all the wrong signals to potential international investors.

¹⁶ BCA commissioned research, C|T Group May 2023

¹⁷ BCA commissioned research, C|T Group May 2023

We are losing investment to other nations: the US Inflation Reduction Act is an investment magnet

The US Inflation Reduction Act of 2022 (IRA) details US\$ 500 billion in new spending and tax breaks to boost clean energy adoption, reduce healthcare costs and increase tax revenue.

The IRA aims to subsidise investments in US domestic manufacturing, encourage procurement of critical supplies domestically or from free trade agreement (FTA) partners (including Australia), and promote research and development and commercialisation of technologies such as carbon capture and storage and clean hydrogen.

There is already evidence that IRA tax credits, loans and grants are attracting capital investment for the energy transition away from Australia to the US. Similar efforts to attract investment in green technologies and clean energy are being made by the EU.

Rather than engage in a green subsidy war we can't win, Australia's policy response should be to focus on getting the fundamentals right to make Australia an attractive investment destination, alongside targeted initiatives to stimulate new industries.

If we make it faster and easier to get regulatory approval for decarbonisation projects, streamline industrial relations laws and offer an investment allowance that lowers effective tax rates to the OECD average, we can better compete for green capital without having to outbid a nation with much deeper pockets.

The Australia-United States Climate, Critical Minerals and Clean Energy Transformation Compact will encourage greater alignment on standards for clean energy technologies and emissions accounting methods, which will help drive greater two-way trade and investment and ensure projects are of high quality.

However, we must also develop our own competitiveness for our future security and prosperity.

We lack national coordination. A patchwork of policies around the country means we are dismantling or mothballing energy assets before we have new energy systems in place. This puts us at risk of supply gaps and higher prices.

Infrastructure requires national coordination

Infrastructure development is another area that requires national coordination and better planning. Investment in the right infrastructure can unlock productivity, deliver sustainable economic growth and put downward pressure on long-term inflation.

To better manage the short-term impact of inflation, the investment pipeline needs to be coordinated so there is an order of priority for projects and that resources to build them are allocated on that basis. We must deliver priority projects efficiently, at reasonable cost and subject to rigorous approvals and governance guidelines.

Infrastructure projects should be prioritised according to whether they:

- are productivity enhancing, for example by providing efficient transport, freight and logistics networks for both people and goods
- enhance economic competitiveness by effectively linking sectors of the economy to reduce congestion and cost and facilitate overseas trade
- contribute to the sustainability of cities by linking commercial activities and supporting growing populations, including via inwards migration
- facilitate improved housing affordability by having the right community services in place
- contribute to improved nationwide liveability and wellbeing, for example, by lowering commute times
- connect cities and the regions in a way that aids nation-building and overcomes the regional divide.

Our journey to the frontier

While Australia has work to do on many of the key indicators that underpin our prosperity, we are making progress on our journey to the frontier of world's best practice.

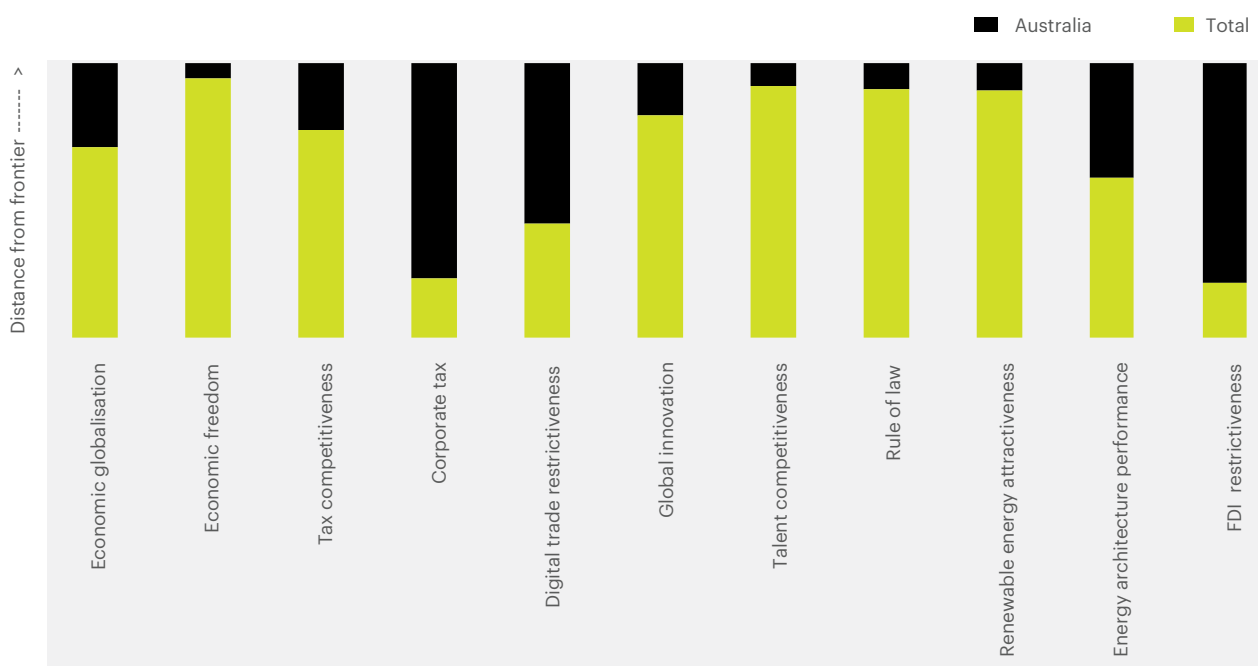
Compared with other countries, we do well on economic freedom, talent competitiveness and rule of law. Our attractiveness for renewable energy investment is high (though in practice our energy architecture performance is poor).

However, there are too many indicators in which we are lacking, and this is making it harder to reach the frontier. Our high corporate tax rate, unnecessary regulation, cost of doing business, and restrictions on foreign investment and digital trade are holding us back.

Unless we reach the frontier, our progress will stall. We will end up being a smaller economy and a less significant nation on the global stage.

Part 3 Figure 11: Our journey to the frontier

How far Australia needs to go to reach world's best practice



Source: BCA

Part 3 Figure 12: Australia’s relative place in the world will fall over time

Ranking of countries by GDP, 2050

Top economies in 2050	
1	China
2	United States
3	India
4	Indonesia
5	Germany
6	Japan
7	United Kingdom
8	Brazil
9	France
10	Russia
11	Mexico
12	Egypt
13	Saudi Arabia
14	Canada
15	Nigeria
16	Pakistan
17	Turkey
18	Republic of Korea
19	Italy
20	Bangladesh
21	Australia

Source: Goldman Sachs



Low growth road

The outcome for Australians would be very different if we stay on a low road of modest ambition and slower growth.

Productivity growth is expected to average 1.1 per cent a year over the next decade. If this happens:

- Average incomes per person will rise from around \$85,000 to \$95,000.
- Debt will reach \$1.3 trillion, or over \$42,000 for every Australian.

But if, instead, productivity grows at the current decade average of just 0.6 per cent a year, and the participation rate falls from over 66 per cent to around 64 per cent:



The choice is ours. If we continue along the low road, Australians are sitting on a wages and unemployment timebomb.

Without innovation and improvements in the way we produce goods and services as a country, there will be real and very human consequences, including a lack of jobs, lower wages and reduced living standards, now and into the future.

PART 4 Our strategic choices and policy levers

4



How do we make the next 40 years better?

The risks of complacency

As the world continues to change around us, the need to take action has never been more pressing.

We are ill-prepared for another crisis. We have not spent enough time diversifying our industrial base, creating new industries and ensuring our existing activities are dynamic and future focused. We've failed to build resilience into our economy to secure high living standards for decades to come.

Maintaining the status quo is the easiest option in the short term, but Australians want more.

The status quo means timidity and complacency and hoping for the best. It means our options will narrow, resulting in slow wages growth, sluggish productivity, rising costs and a decline in living standards. We will effectively be standing still as we squander our advantages.

If we stick to the same low road, global investment will keep drifting offshore, enticed to the United States through inducements such as its Inflation Reduction Act, and we will struggle to start and scale up a more diversified industrial base.

Wages will grow at a slower rate and our economy will be a sitting duck for disruption – and not just our most carbonised industries. Our economic base will remain narrow and inefficient.

By failing to act, Australia will fall behind as other countries advance.

Instead of being the world's 13th largest economy, we are on track to drop to number 21.

A lack of shared ambition and avoidance of tackling the hard decisions means that within a decade every Australian will be \$7,000 worse off a year.

We must become a frontier nation

Australia can turn global changes to our advantage, but to do so we must commit to doing things differently.

We must become a frontier nation, demonstrating world's best practice in everything we do.

We must create value by working smarter and more efficiently. We must strengthen existing industries such as mining and agriculture while creating new, globally connected sectors at scale.

As a frontier nation, Australia can become a magnet for investment, ideas and talent.

Critical to our success is unleashing the skills and capabilities of all our people. It will enable us to continually evolve and adapt and stay ahead of our competitors.

It will position us at the cutting edge of discovery and invention, leading the development and application of world-class technologies. We are perfectly placed to be a leader in global decarbonisation efforts.

We are at a crossroads where hard decisions have to be made, and they have to be made quickly.

Our prosperity and security depends on Australia being outward facing, becoming an attractive destination for investors and integrating into the world's biggest supply chains.

By becoming a frontier nation, we can unlock value and opportunities and build long-term resilience for our country and our people.

But we need to act now, or risk losing the incredible opportunities in front of us.

Six key principles will accelerate our journey.

The six foundations of a frontier economy

1. Build a diversified and resilient economic base

To build on our existing strengths and create new industries and capabilities, we must:

- expand our markets in mining and services, agribusiness and service exports, including education
 - capture new markets such as advanced manufacturing, artificial intelligence, quantum computing and critical minerals
 - add value to everything we do
 - meet the changing demands of consumers who are at the centre of economies
 - lead an orderly decarbonisation, managing disruption and creating new opportunities
 - create and deploy new technologies and new means of production to accelerate the transition away from our carbon-intensive industrial base
 - secure Australia's competitive position in rapidly emerging regional clean energy supply chains by collaborating with regional partners
 - build sovereign capability in areas such as semiconductors, quantum and advanced manufacturing.
-

2. Unleash the potential of our people

Our prosperity depends on the talents of our people and their ability to reach their full potential, so we must:

- ensure Australians have access to quality education and training throughout their lives, starting from preschool
- ensure people have the right skills for jobs in new global supply chains
- integrate the higher education and vocational education systems, adopt the use of microcredentials or short courses, and fast-track training in skills of greatest need
- reduce barriers to employment, particularly for women, Indigenous Australians and people with disabilities
- make the tax system more competitive so it incentivises people to work, save and invest, and encourages companies to hire workers, invest, adopt technology, expand and innovate
- ensure we have efficient workplaces that can get the best from our people and drive cooperation and rewarding jobs
- maximise the dividends of growth to ensure no one is left behind, particularly vulnerable Australians, including the Indigenous population.

3. Be outward looking

Our future is tied to our openness to trade, investment, ideas and people, so we must:

- ensure our industries form vital parts of integrated global supply chains
- remain globally integrated and connected
- be a leader in trade to deliver better outcomes for communities
- finalise pending trade agreements that will facilitate increased trade.

4. Be more competitive and productive

To drive increased investment and higher wages, we need to be more competitive and productive, so we must:

- incentivise investment by creating an environment that rewards risk taking
- ensure the tax system is fit for purpose and our markets are efficient in order to drive investment
- minimise frictions that arise from economic activity
- make it easier to do business so investment flows into, rather than out of, Australia
- ensure energy efficiency with affordable alternative sources of energy
- enable ways of working that allow for innovation and new ideas.

5. Be private sector led

To unleash the value and potential of business, we need to:

- create the environment for higher investment, new jobs and opportunities and more innovation
- reward ingenuity and prudent risk taking
- remove the barriers to doing business
- make it easier to start a business, change and adapt
- reward entrepreneurship.

6. Implement more effective government across the country

To deliver and fund the services that Australians want and expect, we need to:

- drive activity in the private sector
- make it easier to do business
- ease the regulatory burden
- deliver services in a much more effective way, particularly in health, aged care and disability services, including the National Disability Insurance Scheme (NDIS)
- design services around the needs of individuals and families
- return the budget to a sustainable position which will deliver improved and expanded services, help build our fiscal reserves to weather future shocks, and reduce interest payments on debt, which diverts money from services and nation-building.

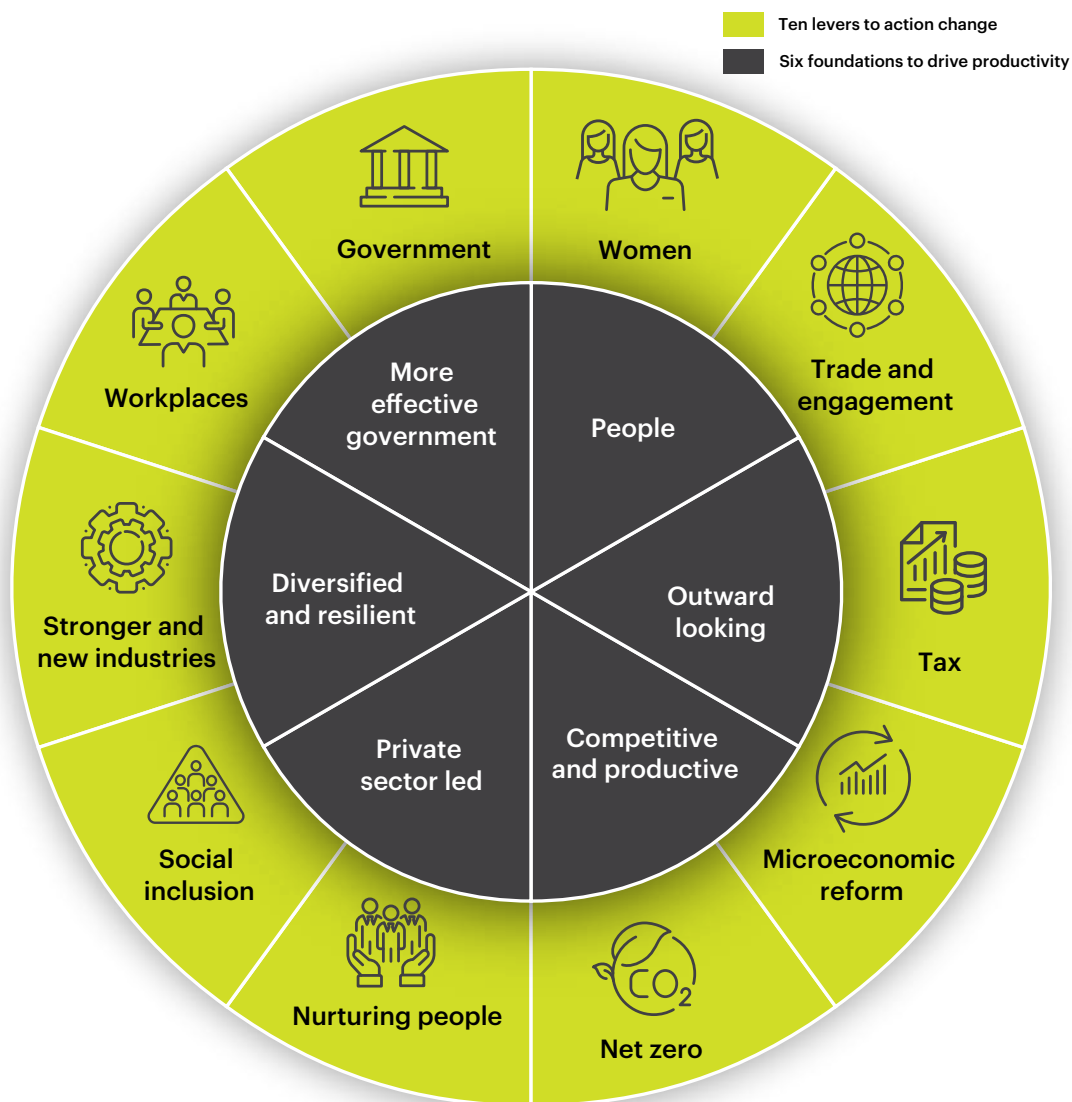
The 10 levers that will drive success

On top of these six foundations sit 10 critical policy levers.

These levers will ensure all levels of government are working more effectively, that our macroeconomic settings are driving stronger and new industries and that our tax settings are more competitive. They will reduce regulation and enable us to unlock new opportunities for all Australians.

Part 4 Figure 1: How Australia can re-energise its economy for a fairer society

Getting to the frontier through more effective government, more appropriate macroeconomic settings and enabling our people to contribute to their potential



Source: BCA

The 10 critical policy levers are interconnected. We can't get the best from our people and their skills if our workplaces are not efficient. We can't participate in integrated global supply chains if our economy is closed off to the rest of the world.

Australia can't lift its dismal investment performance unless we ease the burden of doing business here to encourage innovation and the hiring and training of more workers. We will not attract cutting-edge industries if our tax system is uncompetitive – they will go where it's easier to do business.

We won't move to the frontier if we are slow to innovate and resistant to new technology.

An integrated approach will enable much-needed wholesale reform of our economy, tax system, and structures of governance. Piecemeal changes that tinker around the edges will not work.

The 10 levers of reform require action from business, governments, civil society, and the community. No single segment of society should be left with the burden of improving our economic performance – we are all in this together.

A clear path of reform – the high-growth road

The six foundations and 10 policy levers will deliver a clear and comprehensive path of reform and diversification for Australia. Combined, they will enable us to move up the value chain – whether that is strengthening existing industries and making them more dynamic or creating new, in-demand industries to scale.

Success will require coordination and a series of sequenced actions that begin today and stretch over a decade, including incremental changes that as a whole will lift our economic and social performance.

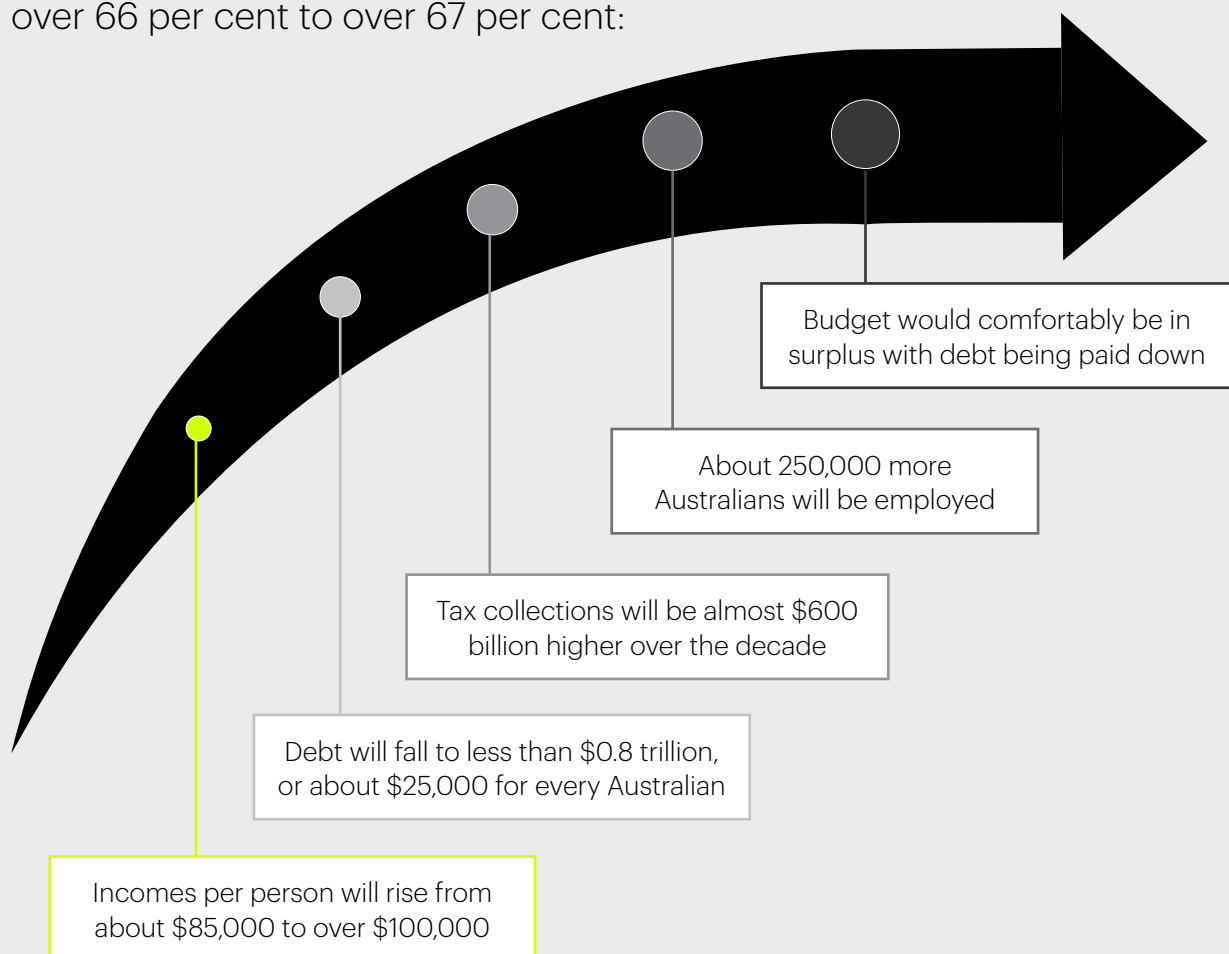
Importantly, it will require a new commitment to ensuring that businesses and their employees, shareholders, customers and suppliers can drive the economy through private sector-led growth, which is responsible for most economic activity and nearly 90 per cent of jobs.

There are a wealth of opportunities ahead of us and significant new value to create. If we seize the moment, the benefits will flow straight through to wages, services, and living standards.

By taking the right steps we can get on a high-growth trajectory.

Choosing to take the high-growth road, will deliver higher wages and improved living standards.

If productivity grew at 1.7 per cent a year – still below our best performance – and the share of Australians in the workforce rose from over 66 per cent to over 67 per cent:



Lever 1

A frontier economy – the cutting edge of existing and new industries

1

A frontier economy – the cutting edge of existing and new industries

Australia's future prosperity is tied to our ability to access new integrated supply chains by building on our advantages and creating new sectors.



Australia's top export, coal, accounts for one quarter of our goods exports.¹

What has to change and why?

The resources, agriculture, banking, tourism and professional services industries are the backbone of our economy.

Australia's iron ore sector is the most productive in the world, banking is among the most innovative sector, and miners are the highest paid workers in Australia. Our service exports are world class.

These sectors have long underpinned our economy and kept pace with constant adaptation and change.

But Australia has a history across successive governments of failed industry policy. This has been the result of:

- the lack of an enduring industry policy and priorities over the past 20 years, during which there have been more than 10 ministers at Commonwealth level in charge of the portfolio
- a fragmented and uncoordinated approach to priorities and supports, including a lack of agreement with the states
- a focus on subsidisation rather than facilitation and scaling up
- the lack of an enduring independent coordinating body that brings together government, industry, and researchers
- a poor track record of commercialisation or scaling up our inventions into global markets
- a lack of sovereign capability in many key areas.

At the same time, other countries are coordinating their effort for impact and putting incentives in place to draw in investment and reshape their economies. This includes the Inflation Reduction Act in the United States, which is considered a game changer for the energy transition.

¹ ABS

The world of production has changed dramatically. New global value supply chains in areas like defence, advanced manufacturing and agribusiness are increasingly available to Australia.

Being part of these supply chains will be defined by the skills and capabilities needed for the use of new and emerging technologies. This will open opportunities for Australia to access new markets and sources of value creation. Industry policy must allow us to shape a different future and address the changes we know are coming rather than focusing on specific interventions at the expense of getting the fundamentals right across the whole economy.

Australia must know what kind of society we want to be and agree on the big goals we need to achieve.

Governments have an important role to play, both as facilitators and in setting the guard rails for investment, innovation and production. The activity should then be led by the private sector.

We risk having too many eggs in one basket

Our industrial base needs to keep pace with the global trends that are changing the nature of production and consumption. There will be strong jobs growth for Australians with skills in advanced manufacturing and design.²

We need to diversify our economy to access high value, integrated global supply chains. This means creating new industries as well as building on our strengths in existing sectors through investment, productivity increases and innovation.

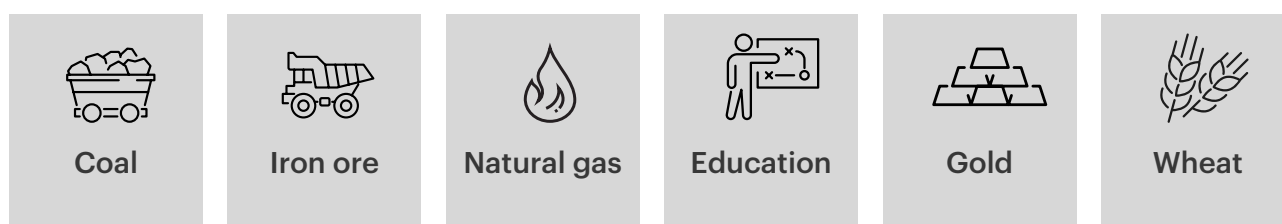
Large segments of our economy are weighed down by low or even zero productivity growth.

We will be vulnerable to the fortunes of a few exposed areas of the economy if we continue to rely heavily on industries that are being disrupted as the world decarbonises. Only six products make up more than 60 per cent of our exports: coal, iron ore, natural gas, education, gold and wheat.

If we fail to adjust, we'll have too many eggs in one basket.

Lever 1 Figure 1: Six products make up more than 60 per cent of our exports and more than a third are carbon intensive

Top Australian exports, 2022



Source: ABS

This lack of diversity also means we are not fully connected to the world's large integrated supply chains where the greatest value lies.

Fewer new businesses are being created and prudent, calculated risk taking is insufficiently encouraged and rewarded. People are not changing jobs; only 10 per cent of workers switched jobs in 2022, down from about 16 per cent during the 1980s. This in part points to an ageing population, where we take fewer risks in life. But the economic costs of moving and the amount of red tape holding people back from starting a business are also key factors.

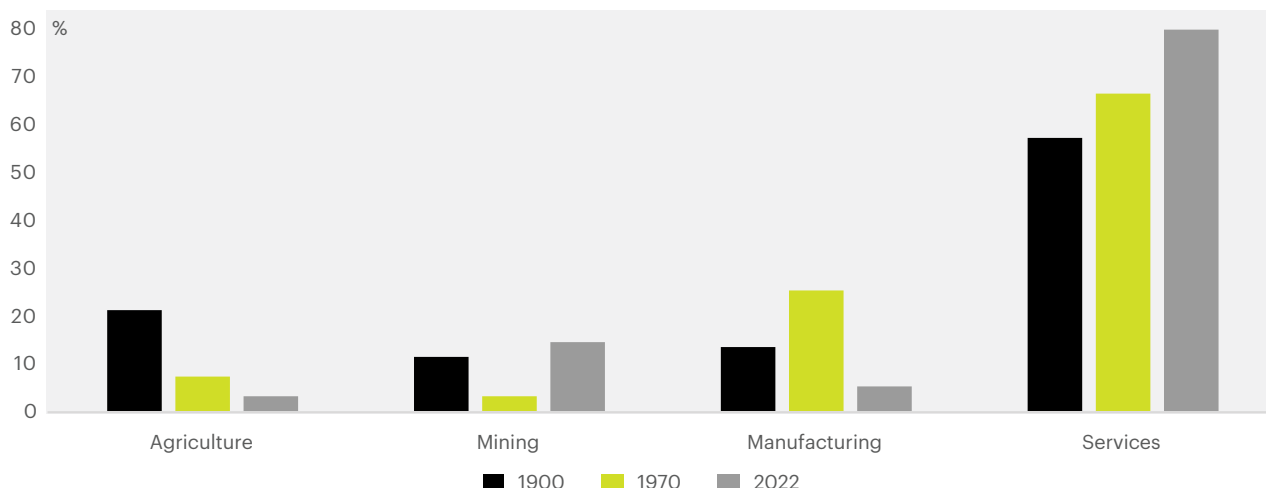
Australia excels in areas such as mining, agriculture and finance – and they account for over half of all company tax. These industries have developed and adopted world-leading innovations and technologies which have underpinned their longevity, productivity, and performance. This in turn has contributed to the nation's prosperity.

2. National Skills Commission's 'State of Australia's skills 2021' report, page 21

But our heavy reliance on a few key commodities, over a third of which are carbon intensive, leaves us vulnerable to a narrow set of markets. They will be impacted as the world moves to net zero emissions.

Lever 1 Figure 2: Australia's changing industry structure and opportunities

Shares of industry gross value added over time



Source: ABS and Butlin, Dixon & Lloyd

A vibrant and dynamic economy

A vibrant and dynamic economy is one in which businesses quickly adopt new practices and technologies, including from overseas. Inertia typically kicks in if change is resisted.

While Australians have been quick to incorporate new technologies such as smart phones and personal gadgets into their daily lives, the business sector fares poorly when it comes to innovating and building frontier industries.

We rank 60th for business complexity out of 78 countries,³ 70th out of 168 countries for the diversity of our exports,⁴ and 25th in the Global Innovation Index. We struggle to translate investment into results.⁵

Despite being fast adopters of new technology, Australia still has room to improve in becoming a truly digital economy. Nearly half (42 per cent) of small businesses don't have an online presence, only one per cent of businesses are using artificial intelligence (AI), and in regional Australia only 44 per cent of businesses find their internet performance sufficient.⁶ About 90 per cent of exporters – 50,000 businesses – are small, medium and family-run businesses.⁷

Ultimately, a less-diversified economy means we risk greater disruption from unexpected developments. This translates into fewer opportunities to lift national productivity, deliver higher wages and improve living standards.

Rebalancing the economy means getting our fundamentals right

The rest of the world is on the hunt for people and capital; the Australian economy must be competitive, resilient, open, connected and diversified to succeed in the race for talent and lock in the next era of prosperity.

³ TMF Group 2023, Global Business Complexity Index 2023, Amsterdam, p21.

⁴ Altman S and Bastian C 2022, DHL Global Connectedness Index 2022, DHL Initiative on Globalization, NYU Stern, New York, p120.

⁵ World Intellectual Property Organisation 2022, Global Innovation Index 2022: What is the future of innovation-driven growth?, media release, WIPO, https://www.wipo.int/global_innovation_index/en/2022/ (accessed April 2023)

⁶ SME online presence stat: <https://www.myob.com/content/dam/public-website/docs/misc/MYOB%20Business%20Monitor%20June%202023.pdf>

Use of AI and internet performance stat: <https://www.abs.gov.au/statistics/industry/technology-and-innovation/characteristics-australian-business/latest-release#internet-connection-type-speed-and-performance>

⁷ ABS

Our ability to attract new investment will dictate whether we prosper from the international shift to clean energy, the increased use of technology and changes in the way goods are manufactured. It will underpin our efforts to diversify the economy, strengthen existing industries and create new ones.

If we fail to get the basics right, Australia will continue to fall behind our peers, neighbours, and competitors.

Lever 1 Figure 3: How Australia is falling behind other countries in attracting investment

Australia is now a net exporter of direct investment capital

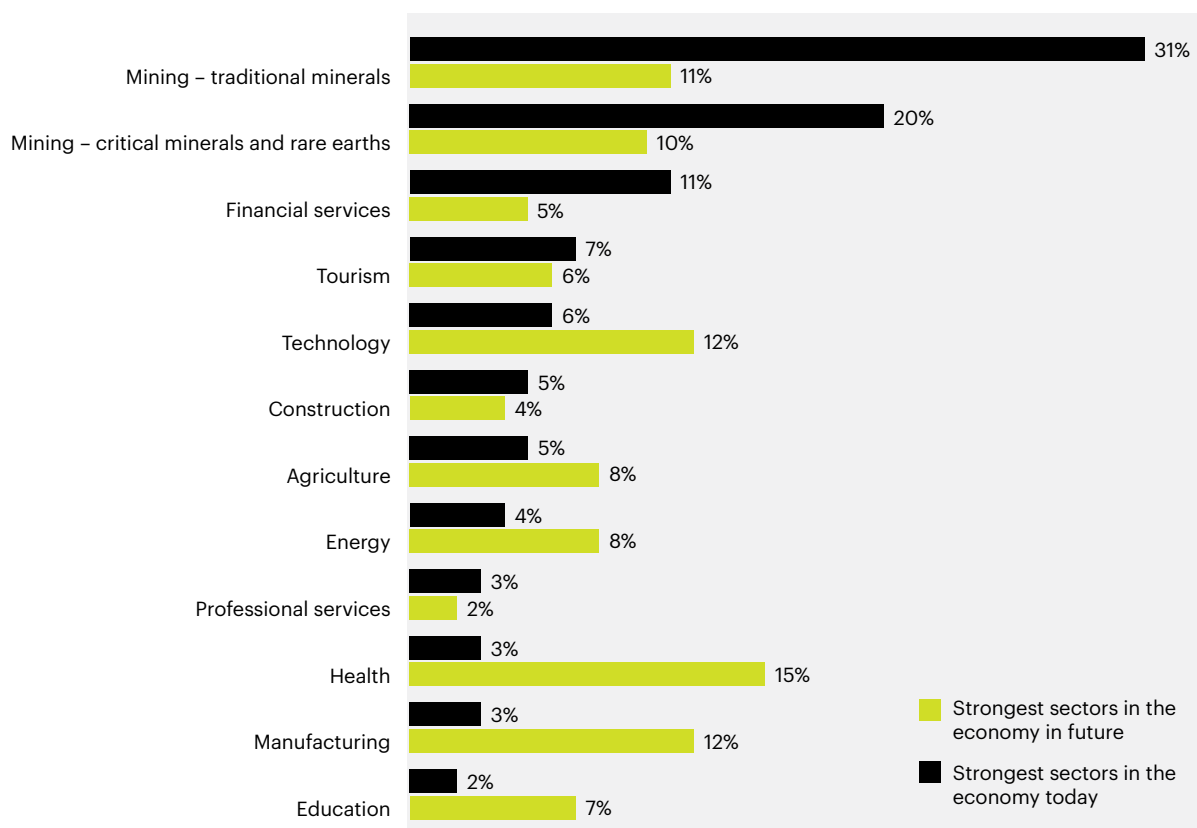


Source: ABS

As a country that accounts for only about 1.5 per cent of the global economy and an even smaller proportion of its population, Australia's future will be secured by integrating into the world's major supply chains and economies.

Australians understand the need for the economy to diversify. They see mining and critical minerals as the strongest sectors of the economy at present but believe health, technology and manufacturing will overtake them in the future.⁸

Lever 1 Figure 4: Strongest sectors in the Australian economy – today and in the future⁹



Source: BCA-commissioned research, C|T Group May 2023

⁸ C|T Group, BCA commissioned research, C|T Group, May 2023.

⁹ C|T Group, BCA commissioned research, C|T Group, May 2023. - What would you say are the strongest sectors in the Australian economy today? What do you believe should be the strongest sectors for the Australian economy in the future? Base: All participants; n = 2115

LEVER 1 EXHIBIT BOX 1

Global supply chains

Three quarters of the world's supply chains are truly global in nature.

Components are sourced from producers all over the world, with fewer products manufactured in a single location.

Not being integrated into these supply chains with reliable, trusted partners leaves Australia at risk of disruption, as we saw during the pandemic.

The durability of supply chains should not be confused with efforts to just 'make things' in Australia. There are areas in which Australia should think hard about building domestic capability, such as vaccines and defence technology.

But we should not ignore comparative disadvantages and our high costs in areas such as heavy manufacturing. These industries have been replaced by activities where we do have advantages.

The focus should be on ensuring Australia plays a role in global supply chains, competitively and at scale.

It's about making steering wheels, not the entire car.

To prosper, Australia must remain outward facing and connected, and diversify both our markets and our export products.

We must also look to the growth areas of the global economy and capitalise on the opportunities in our Indo-Pacific region. This means adding value to everything we do and exporting at significant scale.

There are opportunities for Australia to value add in key sectors. Some of the options include:

- **Resources:** Expanding our mining science technology to ensure more of the raw materials we extract are processed here. For example, lithium processing for batteries.
- **Agriculture, forestry and fisheries:** There is enormous scope to add value to our raw materials in sectors such as agriculture where technology is revolutionising farming, food processing, and selling premium produce to emerging middle-class markets.
- **Medical science:** Building on our world-leading research, we can provide essential supplies such as medical devices, medicines and vaccines.
- **Renewables and low-emission technologies:** Pursuing commercial opportunities including manufacturing components for wind turbines, producing batteries and solar panels, new livestock feed to reduce methane emissions, modernising steel and aluminium, hydrogen electrolyzers, and innovative packaging solutions for waste reduction.
- **Advanced manufacturing:** There are two opportunities here. The first is to decarbonise production by introducing new materials with a lower carbon footprint so Australian manufacturing is more competitive. The second is to tap into new supply chains such as additive printing and leverage our highly educated workforce to deploy new technologies such as robotics and composite materials to make high value-add products.
- **Education:** Australia has a social licence to provide world's-best education in the growing ASEAN region. Education is already one of our top exports, and our universities continually place highly in global rankings.
- **Defence capability:** Taking advantage of our strong defence industry and position as a trusted partner in AUKUS and a member of the Five Eyes community to supply defence-related technology, infrastructure and skills.
- **Enabling capabilities:** Supporting key enabling capabilities across engineering, data science and software development, including cyber, semiconductors, AI, quantum and robotics.

Lever 1 Figure 5: Australia's growth dividend

The value we could create from increasing our stake in global supply chains

Global supply chain	Global \$ value	Our current stake by percentage	Doubling our stake would be worth \$
Agriculture	\$2.3 trillion	2.0%	\$51 billion
Defence	\$148 billion	1.8%	\$3 billion
Clean energy	\$2.6 trillion	0.6%	\$24 billion
Advanced manufacturing	\$6.6 trillion	2.9%	\$197 billion
Professional services including education	\$9.6 trillion	2.4%	\$230 billion
Health	\$858 billion	0.7%	\$6 billion

Source: BCA

LEVER 1 EXHIBIT BOX 2

Areas of emerging strengths

Critical minerals

Australia's reserves of critical minerals such as lithium, cobalt and tungsten put us in a good position to meet rising global demand for clean energy technology – but we must act quickly as many other countries also have these resources. Australia already produces more than half the world's lithium and has all 10 of the minerals used in lithium-ion batteries. Modelling commissioned for the Critical Minerals Strategy 2023–2030 estimates a more than \$70 billion boost to GDP and 115,000 jobs through to 2040 if we can maintain our market position as global demand grows.¹¹

Quantum

Australia has the world's leading experts in quantum technologies and is at the forefront of developing new technologies. We are fortunate to have led the way in this field, but investment is not matching potential. In 2021, China invested more than \$15 billion, while the EU announced more than \$7 billion in support. In March 2023, the UK committed £2.5 billion. Are we willing to make similar levels of investment to retain our competitive edge?

AUKUS

The Australian Government recently announced potentially up to a \$370 billion spend on developing a fleet of nuclear submarines. While this has led to much public scrutiny, there has been considerably less focus on pillar two of the AUKUS agreement. That is, the transfer of high-end technologies between AUKUS partners in areas such as quantum, cyber and cloud. This represents a huge opportunity for Australia to grow new industries in new sectors. Can we sufficiently leverage it?

Space

Australia's space opportunity is significant. We have been at the forefront for decades: the world saw Neil Armstrong's first moon walk thanks to receiving stations in Australia. We must set aside the traditional view that space industries are about making and launching rockets. The possibilities go well beyond this: Australia can use existing space technologies to monitor impacts of climate change, to get ahead of and respond to natural disasters, and to develop and use new communications technologies, among myriad other uses that will benefit Australians.

We need to target the areas in which we already have a competitive advantage or where we are well placed to develop one. This includes stepping up our efforts in supply chains where we have an edge, such as agriculture, defence, clean energy, advanced manufacturing, professional services including education, and health.

Doubling our stake in these supply chains by finding new markets, delivering new products, and adopting new innovations will greatly increase our national prosperity.

BCA analysis demonstrates that doubling our stake in global supply chains would see, by 2050:

- our living standards increase by 25 per cent
- Australia's economy grow by \$632 billion
- on average Australians will be \$24,000 better off.

LEVER 1 EXHIBIT BOX 3

Sovereign capability

Supply chain disruptions during COVID revealed critical areas in which Australia should contemplate developing sovereign industries and capabilities. This was highlighted by the shortages of AdBlue, which is used in diesel engines – like those in trucks – to reduce emissions.

Developing sovereign capabilities will become more important in a world that is increasingly complex and interconnected, and also more volatile.

But decisions should only be made after careful consideration of what needs to be produced in Australia, including whether we are over-reliant on a particular supply chain, or whether it is a foundational area that's critical to our success. Australia must invest in areas with impact; where our security is at risk if we can't do them.

Sovereign capability does not mean making everything in Australia. Choosing the things Australia should be building cannot be driven by nationalism and poor choices. We should be cautious about rejecting foreign goods or investment.

Australia will need a sophisticated response. We can build strong partnerships with allies and trusted nations to establish globally resilient supply chains in support of our key sovereign industries and capabilities.

Our current precinct strategy is a dilution of effort

Spreading ourselves too thin is holding us back from developing new capabilities and new industries and getting mileage out of our existing strengths. Australia's strategy to foster industry development and growth has too often been based on the concept of every idea winning a prize.

In 2019 there were at least 175 innovation precincts active or in development in Australia, ranging considerably in breadth, depth and quality.

Our economy is not large enough for all of these precincts to scale up, and a lack of coordination prevents a targeted focus on national and international priorities.



Taking a different approach

To unlock opportunities, Australia needs to reset the way it develops and expands industries.

Done in the right way, industry policy is an economic enabler. It helps the nation prepare, adapt and prosper in a rapidly changing world.

Our ongoing problem, however, has been a lack of focus and a failure to hone in on the areas, capabilities and industries in which Australia has a comparative advantage and the potential to scale up to global markets.

For too long, we have asked the wrong questions. We should be asking:

- What are we already good at?
- What can we be good at?
- What must we be good at?

As consumer behaviour is increasingly dictated by the forces this report has explored earlier – the changing nature of production, the rise of the Asian middle class, digitisation and technological change, and the age of the consumer – we need to pivot.

This will require hard decisions about where we can be most competitive so we can produce and sell the goods, services and commodities the world wants.

The big idea

Introduce a reinvigorated and contemporary industry policy that strikes the balance between:

- **Getting the fundamentals right** – we will continue to fall behind our peers, neighbours, and competitors if we fail to get the basics right that drive investment, innovation and productivity.
- **Driving industries where we have a comparative advantage** – we must focus and hone in on the areas, capabilities and industries where Australia has the potential to scale up to global markets.
- **Building the capabilities needed to tap into the world's supply chains** – we must support the key enabling capabilities that cut across industries, including engineering, data science and software development, including cyber, semiconductors, AI, quantum and robotics.

¹¹ Australian Government Department of Industry, Science and Resources, 2023, Critical Minerals Strategy 2023–2030.

In practice, this begins with the investment mandate of the \$15 billion National Reconstruction Fund (NRF) having a sharpened focus on:

- **Fewer priorities** – develop a small number of key national capabilities and precincts of significance in priority industries. For example, the NRF should look to co-invest in about five areas of critical sovereign capability or global supply chains in which we must operate, such as semiconductors, space, additive manufacturing and quantum.
- **Alignment with other financing bodies** – the NRF should operate in tandem with other government financing bodies and priorities, such as the Powering the Regions Fund, the Clean Energy Finance Corporation, the Medical Research Future Fund, Export Finance Australia, and the Australian Business Growth Fund. This is on top of the funding and financing offered by states and territories, such as Breakthrough Victoria.
- **Leveraging private and state government investment** – the NRF must enable and leverage private investment, and encourage tripartite investments from industry, academia and government. It should be directed towards areas where investment wouldn't otherwise occur.
- **Building industries at scale** – this will require a coordinated effort focused on a limited number of priorities across portfolios at every level of government driving towards those same priorities, with complementary – not competing – programs and supports.

How we get there

Never lose sight of the fundamentals

Our economic fundamentals are key to a more resilient and diversified economy. They will help to attract investment and increase productivity. The risk of inaction is that we will continue to be overtaken by countries who are doing things better.

These fundamentals are discussed throughout this report and include a competitive tax system, well-planned infrastructure coordinated between state and federal governments, a high-quality skills and education system, a productive workplace relations system, access to affordable and reliable energy and effective and efficient regulation.

LEVER 1 EXHIBIT BOX 4

Getting the economic fundamentals right

The key to a more resilient and diversified economy is attracting investment and increasing productivity. This relies on getting our economic fundamentals right.

We must start by removing the roadblocks that stand in the way of innovation, hiring, reskilling and adopting new technology, and replace them with incentives that attract and nurture large-scale investment, ideas and talent.

If we don't do this Australia is at risk of being overtaken by countries who are doing things better. To move forward, Australia needs:

- a competitive tax system
- well-planned infrastructure, coordinated between state and federal governments
- a high-quality skills and education system
- a productive workplace relations system
- access to affordable and reliable energy
- effective and efficient regulation.

Resetting our approach to strengthening and developing global industries

- Create an independent council, reporting to National Cabinet, comprising experts from industry and the research community on commercialisation, industry development, innovation and the long-term issues facing Australia in developing the industries needed for future prosperity.
- Reset Australia's broader approach to strengthening and developing industries.
 - Leverage private investment into productivity enhancing capabilities.
 - Meet global demand, not just domestic needs.
 - Create change at scale, not one-off support for industries-in-distress or individual businesses.
 - Draw in equal effort from government, businesses and universities.

Global and nationally significant precincts

- One overarching national precinct model should replace the fragmented growth centres and innovation hubs across the Federation.
 - National coordination and a single clear strategy will ensure effort is not diluted, and that international investors know exactly where and what to invest in.
- This model should establish 10 to 15 precincts in capabilities and industries that are critical to the economy.
 - It should be a tripartite model that focuses on bringing industries to scale in collaboration with universities, government and industry, and focus on co-investment.
 - Defence should be one of those areas to capitalise on AUKUS and other projects.
 - Other focus areas should include sovereign capability and the existing and emerging supply chains in which Australia must have a foothold for our economic security.
 - Each national precinct should have a coordinated and specific industry plan that removes regulatory burdens and other hurdles to investment, research and development, innovation, commercialisation, scaling up and export.
- Jobs and Skills Australia (JSA) should be tasked with developing workforce strategies for each priority precinct, involving extensive consultation with industry and education institutions and sitting alongside the co-investment plans being developed.
- National precincts should have similar governance arrangements to those of the United Kingdom's Catapult Network and Germany's Fraunhofer Institutes.
 - They should be coordinated by an independent body, and entrench the equal contribution of industry, government and academia.
- Adopt a place-based approach to infrastructure investment and planning, bringing together the three levels of government to deliver on the shared objectives of a precinct and maximise geographic benefit and industry clusters without spreading resources too thinly.

Private and public-sector investment needs to be coordinated and targeted, leveraging the wider tools of local, state and federal governments, including infrastructure and planning, skills, and regulation.

Not every regional area can be a precinct; regions with natural endowments, in strategically important locations, or with existing infrastructure and major services such as universities or large hospitals should be prioritised.

Strategic co-investment

Government has a pivotal role to play in supporting nationally significant industries through strategic co-investment.

Considerable support is already provided, including tax concessions, R&D provisions, direct grant funding, and via financing mechanisms such as the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC).

But there is no holistic strategy to the investment, which is made through various portfolios with little visibility of what is happening in other arms or levels of government.

Rarely is investment coordinated to enable industries to scale: businesses that are helped to commercialise new technologies find themselves stranded after receiving initial government support, and must leave Australia to grow or even manufacture products.

Government must recognise its role as a co-investor in key Australian industries. It is not just about catalysing private investment. It means:

- supporting the specific industries that will underpin Australia's prosperity
- maintaining a pipeline of support across portfolios
- leveraging private investment, not crowding it out.

Through co-investment, government can be far more effective in supporting significant industries.

Encouraging the take up of the capabilities required for success

- Provide long-term financial incentives for businesses and consumers to upskill in areas crucial to industry development and expansion.
- Government should engage business to map current capabilities in priority technologies across industry and academia. This should include identifying those who are well placed to contribute to AUKUS initiatives.
- For areas of potential strength in Australia, government needs to coordinate effort for impact. To start, a quantum coordination office should be established in the Department of the Prime Minister and Cabinet.

The success of our existing and new industries will be underpinned by our ability to use capabilities such as AI, autonomous design, cyber and quantum right across the economy.

Australia cannot become a fully digital economy if our people and businesses lack core digital and data analytical capabilities.

We need to partner our strengths with the capabilities that can deliver high-value products and services.

Our capabilities must:

- be integral or synonymous to the success of an existing or emerging industry in Australia
- be related to a distinct and measurable cluster of economic activity
- either be commercialised or have the potential to be commercialised through market activity
- have the potential to be applied and integrated across the economy.

For emerging areas in which Australia can become an international leader – such as quantum – the Australian Government also needs to take a joined-up approach.

The quantum strategy is a good first step, but there are many government departments working in this space, including the industry, defence, home affairs and foreign affairs portfolios. This is in addition to Australian businesses and research institutions with a similar focus.

Other countries are coordinating their effort for impact. The White House has established a national quantum coordination office, which is a model Australia must adopt. Having a quantum coordination office in the Prime Minister's portfolio will ensure efforts across government, business and academia have the greatest impact and demonstrate Australia's commitment to maintaining our leadership in this area.

Becoming a truly digital economy

- The Prime Minister should appoint a Cabinet-level Minister for the Digital Economy.
- The new minister should work with their colleagues to develop a national digital economy strategy, setting out a plan for Australia to become a top five digital economy by 2030.

Digital innovation lifts productivity and living standards, and contributes to a stronger, fairer Australia. If Australia is to remain competitive – both globally and within our region – governments, businesses and the community must not just embrace, but drive, digitisation.

There is no silver bullet. Success will be the result of a cumulative effort across many policy areas. A Cabinet-level minister is needed to galvanise change across the wide range of areas that impact the digital economy, including infrastructure, data, skills, safety, and regulation. These responsibilities are currently dispersed across ministers and portfolios.

Government needs a coherent digital strategy, with metrics to gauge success. It needs to set out its plans across a range of areas, including:

- government structure
- skills
- adoption
- regulation
- digital infrastructure.

Research and development

- Enhance the Research and Development Tax Incentive by introducing a premium of up to 20 per cent to incentivise collaborations between industry and publicly funded research organisations and universities.
- Maintain stability in the existing research and development commercialisation framework, particularly the Trailblazer Universities Program.
- Increase resources for the Australian Research Council to ensure additional funding for basic research.

Australia has a proud history of innovation, including creating photovoltaic solar panels and the Cochlear implant. But we need to get better at commercialising and scaling up our inventions.

There are opportunities for Australia to build on our research successes, particularly in important fields such as quantum computing, hydrogen, semiconductors, vaccines, medicines and medical technologies, advanced manufacturing, and wind and battery technologies.

Similarly, the AUKUS agreement, particularly pillar two, will provide many opportunities for greater collaboration and commercialisation.

If Australia is serious about making things, growing new industries and becoming a productive, high-wage economy, we must ensure other settings including standards and regulatory approvals allow and encourage it. On average across 20 OECD countries, for example, more than 60 per cent of medicines become available to patients within six months. In Australia, it is just 22 per cent.

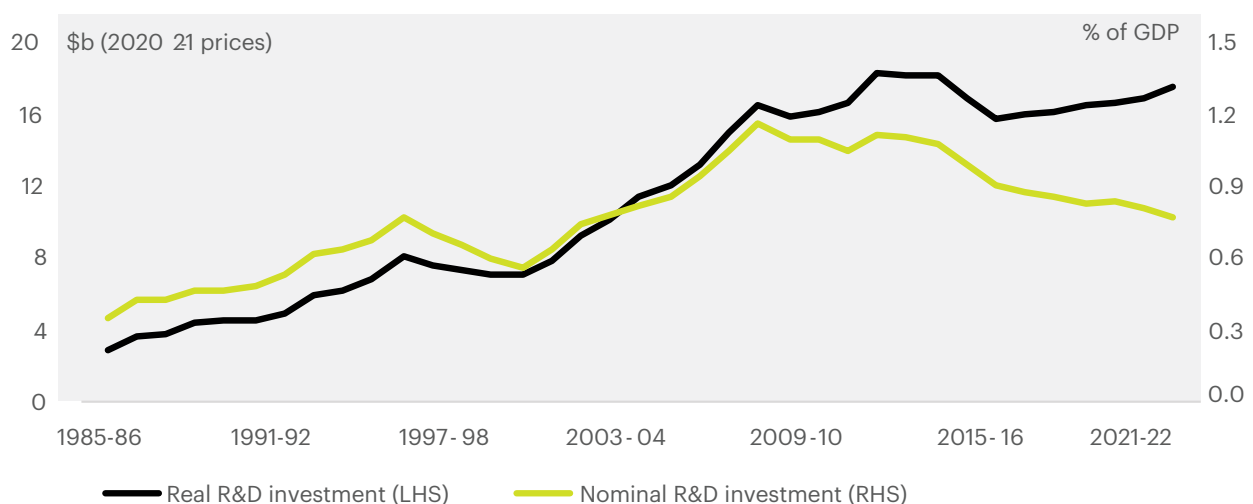
If we don't fix these impediments it will cost Australians jobs and prosperity and impact lives and wellbeing.

Australians almost unanimously agree that spending on research and development to maintain Australia's economic competitiveness is important, with over half saying it is very important.¹¹



Lever 1 Figure 6: Growth in R&D spending and intensity has slowed

R&D investment in \$b (2020-21 prices) and as a share of GDP

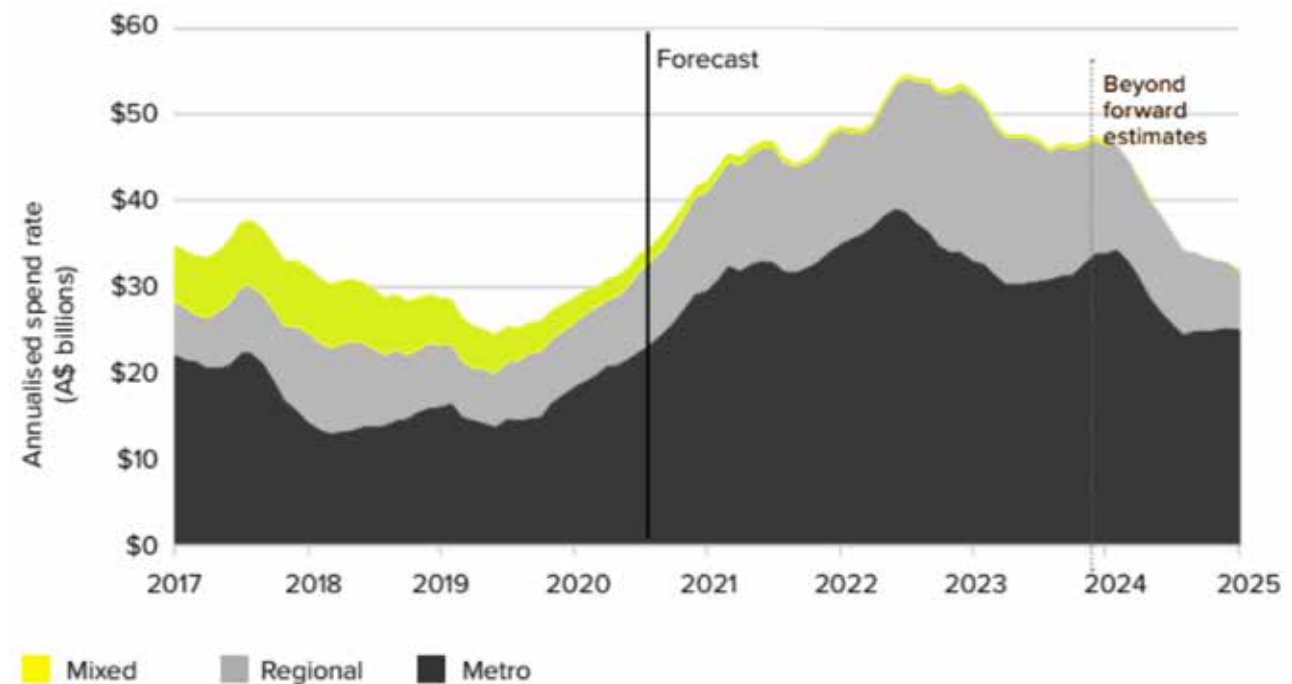


Investing in enabling infrastructure

Federal investment in public transport infrastructure must continue. This should include moving ahead with faster rail services between cities and regional hubs.

For a precinct to be successful, there needs to be supporting infrastructure to facilitate new housing supply and efficient movement of goods and services. This means good-quality roads and rail lines, schools, hospital, utilities, and green space.

Lever 2 Figure 7: Our infrastructure spend



Source: Infrastructure Australia, 2022 Regional Strengths and Infrastructure Gaps: Overview; regional infrastructure spend

The movement of people and freight is particularly important to the success of a precinct. High-quality public transport that gets people to work is crucial if employers are to attract talent. Public transport that is frequent and broadly connective, and that provides short and convenient commutes, should be a cornerstone of every development.

In a city, intra-city connectivity is key to facilitating labour mobility. Investment in well-designed rail and bus networks that connect jobs, housing, and services make a place attractive and convenient for residents. A precinct with co-located industries also makes transport more efficient and effective by providing a central node to move people to and from.

In regional Australia, connectivity might take the form of inter-city transport. One area that Australia continues to flirt with is faster rail services. This has been a feature of both state and federal government thinking for some time, but we have not seen major projects progress. It is time for the nation to build these services, with a focus on regional development outcomes.

Deliver strategic freight priorities

- The government should clearly lay out its strategic freight priorities for forward investment.

For precincts focused on manufacturing, freight networks are essential to import materials and export finished products. Depending on the scale and focus of the precinct this could be in the form of rail freight connectivity to intermodals or ports, or good-quality road networks that can support movement of trucks.

Australia needs an investment plan that outlines the Federal Government's strategic investment in the national freight system. It should build on the National Freight and Supply Chain Strategy and its implementation plans, essentially refreshing the Commonwealth's implementation plan for 2023.¹²

The government must focus on delivery of road upgrades that target and remove bottlenecks between key precincts and their markets, improving the reliability and performance of the rail freight network, and investing to make the best use of the Inland Rail project.¹³

Bridging the regional divide

BCA-commissioned research found that more than half of 22 Australian regional areas assessed are highly vulnerable to two or more structural forces, including demographic change, technology, climate and changing patterns of trade and investment.

These vulnerable regions are home to approximately one million Australians. They are located across multiple states, reflect different economic and geographical contexts and are responsible for more than five per cent of gross regional product annually, or \$100 billion.

Demand for workers in regional Australia is at record levels. Filling these jobs would create an economic uplift of more than \$1 billion according to the 2023 Regional Australia Institute report.

We must bridge the regional divide if we are to propel Australia to the frontier. The regions are home to many of our existing strengths in mining, resources and agriculture and, as global demand evolves, regional Australia will play an increasing role in advanced manufacturing, value-added food production, and the development of new clean energy industries and technology.

- National Cabinet should identify the regional locations with the greatest potential to contribute to the nation's economy and develop policy to target investment, coordination and support in those areas. It should consider:
 - proximity to nearby gateway infrastructure and major power grids
 - whether the region is home to one or two successful industries or has the capacity to attract more investment
 - whether the location is home to a university and TAFE provider that can work together
 - access to quality health services
 - capacity to increase the supply of housing and industrial land
 - appetite and capacity for more people.
- For places of growth, the Australian Government should introduce a 30-year infrastructure strategy, working with state and local authorities to provide a rolling pipeline of projects. This should address planning, re-zoning and servicing of land alongside economic development opportunities.
- Create skills hubs in growth regions to provide innovative reskilling and training tailored to the needs of local people and employers.
- 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.

¹² National Freight and Supply Chain Strategy was released in August 2019 by the Transport and Infrastructure Council (the Federal Ministerial Council at the time). It includes detailed implementation plans by each state and territory and the Commonwealth.

¹³ Inland Rail will provide a freight rail connection between Brisbane and Melbourne via regional NSW. The project is being delivered by the ARTC.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation
timetable

Lever 1: A frontier economy - the cutting edge of existing and new industries

The big idea

N

5

10

Introduce a reinvigorated and contemporary industry policy that strikes the balance between:

- getting the fundamentals right
- driving industries where we have a comparative advantage
- building the cross-economy capabilities needed to tap into the world's supply chains.

In practice, this begins with the investment mandate of the \$15 billion National Reconstruction Fund (NRF) having a sharpened focus on:

- fewer priorities and the development of a small number of key national capabilities and precincts of significance in priority industries
- alignment with other financing bodies including the Powering the Regions Fund and the Clean Energy Finance Corporation
- leveraging private and state government investment and encouraging tripartite investments from industry, academia and government
- building industries at scale.



Action items

N

5

10

Create an independent council, reporting to National Cabinet, comprising experts from industry and the research community on commercialisation, industry development, innovation and the long-term issues facing Australia in developing the industries needed for future prosperity.



One overarching national precinct model should replace the fragmented growth centres and innovation hubs across the Federation.



This model should establish a limited number of precincts in capabilities and industries that are critical to the economy.

- The model should focus on bringing industries to scale in collaboration with universities, government and industry and focus on co-investment.
- Defence should be one of those areas to capitalise on AUKUS and other projects.
- Additional focus areas should include sovereign capability and the existing and emerging supply chains in which Australia must have a foothold for our economic security.
- Each national precinct should have a coordinated and specific industry plan that removes regulatory burdens and other hurdles to investment, research and development, innovation, commercialisation, scaling up and export.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now	Implementation timetable		
Action items	N	5	10
Jobs and Skills Australia (JSA) should be tasked with developing workforce strategies for each priority precinct, involving extensive consultation with industry and education institutions and sitting alongside the co-investment plans being developed.	✓		
National precincts should have similar governance arrangements to those of the United Kingdom's Catapult Network and Germany's Fraunhofer Institutes.	✓	✓	
Adopt a place-based approach to infrastructure investment and planning, bringing together the three levels of government to deliver on the shared objectives of a precinct and maximise geographic benefit and industry clusters without spreading resources too thinly.	✓	✓	✓
Establish a Quantum Coordination Office in the Department of Prime Minister and Cabinet.	✓		
The Prime Minister should appoint a Cabinet-level Minister for the Digital Economy. The new minister should work with their colleagues to develop a national digital economy strategy, setting out a plan for Australia to become a top-five digital economy by 2030.	✓		
Enhance the Research and Development Tax Incentive by introducing a premium of up to 20 per cent to incentivise collaborations between industry and publicly funded research organisations and universities.		✓	✓
Increase resources for the Australian Research Council to ensure additional funding for basic research.	✓	✓	
Federal investment in public transport infrastructure must continue. This should include moving ahead with faster rail services between cities and regional hubs.	✓	✓	✓
The government should clearly lay out its strategic freight priorities for forward investment.		✓	✓

Lever 2 Effective overseas trade and global integration



2

Effective overseas trade and global integration

To build jobs and opportunities Australia must become an attractive destination for high-quality foreign investment, adapt to changes across the international trade system, and integrate into global supply chains.

What has to change and why?

While other countries may have the size and scale to seek growth through inward looking policies, Australia is too small to rely solely on our domestic market. We are a trading nation: one in five jobs depends on trade; in regional Australia, it's one in four.²

Open markets, transparent and enforceable rules, fair competition, and economic cooperation are fundamentally important to our strength and prosperity. This requires us to pursue an active and forward-leaning trade agenda, even when the headwinds are getting stronger.

This will become even more critical over time given the International Monetary Fund's forecast that Australia's economy will shrink as a share of world GDP.

We rank 91st in the world for the diversity and research intensity of our exports, just ahead of Namibia and below Kenya.¹

The landscape for international trade has changed – and we must respond

The international trading system is being reshaped by powerful forces driven by major nations and new economic constellations.

- Major forces including decarbonisation, digitalisation, strategic competition, and supply chain threats have realigned the global economy.
- Multilateral trade rules are under increasing pressure as many countries embrace new forms of economic intervention and protectionism to support key industries or national security.
- The US-China rivalry could lead to a splintering of the global economy into competing economic and technological blocs.
- Trade and economic cooperation is arising out of regional networks, such as the Quad, and security partnerships such as AUKUS.
- Large economies such as the EU and UK are seeking to forge new trade deals in the Indo-Pacific, and major regional trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are driving greater opportunities and attracting new members.

These shifts present risks for some of our trade, but open promising opportunities with our security partners such as the US, as well as our less-established economic partners, particularly India and Southeast Asian countries.

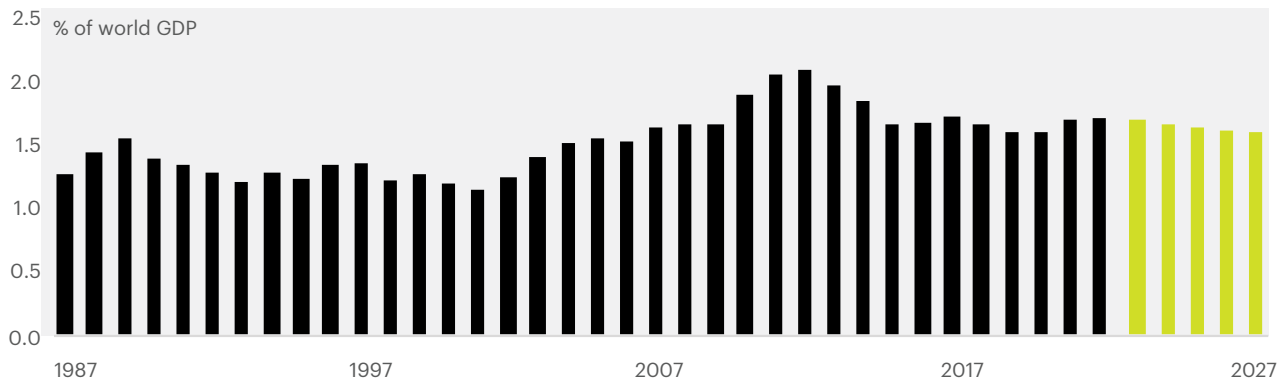
1 The Growth Lab at Harvard University, The Atlas of Economic Complexity, <http://www.atlas.cid.harvard.edu> (accessed April 2023)

2 Minister for Trade, Tourism and Investment, 2022, 2022-23 Budget supports Australia's trade, investment and visitor economy to build a stronger future, Department of Foreign Affairs and Trade, Canberra, 29 March. <https://www.trademinister.gov.au/minister/dan-tehan/media-release/2022-23-budget-supports-australias-trade-investment-and-visitoreconomy-build-stronger-future>

Australia’s future prosperity hinges on how our economy responds to these changing global dynamics, and whether we are ready to take advantage of new opportunities.

Lever 2 Figure 1: Australia’s economy is projected to shrink in a global context

Australian share of global GDP



Source: IMF

Integration into global supply chains – learning from the resources sector

The resources sector is an important example of why Australia must respond to changing international dynamics.

A relatively small amount of Australia’s mining production is consumed domestically, but in servicing the global market our resources sector has become world class, generating more than \$450 billion in export revenues annually.³ However our buyers are concentrated, with over 60 per cent of our exports going to just five countries.

Lever 2 Figure 2: Over 60 per cent of Australia’s exports go to just five countries

Australian export destinations by shares, 2022

Top five export destinations	Share
China	27.6 per cent
Japan	17.9 per cent
South Korea	8.1 per cent
India	5.2 per cent
United States	4.6 per cent

Source: ABS

As the global economy decarbonises, there will be challenges as well as opportunities for the mining industry. Falling demand for fossil fuels from key markets such as Japan, South Korea and China will impact some of Australia’s mining exports, but we will remain a major producer of iron ore and LNG and a supplier of the critical minerals driving the energy transition, such as lithium, copper, and rare earths.

By building on the strength of our mining and resources sector and developing new products and opening new markets, Australia can continue to build our prosperity in the changing global economy. For this, we will need to ensure we are fully integrated and aligned with the demand in the major global economies.

³ Department of Industry, Science and Resources 2023, Resources and Energy Quarterly, March 2023, p. 4.



Although it will remain a cornerstone of our national economy, Australia cannot rely too heavily on the mining and resources sector to drive our future prosperity.

Our economic partnership with Asia remains essential

Australia has benefitted from the economic partnership with China, particularly since the China-Australia Free Trade Agreement (ChAFTA) began in 2015. China is now our largest two-way trading partner in goods and services, accounting for about one third of our trade with the world.

Our economic relationship will likely continue to be of value into the future, but trade restrictions and geopolitical tensions have created uncertainty and led businesses to pursue diversification strategies.

Fortunately, Australia is located in the world's fastest growing and most economically dynamic region and we have a strong network of established trading partners. There is growing demand from these partners for high-quality Australian goods and services, including energy, premium food and beverages, agricultural products, education, and professional services. We have huge opportunities if we can effectively access new supply chains.

Asia and the broader Indo-Pacific region is increasingly central to the world economy and our region will continue to drive global growth in coming decades. As the major countries in the Indo-Pacific develop, their economies will grow faster than ours, shifting the balance of economic weight and influence.

This trend is predicted to continue to 2075, with more emerging economies moving to the top of the global economic pecking order, including some from our near region.⁶

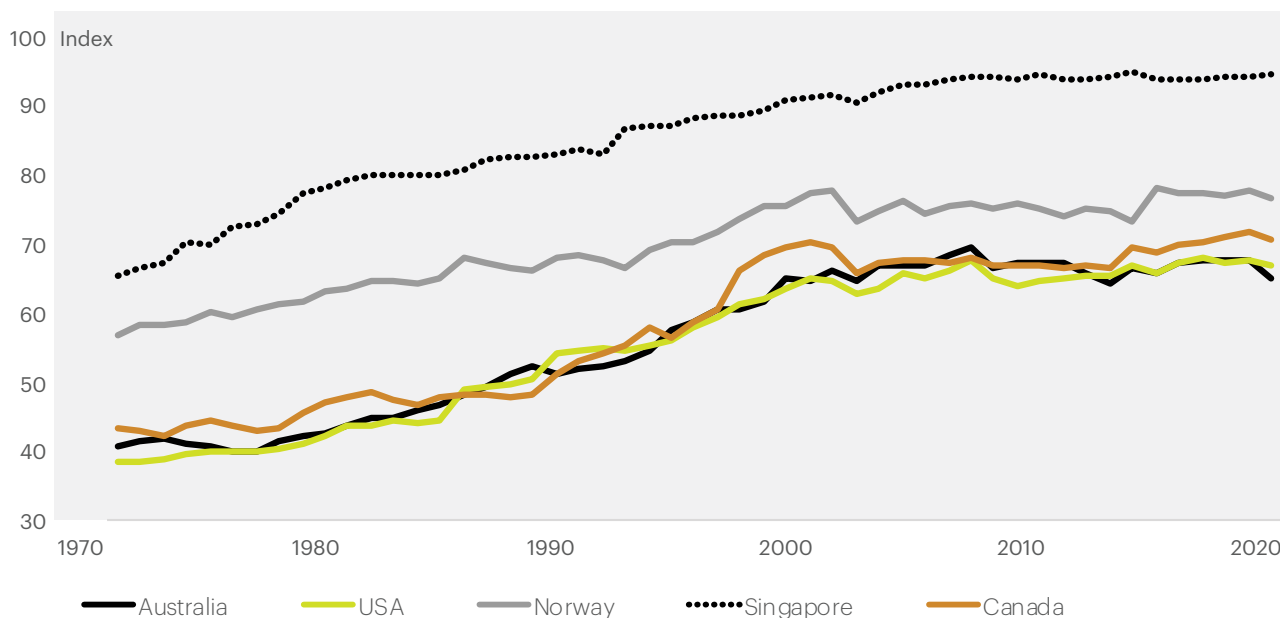
⁴ Climate change authority 2021, Trade and investment trends in a decarbonising world, media release, CCA, Media release Trade and investment in a decarbonising world (climatechangeauthority.gov.au) (accessed February 2023)

⁵ World Bank Data Centre 2020, Patent applications, residents, <https://data.worldbank.org/indicator/IP.PAT.RESD> (accessed April 2023)

⁶ Goldman Sachs, 2022, The Path to 2075 — Slower Global Growth, But Convergence Remains Intact, p.5

Lever 2 Figure 3: Australia is not as open as other similar economies

KOF Economic Globalisation Index



Source: KOF Swiss Economic Institute

According to recent analysis by Goldman Sachs, nine of the largest economies in the world in 2050 will be emerging economies, led by China (1st), India (2nd) and Indonesia (4th). Australia will slide from 13th in 2022 to drop out of the top 20 by 2050.

In coming decades, Southeast Asia is expected to see sustained growth. Key economies such as Indonesia, Vietnam, the Philippines, Thailand, and Malaysia are projected to become increasingly prosperous with large, young populations of well-educated, middle-class consumers.⁷ According to some estimates, there will be an additional one billion middle-class consumers by 2030, driven predominantly by South and Southeast Asia.⁸

This is the reality Australia must acknowledge and embrace. While we have strong relationships and an enviable network of Free Trade Agreements (FTAs) with many of the major Indo-Pacific countries, we must ensure these agreements are used effectively and kept up to date with emerging trends.

⁷ ASEAN Secretariat, 2021, ASEAN Development Outlook: Inclusive and Sustainable Development, p.105

⁸ Fengler, W, Kharas, H, and Caballero, J 2022, Asia's tipping point in the consumer class, Brookings, 2 June, <https://www.brookings.edu/blog/future-development/2022/06/02/asias-tipping-point-in-the-consumer-class/> (accessed April 2023)

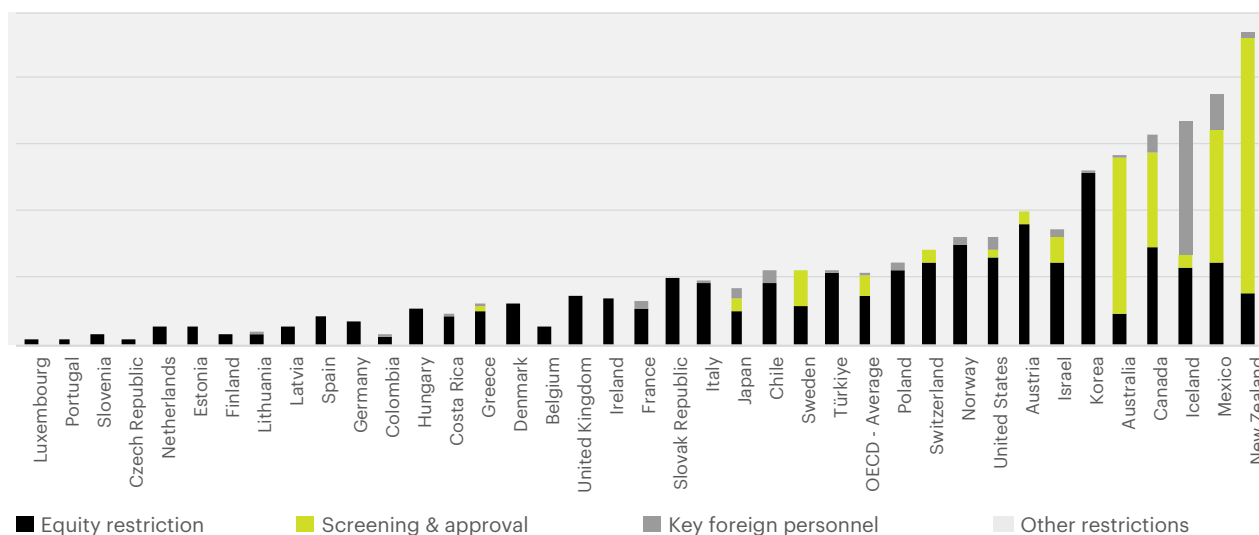
Foreign investment is a key ingredient for success

To thrive in the economic reality we are facing, Australia must maximise its attractiveness to foreign capital, investment, skilled workers, and students.

Unfortunately, in the global competition for talent and investment, we are heading in the wrong direction. We are losing ground relative to competitors in our region and further afield.

Australia is burdened by high costs and regulatory barriers, a lack of skilled workers across key sectors of the economy and overly restrictive foreign investment and visa settings. As competitors raise their game, so too must we to secure our future.

Lever 2 Figure 4: Australia's foreign investment screening regime was already very strict prior to recent changes
OECD FDI Restrictiveness Index, 2020



Source: OECD

To become a frontier economy, Australia needs much higher levels of business investment.

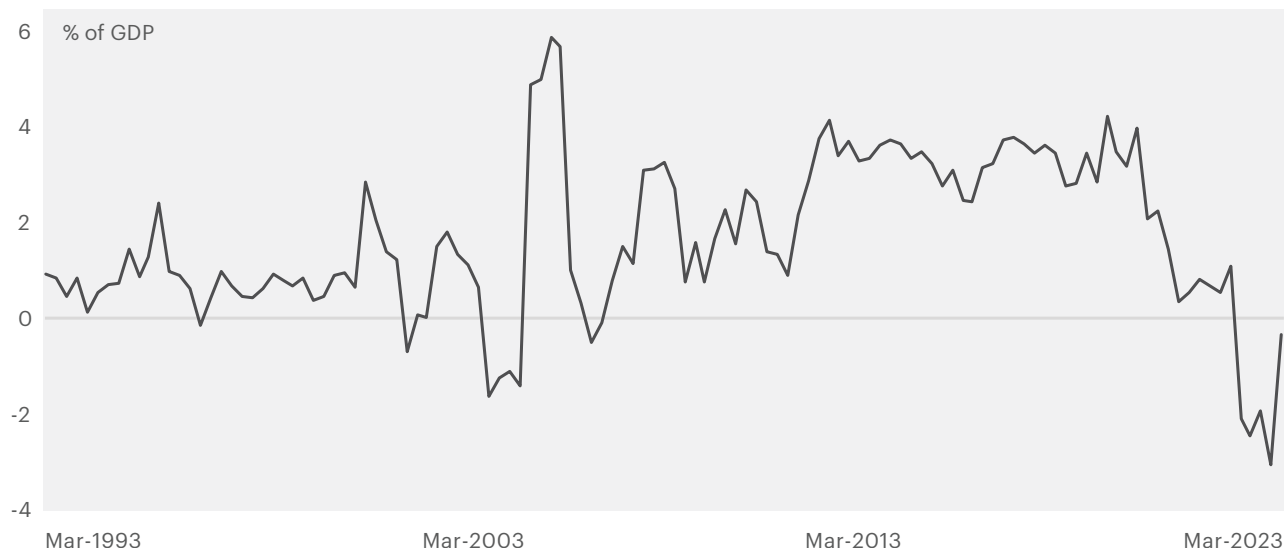
Business investment remains near lows similar to the early 1990s as a share of GDP, while domestic savings have increased.

While there is nothing wrong with Australia investing abroad, it becomes a problem if it signals weakness in investment opportunities at home – as demonstrated by Australia's recent underperformance in attracting foreign direct investment (FDI).

For the OECD as a whole, FDI inflows are back above pre-pandemic levels, but Australia remains well below its pre-pandemic level. Over the past three years, more Australian capital has gone abroad than foreign capital has come into Australia.

Lever 2 Figure 5: Investment continues to flow out of Australia

Net direct investment flows, four quarter rolling sum



Source: ABS

We're sending a negative signal to global investors

International tax competitiveness is an important driver of business investment, with about 19 per cent of capital expenditure attributable to foreign-owned businesses in Australia. But Australia's corporate tax rate is the third highest in the OECD.¹⁰

Foreign Investment Review Board (FIRB) rules have been tightened in recent years, as have rules around ownership of critical infrastructure, to address genuine concerns about national security in a changing geopolitical climate.

But the number of high-risk investments into Australia is relatively small and the rules also capture the routine business of Australian companies.

The government doesn't ask people to apply for a passport every time they travel but it does ask a company with any significant degree of foreign ownership to re-establish its credentials with Foreign Investment Review Board every time it makes a transaction.

Tougher rules introduced to regulate investment in critical infrastructure, which apply similarly onerous reporting requirements to routine transactions, add to the pressure.

This is sending a negative signal to global investors and making it more difficult for Australia to be competitive in the race for global capital. Transactions involving our top three traditional investment partners and allies – the US, UK, and Japan – which account for about half of foreign investment into Australia, are being caught by non-discriminatory rules intended to address risks from non-traditional investment partners.

9 Australian Bureau of Statistics 2022, International Investment Position, Australia: Supplementary Statistics

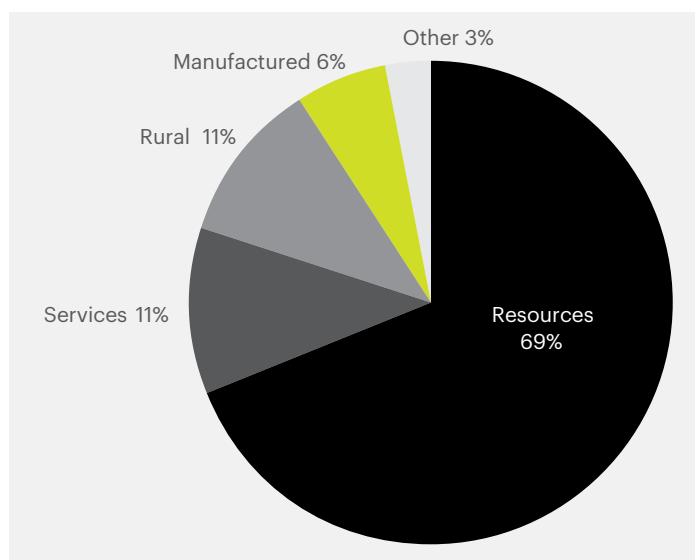
10 Organisation for Economic Cooperation and Development, 2022, Corporate Tax Statistics Fourth Edition, p.10

FIRB fees have also gone up consistently over recent years and are now at unreasonably high levels, far beyond what is needed to recover administration costs, as noted by the Productivity Commission. These fees act as a tax on foreign investment, which is not in Australia's economic interest.

Strong global demand for Australia's resources has been a major influence on Australian investment trends in the past two decades. With that investment likely having peaked, Australia needs to consider where the next opportunities will be found.

Lever 2 Figure 6: The resources sector accounts for the bulk of Australia's exports

Share of total Australian exports, 2022



Source: ABS



The big idea

Realise the full economic, trade and investment benefits from our proximity and deepening strategic ties with India and Southeast Asia.

- This can be achieved by making better use of FTAs already in place, finalising current FTA negotiations and updating existing agreements with a greater focus on economic cooperation beyond tariff reductions.
- These agreements can help us focus on partners such as India and ASEAN to deliver better market access and cover modern and increasingly important areas such as digital trade, innovation, technology cooperation, standards, and the green economy.

How we get there



We must redouble our efforts to maintain and strengthen our economic cooperation with key partners, embrace the growth of the Asian middle class and ensure our products and services meet their demands.

As Indo-Pacific countries continue their economic growth, there will be increasing demand across areas in which Australia excels, such as:

- energy and resources
- education and training
- health services and technology
- financial and professional services
- premium food and beverages
- tourism.

To capture these opportunities, we need the right trade and investment architecture.

Recommit to open trade

- Australia must step up its leadership role in international institutions and better use agreements with partner countries. We must commit to remaining an open trading country and a reliable trade partner, particularly with regard to energy exports. We must not fall back into old habits of inefficient industry policy or protectionist trade barriers.

Strengthen multilateral rules

- Step up efforts to strengthen the multilateral rules that support trade and investment globally, including seeking additional leadership roles in key multilateral institutions.

Since the end of the World War 2, Australia has been a constructive supporter of the global institutions that have underpinned a long period of relative peace and prosperity, including the United Nations (UN), the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank (WB) and Group of 20 (G20). Some of our greatest and most complex challenges require global cooperation, and strengthening the rules of global governance is essential.

Australia should continue to be a leading advocate for rules-based multilateral systems, including the UN and WTO, and play its part in achieving global solutions on key issues such as climate change.

Modernise and finalise Free Trade Agreements (FTAs)

- Deliver new opportunities for trade by finalising an FTA with the EU, upgrading our FTA with India, negotiating a commercially meaningful Indo-Pacific Economic Framework (IPEF), and expanding digital trade agreements.

We must make better use of the FTAs currently in place and modernise existing trade and economic cooperation agreements with partners such as ASEAN and India to deliver better market access and cover modern and increasingly important areas such as digital trade, innovation, technology cooperation, standards, and the green economy. It will also be important to ensure that Pacific Island countries can benefit more fully from regional trade arrangements.

Leverage our strategic relationships

Security challenges and the net zero imperative create immense opportunities in defence and related industries and the transition to a clean energy economy.

Australia has much of what our partners need, and they want us to step up and increase cooperation with them. To do this we need to focus investment on priority areas such as clean energy and critical minerals, access the best technologies and production methods so we can create the products and services they want, and step up our efforts to integrate into global supply chains.

AUKUS and the Quad

- Work closely with business to develop and implement a strategy to leverage AUKUS and the Quad to deliver broad economic benefits beyond the defence sector.

The AUKUS agreement will expand our access to advanced technologies in fields such as quantum, AI, cyber, hypersonic, and autonomous systems. These technologies have the potential to transform sections of our economy beyond military applications and stimulate the development of new industries.

It is essential that the government works closely with business and universities so projects under AUKUS pillar two, across advanced technologies including quantum, AI and cyber, are aligned with strategies and initiatives to strengthen the Australian economy more broadly. Formal consultation should be ongoing to bring industry, academia, and government together to identify opportunities and barriers.

Similarly, the Quad partnership with the US, India, and Japan offers a platform to deepen our economic cooperation in strategic sectors such as digital technology, space, infrastructure, and medical technology. Giving business a greater role within the Quad to shape and deliver objectives will help maximise strategic and economic benefits.

We can also use our Framework Agreement and soon-to-be completed FTA with the EU to drive closer cooperation with the world's largest economic bloc and a global regulatory standard setter.

Establish economic partnerships with rapid-growth countries

- Resourcing and mandates for Austrade and Export Finance Australia should be expanded so they can work more proactively with leading businesses to strengthen our economic partnerships with India, Indonesia, and other key regional economies.

Growing trade and investment in our region will not be easy. It will require greater strategic alignment between government and businesses with scale.

Greater partnerships with India

India is already the world's fifth-largest economy and most populous country and is forecast to be the third-largest economy by 2030. Greater trade and investment with this emerging powerhouse will be key to diversifying and strengthening our supply chains.

Australia has a strong foundation through the Quad and the Economic Cooperation and Trade Agreement (ECTA), but we should not underestimate the scale of the challenge. A concerted effort from government and business is needed to upgrade our trade agreements and find mutually beneficial ways to deepen trade and investment with India. Finalising negotiations around a high-quality Comprehensive Economic Cooperation Agreement (CECA) and implementing it as soon as possible should be a high priority.

The revitalised Australia-India CEO Forum will be a key piece of bilateral business-to-business architecture and should inform policy to overcome barriers to two-way investment, focussing on priority areas such as clean energy, critical minerals, digital transformation, and education and training. Government should support the CEO Forum process and work with business leaders to implement reform suggestions.

Indonesia and Southeast Asia

Indonesia and other major Southeast Asian economies have rapidly growing, young populations, as well as scale, ambition and growth trajectories that make them increasingly important economic partners for Australia. But a range of barriers are holding back investment.

The government's Southeast Asia Economic Strategy to 2040 will be an important platform to identify ways to overcome these barriers, and adequate resources must be made available for initiatives that derive from it.

Stabilise the relationship with China

- Ensure the concerted effort to stabilise our relationship with China continues and remove all remaining trade impediments as quickly as possible, without compromising Australia's national interests.

China's post-COVID reopening and the stabilisation of the political relationship has improved confidence, but it is broadly accepted that today's relationship differs from the one enjoyed over the previous two decades.

Reforming FIRB to attract capital

- Make Australia a more attractive destination for foreign investors by reforming the FIRB system to reduce fees and compliance costs and streamline processes, particularly for trusted investors.

An important first step in attracting global capital will be to send strong signals to the rest of the world that we are open for business. At a minimum, we must streamline the foreign investment screening process.

The guiding principles for reform should be to:

- reduce compliance costs
- raise thresholds for low-risk investors
- speed up processing times
- improve the user experience for investors.

FIRB fees should be set on a cost-recovery basis only, not used to raise tax revenue. They should be reduced to a level that does not put Australia at a competitive disadvantage as an investment destination.

Progress the Simplified Trade System

- Fully support and implement the Simplified Trade System agenda and prioritise creating a Trade Single Window.

The Simplified Trade System should be designated a national priority and expedited. This is the BCA's strong preference. But in the absence of such a decision, we should incrementally improve the efficiency of the cross-border trading system by streamlining and modernising customs and biosecurity IT systems, regulations and controls. This will reduce costs for businesses, leading to greater trade flows and lower prices for consumers.

The work of the Simplified Trade System Taskforce should be fully supported by the government to implement this agenda.

Standards harmonisation

- Make greater use of product standards from leading international jurisdictions such as the EU and US, to enable faster and cheaper deployment of new technologies.

Rather than insisting on specific Australian standards, greater recognition of product approvals from leading international jurisdictions such as the EU and the US would give Australia easier access to new technologies. For example, Australia could agree to recognise and apply EU standards further in areas such as medicines, machinery and equipment, automotive and digital technologies.

While adequate review mechanisms should be maintained where safety issues may exist, deeming more international approvals as compliant and acceptable for Australia would benefit consumers.

Remove nuisance tariffs

- Eliminate remaining 'nuisance tariffs' to reduce inflation and red tape, and facilitate easier cross-border trade.

Australia could send a positive 'open for business' message by removing remaining tariffs that raise little revenue but impose a regulatory and cost burden on trade partners, such as those applied to clothing and vehicles. Removing these tariffs would also reduce costs for consumers.

The current trading system mires businesses in red tape and makes them less competitive. According to the Productivity Commission, tariffs account for only 0.3 per cent of revenue collected by the Australian Government. Completely removing them would increase efficiency and alleviate inflation pressures.

Lever 2 Figure 7: Australia's trading relationships



Australia currently has 18 FTAs with 30 countries

Once the EU FTA is enacted, about 88 per cent of Australia's trade will be covered by FTAs

Source: DFAT

Building on digital trade

Given the growing importance of e-commerce, the digital economy and cross-border data flows, there are opportunities to build on the Australia-Singapore Digital Economy Agreement and extend it to other countries in the region, including New Zealand.

Digital trade is one of the pillars of the Indo-Pacific Economic Framework (IPEF) currently under negotiation and Australia should work to achieve a strong outcome in this area.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 2: Effective overseas trade and global integration

The big idea

N

5

10

Realise the full economic, trade and investment benefits from our proximity and deepening strategic ties, especially with India and Southeast Asia.

This can be achieved by making better use of FTAs already in place, finalising current FTA negotiations and updating existing agreements.

These agreements can help us deliver better market access with key partners and cover modern and increasingly important areas such as digital trade, standards, and the green economy.

We also need to fully engage with the economic opportunities offered by our regional networks and security partnerships, such as the Quad and AUKUS, and promote free and open trade which is supported by a rules-based multilateral trading system.



Action items

N

5

10

Deliver new opportunities for trade by finalising an FTA with the EU, upgrading our FTA with India, negotiating a commercially meaningful Indo-Pacific Economic Framework (IPEF), and expanding digital trade agreements.



Leverage our strategic relationships by focusing investment on priority areas such as clean energy and critical minerals and securing access to the best technologies and production methods so we can create the products and services our partners want and step up our efforts to integrate into global supply chains.



Work closely with business to develop and implement a strategy to leverage the AUKUS agreement and deliver broad economic benefits beyond the defence sector.



Give business a greater role within the Quad to shape and deliver objectives to help maximise strategic and economic benefits and deepen our economic cooperation in strategic sectors such as digital technology, space, infrastructure, and medical technology.



Resourcing and mandates for Austrade and Export Finance Australia should be expanded so they can work more proactively with leading businesses to strengthen our economic partnerships with India, Indonesia, and other key regional economies.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
Government should support the revitalised Australia-India CEO Forum and work with business leaders to implement reform suggestions to overcome barriers to two-way investment, focussing on priority areas such as clean energy, critical minerals, digital transformation, and education and training.		✓	✓	
Utilise the Economic Strategy for Southeast Asia to 2040 to identify ways to overcome barriers to growing trade and investment with ASEAN countries, and allocate adequate resources for initiatives that derive from the strategy.		✓	✓	
Ensure the concerted effort to stabilise our relationship with China continues and remove all remaining trade impediments as quickly as possible, without compromising Australia's national interests.		✓		
Make Australia a more attractive destination for foreign investors by reforming the FIRB system to reduce fees and compliance costs and streamline processes, particularly for trusted investors.		✓	✓	
Fully support and implement the Simplified Trade System agenda and prioritise creating a Trade Single Window. The Simplified Trade System should be designated a national priority and expedited.		✓	✓	
Make greater use of product standards from leading international jurisdictions such as the EU and US, to enable faster and cheaper deployment of new technologies.		✓	✓	
Eliminate remaining 'nuisance tariffs' to reduce inflation and red tape, and facilitate easier cross-border trade.			✓	
Given the growing importance of e-commerce, the digital economy and cross-border data flows, there are opportunities to build on the Australia-Singapore Digital Economy Agreement and extend it to other countries in the region, including New Zealand.		✓	✓	
Step up efforts to strengthen the multilateral rules that support trade and investment globally, including seeking additional leadership roles in key multilateral institutions.		✓	✓	
Australia must step up its leadership role in international institutions and better use agreements with partner countries. We must commit to remaining an open trading country and a reliable trade partner, particularly with regard to energy exports.		✓	✓	

Lever 3 A tax system for the future

A large, bold, yellow number 3 is centered on a dark blue background. The number is thick and has a slight shadow effect, giving it a three-dimensional appearance. The background is a solid dark blue.

A tax system for the future

Australia has a 20th-century tax system in the 21st century. We need a structure that raises enough revenue for services, grows the economy and enables us to reach our potential.

What has to change and why?

Tax is a necessity to fund a range of essential supports, including welfare payments, community services and public goods.

But taxes influence nearly all of the economic decisions being made by families, small businesses or large corporations.

Taxes inevitably distort prices, incentives and rewards – all of which change people's behaviour. Some taxes discourage individuals and businesses from creating value and being productive. Others cause people to engage in wasteful and unproductive activity.

The top 10 per cent of taxpayers account for 46 per cent of personal tax collected.¹



The design and mix of Australia's tax system has a higher economic cost than it should. The impact of our sub-optimal tax mix is that our tax system:

- will not raise enough revenue for the goods and services the community needs and expects
- is a major barrier to investment, as well as upward and geographic mobility
- discourages people from working more hours
- exacerbates inter-generational issues
- reduces transparency and accountability while increasing duplication and wasteful spending as a result of the Federation's tax and spending imbalance
- is too complex – about two-thirds of personal taxpayers rely on a tax agent.

The current tax mix is too reliant on income taxes such as personal and company tax which have an economic cost because they influence decisions to work, save and invest.

Higher personal or company tax can discourage workers from taking on more hours and are a disincentive to companies investing more in Australia.

¹ Australian Taxation Office, 2022, Taxation statistics 2019–20.

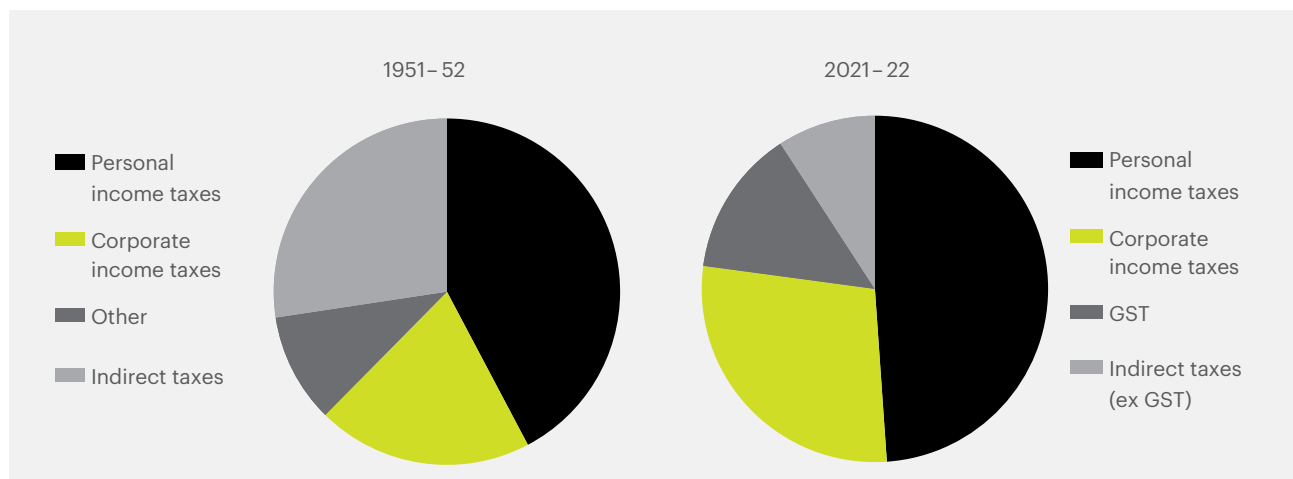
Current fiscal circumstances might be seen as limiting the capacity for compensation and therefore the scope for comprehensive reform. But the tax mix can be changed in a roughly revenue neutral way that, over time, will deliver benefits that can be used in the best interests of the community.

Australia's outdated and complex tax system is holding back people and businesses from realising their full potential. It is discouraging new investment, innovation and entrepreneurship.

Our tax system is no longer fit for an economy making the transition to a globalised, technologically driven, digital world. It hampers our ability to tap into growing global supply chains.

Lever 3 Figure 1: Times have changed but the tax system has not

Share of Commonwealth tax revenue over time



Source: 2021 Intergenerational Report and Budget 2023-24

More than 100 taxes raise just 10 per cent of all revenue.²



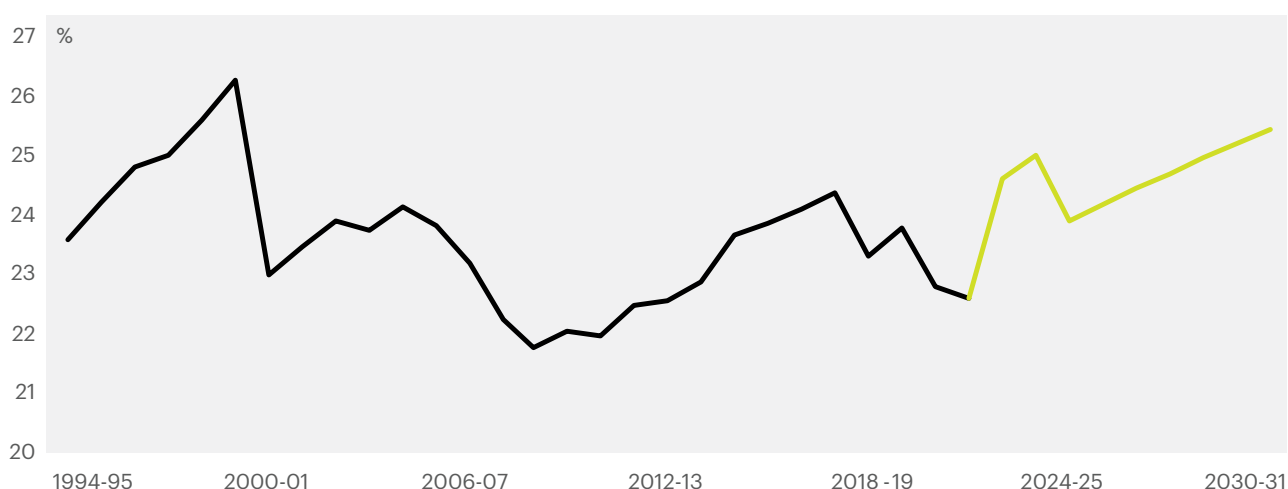
2 BCA

The Australian Government's reliance on income taxes has increased since the 1950s, and this is set to continue. The world has changed dramatically since the 1950s, but our over-reliance on income taxes has remained largely the same.

- Population growth has slowed, with lower relative rates of births and migration.
- Capital controls and the regulation of the banking sector has dramatically changed.
- More capital is now flowing out of Australia than into Australia.
- Wool was Australia's biggest export and the UK our biggest trading partner, compared with coal and China in 2022.

Lever 3 Figure 2: The average taxpayer will continue to pay more tax

Average tax rates for average full-time wage earners



Source: ABS, ATO and BCA

Inaction will create an even bigger fiscal problem

The simple arithmetic is that slower growth will lead to even bigger fiscal problems down the track. Inaction on driving investment, productivity and dynamism, and the implementation of one-off tax changes, could contribute to this.

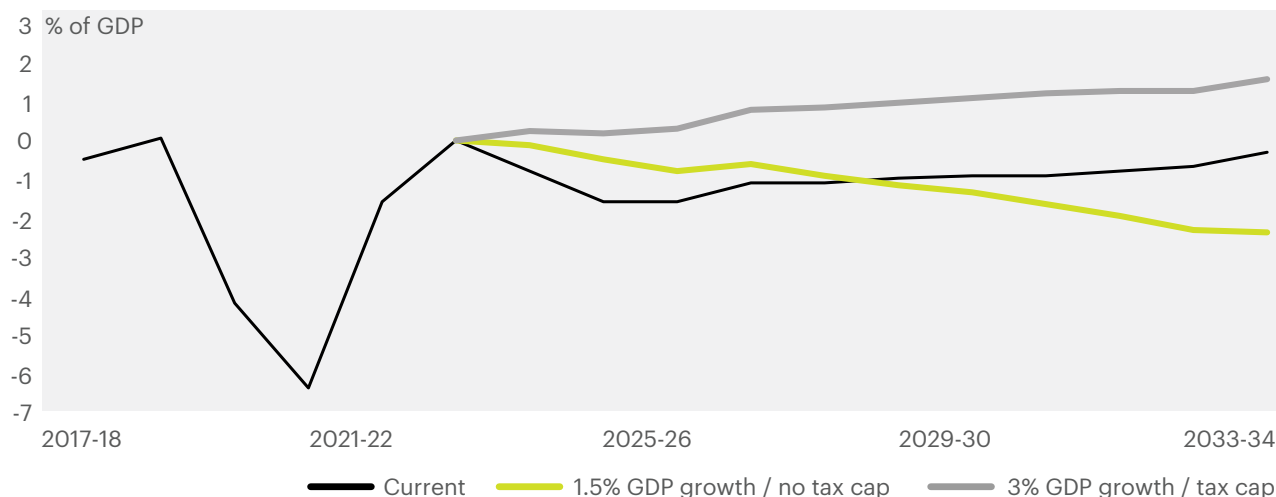
For example, if growth averages 1.5 per cent a year over the next decade and there is no tax cap, deficits will approach around two per cent of GDP, or around \$50 billion in today's dollars. This is around twice the total size of the South Australian budget.

By contrast, if we act and drive growth of three per cent a year over the next decade, even with a tax cap Australia's fiscal position will be much stronger.

The tax system must support higher productivity and economic growth to fund the services an ageing and affluent population will demand.

Lever 3 Figure 3: Faster growth and a limit on tax can help solve our budget woes

Underlying cash balance, various scenarios



Source: Budget 2023-24 and BCA

The personal tax base will narrow as the population ages

The three-stage Personal Income Tax Plan reduces the tax burden faced by individuals, delivers a more competitive personal tax system and improves incentives to work and save. It achieves this while maintaining a highly progressive tax and transfer system.

- When the Personal Income Tax Plan is implemented in full, more than 90 per cent of taxpayers will face a marginal tax rate of 30 per cent or less.
- The average full-time wage earner will be more than \$3,000 a year better off.

But bracket creep remains a constant issue as people trying to get ahead have more money taken out of their pockets while already facing big cost-of-living challenges.

Left unchecked, this will steadily reduce the rewards for effort, create a disincentive to work and reduce the progressiveness of the tax system. Workers face higher average and marginal tax rates even when their real pre-tax wage has not changed.

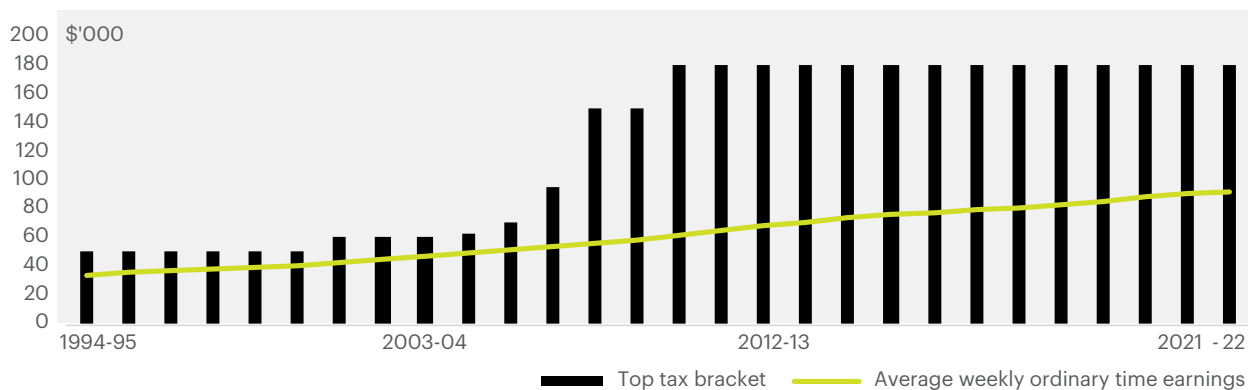
- If bracket creep continues, a decade from now the average full-time worker will be paying about \$1,000 in additional personal tax.

This is an even more pressing issue in the context of our ageing population. An older population will drive increased government spending while reducing workforce participation, and thus the capacity to pay. By 2061 there will be only 2.7 workers for every person over 65, compared with 3.8 today and 6.6 40 years ago.

The stakes are high. If income tax maintains its current share of total taxes (and the overall tax burden is not significantly lower), it will mean a much increased burden on future income earners. This will exacerbate intergenerational equity issues and damage the aspirations of younger workers who will need to fund an ageing population and repay Australia's debt.

Lever 3 Figure 4: Inflation means personal tax brackets need to change over time

Average full-time wages and the top personal tax bracket

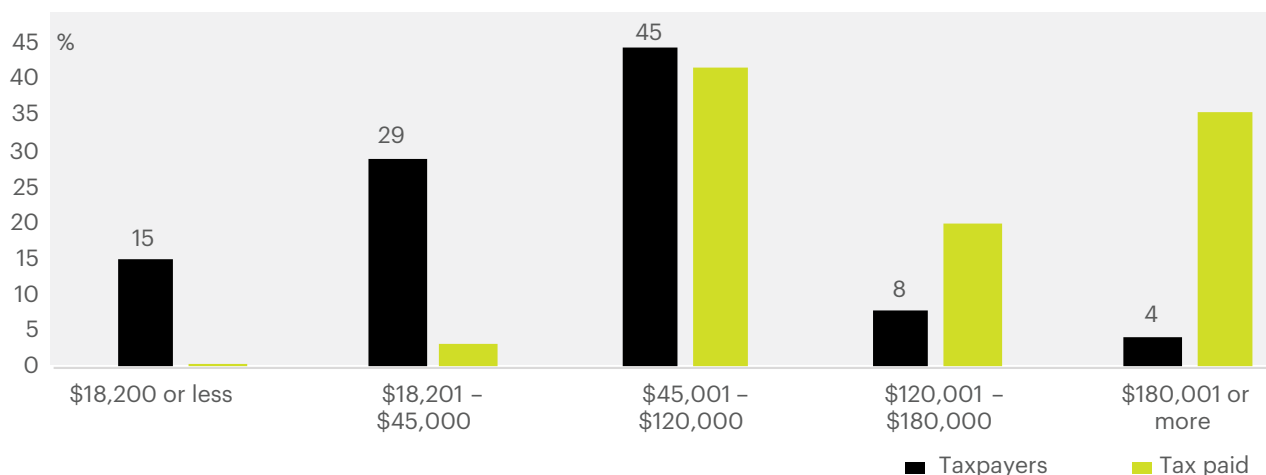


Source: ABS and ATO

Australia has a highly targeted and highly progressive tax and social security system. Those on higher incomes pay proportionately more tax, while assistance is targeted to households with particular needs.

Lever 3 Figure 5: The top four per cent of taxpayers paid almost a third of all tax

Share of tax paid and taxpayers by each tax bracket, 2020-21



Source: ATO

This contributes to a highly progressive system overall. For example:

- The top four per cent of taxpayers account for 35 per cent of personal tax revenue.³
- The ratio of benefits received by households in the bottom 20 per cent of earners, relative to the top 20 per cent, is the highest in the OECD.⁴
- The bottom quintile receives 42 per cent of welfare spending, while the top quintile receives 4 per cent.⁵
- Almost 80 per cent of all benefit spending is means-tested, which is high relative to other OECD countries and more than four times the OECD average.⁶

The tax and transfer system will remain highly progressive after the three-stage Personal Income Tax Plan is implemented. The top 10 per cent of taxpayers will pay about 44 per cent of all personal tax – broadly in line with previous years.

³ Australian Taxation Office, 2023, Taxation statistics 2020–21.

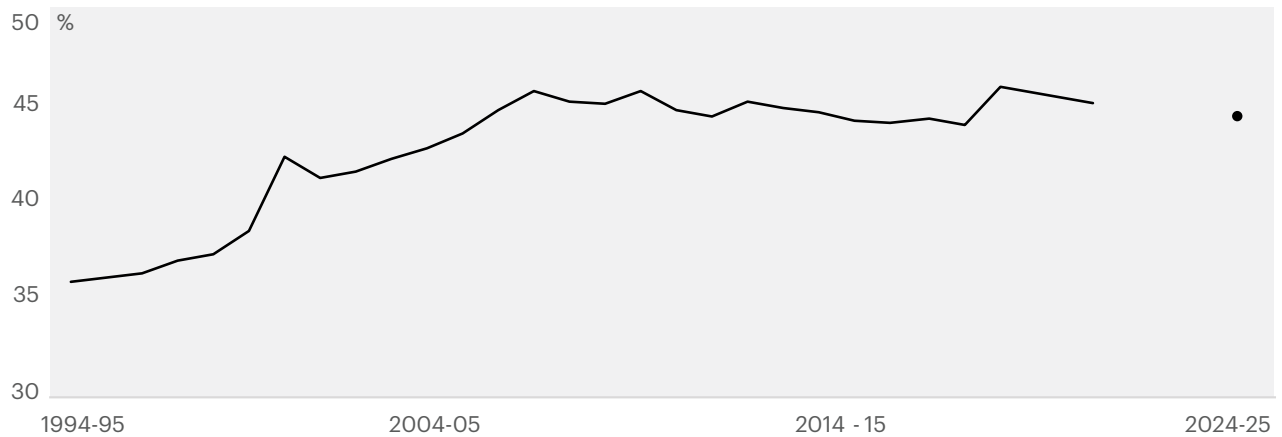
⁴ Whiteford, P 2010, The Australian Tax-Transfer System: Architecture and Outcomes, Economic Record 86, no. 275 (December): pp. 528–44.

⁵ Organisation for Economic Co-operation and Development, 2014, Social Expenditure Update, November.

⁶ Organisation for Economic Co-operation and Development, 2014, Social Expenditure Update, November.

Lever 3 Figure 6: Personal taxes will continue to be reliant on a small group of taxpayers

Share of tax paid by top 10 per cent of personal taxpayers



Source: ATO and Budget 2019-20

Company tax settings are uncompetitive on the global stage

Investors demand a globally competitive after-tax return on their investments in Australia, otherwise they will take their money elsewhere.

A tax policy that supports investment sends an important message that Australia is an attractive location to do business, reduces the risk of funds going offshore and minimises the threat of investment stalling. This must be a key consideration in any future tax reform.

Australia's current two-tier tax system increases complexity and potentially distorts investment by discouraging smaller businesses from expanding.

All profits are taxed at the 30 per cent rate when the turnover threshold is passed. Such tax 'cliffs' discourage growth and encourage structuring of operations for tax rather than commercial purposes.⁷

This extra \$250,000 in tax represents an enormous marginal effective tax rate of 25 million per cent.

Australia's company tax system is one of the most uncompetitive in the developed world. The Tax Foundation's International Tax Competitiveness Index shows that Australia ranks 29th out of 38 OECD economies for the competitiveness of its corporate tax rate and 23rd for its corporate tax rules. Australia has the third-highest tax burden on capital income among 30 OECD countries.

Our tax system is also heavily reliant on a few key industries, such as mining and banking, to raise the revenue to fund government services. The top 12 companies paid around 35 per cent of all company tax. We are living with the consequences of this uncompetitive tax system – Australia is in the grip of an investment drought.

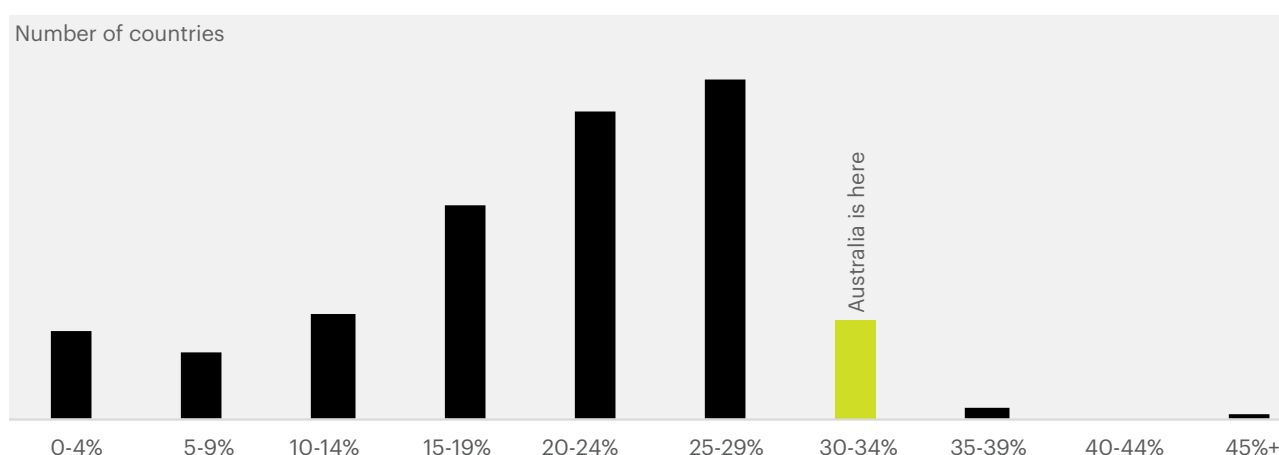
⁷ Consider a company with a taxable income (profit) of \$5 million. If the company has revenue of \$49,999,999, it will pay tax at the 25 per cent rate, or \$1.25 million of tax. However, if the company made this profit on revenue of \$50 million or more, it will pay tax at the 30 per cent rate, or \$1.5 million of tax.

- The business investment share of the economy is near recessionary levels at a time when the economy is otherwise fully employed, businesses are at record capacity and terms of trade have been at their highest since 1870.
- Australia has exported capital since 2019 on an unprecedented scale for the post-World War 2 period.
- Australian capital markets are awash with employee superannuation savings, but a lack of local investment demand is seeing much of these savings going abroad.
- US capital flowing into Australia has dried up since the US corporate tax reforms at the end of 2017. The US tax reform demonstrates that corporate tax differentials matter for foreign investment and Australia's appeal to investors. The situation may deteriorate further due to the US Inflation Reduction Act, which will encourage further investment in the US and is seen as a game changer for US decarbonisation.

Australia cannot expect the world's best business investment when we have some of the developed world's worst corporate tax settings.

Lever 3 Figure 7: Australia's 30 per cent company tax rate is high by global standards

Global distribution of corporate tax rates



Source: Tax Foundation

There have been calls for Australia to consider an Allowance for Corporate Equity (ACE). This needs further consultation as it may make the tax system more complicated and increase compliance costs, particularly around its administration.

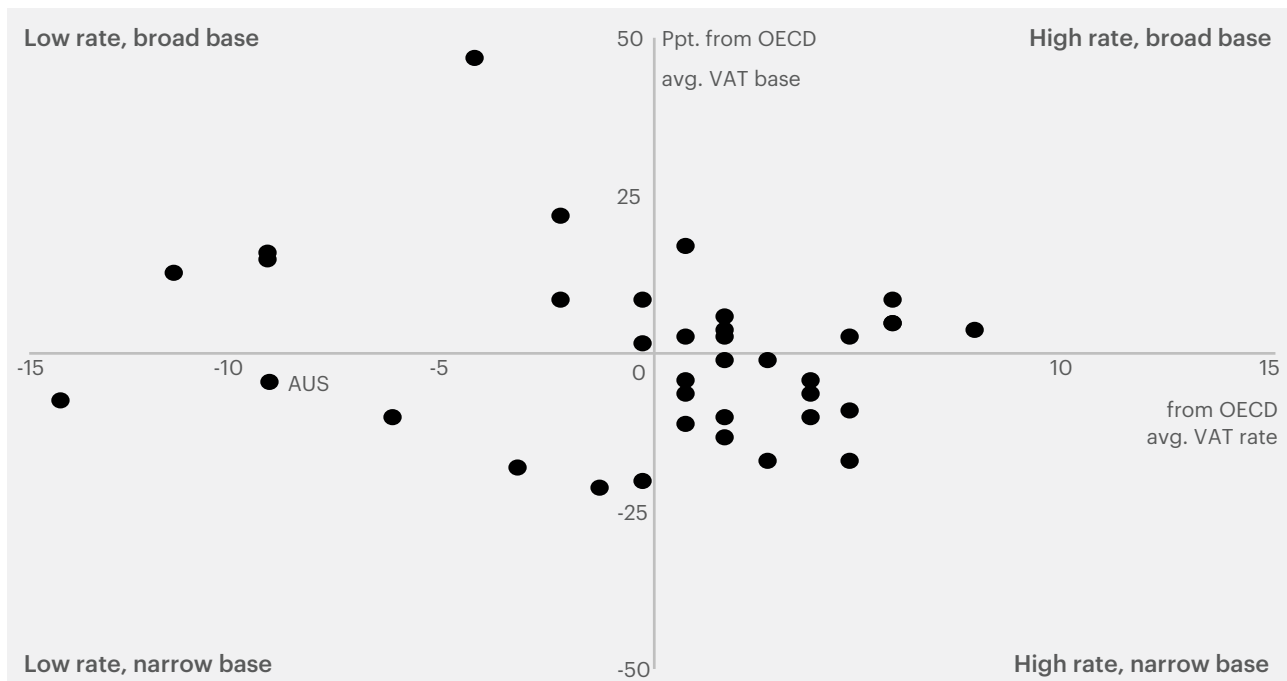
There are also issues with selecting the appropriate ACE rate. The benefits of a new approach to corporate taxation must be weighed up in relation to the costs, potential risks and alternative ways to drive investment.

GST – rate too low, base too narrow

Australia's GST is applied at a low rate on a narrow base compared with other OECD countries. The GST base has eroded, and will erode further, due to increased expenditure on GST-exempt items. It is a key source of dedicated revenue for the states and territories, but it has not been the growth tax that was originally envisaged.

Lever 3 Figure 8: Australia's GST has a relative low rate and narrow base

Relative OECD GST rates and bases



Source: OECD

GST exemptions are not the best way to address equity concerns, and significantly increase complexity and compliance costs. Treasury's most recent Tax Expenditures and Insights Statement shows that exemptions largely benefit high-income households. The tax treatment of different items may not be the best way to improve equity.

- Taxing pizza rolls based on the thickness of topping.
- Taxing cocoa powder if marketed as an ingredient for confectionery, but GST-free if it is not.
- Taxing unfilled meringue cases but not unfilled cannoli.
- Taxing GST-free fruits and vegetables when packaged as smoothie packs.

Taxation of savings – differences in treatment

Savings are important for domestic wealth creation. Savings provide funds for investment and support lifetime consumption choices.

Taxing savings at a lower rate than labour income is generally regarded as desirable to mitigate cascading tax effects over time, which can deter savings relative to current consumption. The issue is how much lower.

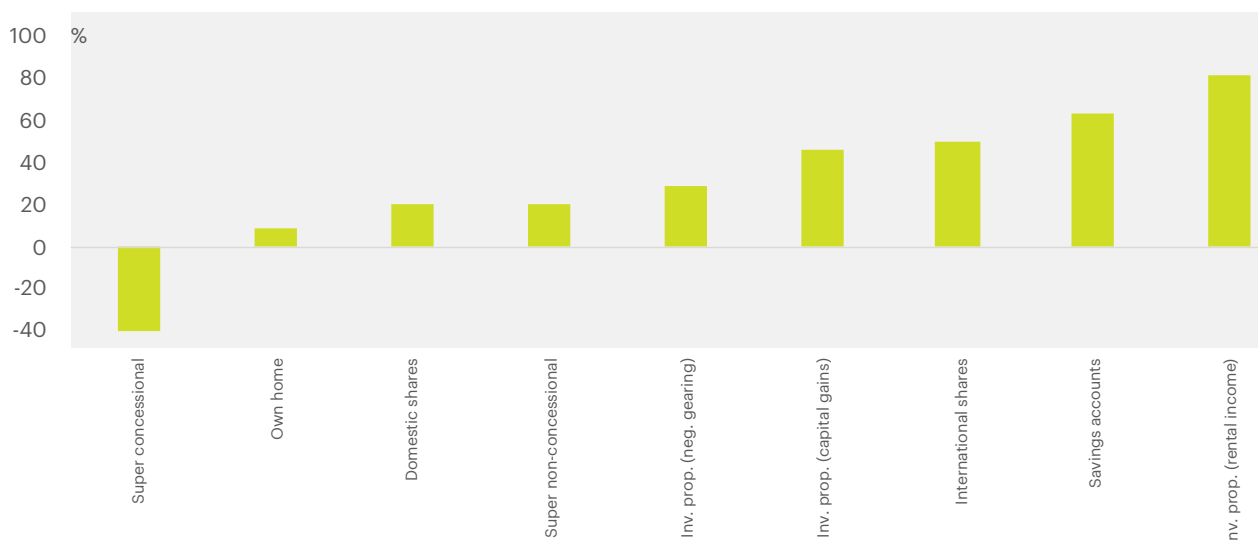
Unsurprisingly, the differences in tax treatment encourage more savings to be held in relatively lightly taxed forms, such as superannuation and owner-occupied housing, compared with bank deposits.

More neutral tax treatment of income from different forms of savings is generally desirable, although there is a strong case for relatively favourable treatment of superannuation because savings are locked in for long periods and compounding tax effects could have punitive impacts.

There are also good reasons to continue to exempt the family home from capital gains tax given both the social benefits of home ownership and the enormous practical complexity and compliance costs of introducing taxation for these assets (which would require deductibility of costs).

Lever 3 Figure 9: The tax treatment of different types of savings differs markedly

Marginal effective tax rate of different types of savings over 20 years, average wage earner



Source: ANU

A better functioning Federation

The Commonwealth collects more revenue than it directly spends on services. The states and territories are responsible for spending that well exceeds their own revenues; states control about 16 per cent of all tax revenue collected by both tiers of government, but are responsible for around 35 per cent of spending.

The Commonwealth's fiscal dominance can result in it playing a more significant role in large policy and program areas such as health and education, increasing the potential for inefficiency and overlap.

Tensions between different levels of government around funding and delivery of services became particularly evident during the pandemic. At the same time, states have more limited options for revenue raising, which has seen them resort to random tax increases targeted at medium and large businesses.

To redress this imbalance roles and responsibilities should be allocated according to which level of government is best equipped to deliver a service and has the right incentives to achieve the desired outcomes.

Better alignment of tax and spending responsibilities could enhance government's accountability to citizens and improve efficiency and service delivery.

LEVER 3 EXHIBIT BOX 1

The challenges within the Federation

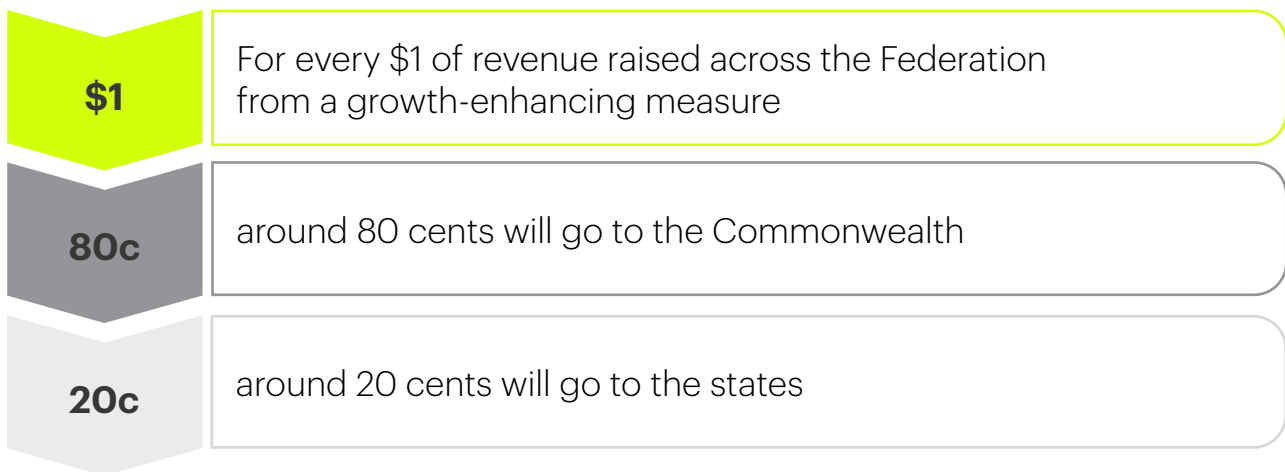
There is no single health system in Australia. We have a web of different services and providers, with all three levels of government (federal, state and local), not-for-profits and the private sector involved. Governments play different roles, including funding health services, developing policy, regulating and delivering services, but no one level of government controls all the levers. This will become even more complex as increases in life expectancy and the ageing population combine with the rising cost of health care. When combined with fiscal pressures on the budget, simply adding resources to the healthcare system is not a viable option.

The patchwork of regulation that exists across the Federation has a chilling effect on investment and creates costs on the economy. Inconsistency and duplication impact businesses operating across multiple jurisdictions due to differences in quality, cost and timeliness of delivering positive outcomes for society. For example, a national business must comply with eight different payroll tax regimes and systems.

State and territory governments should pursue reforms that deliver net benefits to the economy. However, the design of Australia's tax system means a greater share of the revenue raised from reforms may flow to the Australian Government.

Lever 3 Figure 10: Where revenue dollars go

State taxes



State taxes are some of the worst in the Federation

State tax bases are highly reliant on volatile and inefficient taxes, which are harmful to economic growth and budget stability.

- Stamp duty increases the cost of buying a house and discourages people from upsizing or downsizing their home for one that better suits their family, or from moving closer to a new job. It also makes it harder for small businesses to relocate as they grow. Stamp duty can discourage new housing development as the duty is paid twice: once by the developer when the land is acquired and again when the owner buys the house.
- Insurance taxes discourage people from taking out adequate cover. The risk is lower-income households under-insuring and exposing themselves to more risk (rates of non-insurance decline with higher income).
- Payroll and land taxes are designed in a way that hinders efficiency, particularly given their narrow bases, which leads to increased complexity and higher rates, and disparities across Australia. Payroll tax is a tax on jobs. A national business must also deal with eight different payroll tax regimes with differences in rates, thresholds, exemptions and administration across the country.

Institutional incentives stymie major state tax reform. Through a combination of High Court rulings and conditions attached to Commonwealth grants, the tax bases available to state governments have gradually eroded. Much of the windfall from tax reform that lifts economic performance is likely to end up in Commonwealth rather than state coffers.

The big idea

Comprehensive reform of the tax system is necessary to ensure the system is fit for the 21st century and capable of addressing the challenges Australia will face into the future. The problems outlined here can be patched up by modest reforms, but will inevitably need to be addressed again later.

A fundamental requirement is to ensure that Australia's tax system can raise sufficient revenue to fund government, but in a way that is least harmful to economic growth and better able to contain the volatility we face as a small open economy.

The big idea is to reform the tax system in a way that is fit for the future. Broad-based tax reform should rebalance Australia's tax mix in a way that better promotes growth and investment.

- The starting proposition from National Cabinet must be that all options are on the table. The tax system must be reviewed holistically and the community deserves to be informed about the full suite of possibilities, the benefits they bring and the trade-offs they involve.
 - National Cabinet must embark on a competitive tax reform agenda.
- Reduce the reliance on direct taxes, such as personal tax and company tax.
 - Proceed with the Personal Income Tax Plan stage 3 tax cuts and further improve work incentives, especially around the tax and transfer interface for low-income earners.
 - Progressively lower the company tax rate to 25 per cent to encourage both domestic and foreign investment, reward innovation and embed the principle that company tax rates in Australia should always sit around the OECD average.

- Increase use of indirect taxes, such as the GST, to reduce Australia's reliance on taxes that inhibit growth.
 - Broaden the base and increase the rate of GST. Compensate low-income households through a mix of higher transfer payments and lower personal taxes.
 - Pre-emptively ruling out changes to the GST on equity grounds would be short-sighted. The community deserves to understand the implications of broad tax reform for future growth (and scope for appropriate compensation) rather than simply focusing on the perceived fairness of changes to particular taxes considered in isolation. The community should also be made aware of what they will be giving up if reform does not take place.
- Achieve more neutral taxation of savings, such as through a dual-income tax system, or changes to the capital gains tax discount.
- Reform state taxes to better drive economic growth.
 - Harmonise state payroll taxes.
 - Abolish stamp duties and replace with a broad-based land tax.
 - Abolish insurance taxes.

There is now a clear opportunity for the Federation to come together to design a tax system that's fit for purpose. It can set a direction about the mix of taxation and step out how to get there – and stay the course.

It is time to act.

LEVER 3 EXHIBIT BOX 2

Principles for tax reform

The tax system, and the incentives it creates, should be underpinned by a clear set of principles instead of one-off or revenue-raising decisions. Principles that provide a benchmark against which to assess different tax reform proposals include:

The tax system should raise revenue with the least possible cost to society by minimising distortions to the way we work, save and invest.

The tax system should treat people with the same capacity in the same way; those with greater capacity should bear a greater burden.

The tax system should be easy to understand and simple to comply with.

Tax reform should not be designed merely as a revenue grab, recognising that a tax mix that better drives growth can deliver a larger economy with more revenue.

Any improvements to the tax system will involve a debate on how to balance these principles and the trade-offs involved.

Australia's tax system has developed through a combination of planned reform and an accumulation of ad hoc decisions. But even carefully planned, well-designed tax systems will distort the choices people make as they decide how to allocate their resources (money, time and skills) to their most valued use.

How we get there

Whole-of-system tax reform is needed. Today's inefficient and complex system reflects the accumulation of decades of ad hoc changes.

Our tax system stifles investment, risk taking, and entrepreneurship. To become a country that invests, takes risks, and brings out the best in people we must identify the optimal tax mix and deliver a way to get there.

These measures, alongside others, will be explored in further detail in an upcoming tax paper by the BCA.

All tax reform options should be on the table

- The starting point must be a national conversation about a tax system that is fit for the future. All options should be on the table rather than pre-emptively ruled out. They must be carefully assessed on their merits and how they collectively contribute to a more effective tax system, not in the context of preconceptions about their political palatability.
- The full suite of possibilities must be presented to the community, with clarity about their benefits and trade-offs. The range of options should not be constricted before debate has started. This would be grossly unfair to Australians and fail to acknowledge their capacity to understand and embrace choices that deliver overall benefits.

Personal tax

- The three-stage Personal Income Tax Plan should be implemented in full. The legislated changes will simplify the tax system and remove disincentives to entering the workforce, to working extra hours, or to getting a new job. It will achieve this by ensuring more than 90 per cent of taxpayers face a marginal tax rate of no more than 30 per cent, while maintaining a progressive and fair tax system overall.
- Consider how the full three-stage plan can be leveraged to further improve work incentives, especially around the tax and transfer interface for low-income earners. This should include exploring the tax treatment of income support and supplementary payments.
- Explore further measures to simplify processes, including tax returns for individuals through myTax, and address the \$9 billion personal tax gap driven largely by issues with work-related expenses and undeclared income.

Company tax

It is imperative that we urgently make the tax system more competitive as fiscal circumstances permit. This is not the time to experiment with complex and untested changes to the company tax system.

- Reduce the corporate tax rate to 25 per cent for all companies to attract investment, drive growth and mitigate the distortions and disincentives of the two-tier tax system. This could be introduced through a phased reduction in the current corporate tax rate by one percentage point a year.
 - To illustrate, reduce the 30 per cent company tax rate to 29 per cent from 1 July 2024, followed by 28 per cent from 1 July 2025 etc until it reaches 25 per cent.
- Implement company tax integrity measures that are consistent with the OECD's Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy and with adequate time for companies to become compliant. This includes the 15 per cent minimum tax rate and ensuring any tax transparency measures are consistent with international transparency and reporting requirements.

GST

- Increase the reliance on indirect taxes such as the GST to reduce taxes that are more harmful to growth. This could be achieved through either:
 - no change to the existing base of the GST and a higher GST rate
 - a broader GST base with the existing 10 per cent rate
 - a broader GST base and a higher GST rate
 - a lower GST rate with a broader base.
- Households should be compensated – particularly low-income households – to support the reform. This can be through a mix of higher transfer payments and lower personal taxes.
- The current GST distribution arrangements should not be changed in the absence of comprehensive tax reform.

Taxation of savings

- Review the concessional treatment of different forms of saving to promote more neutral concessional treatment, taking into account implications for other taxes and income distribution. Ensure these are treated collectively and are part of a suite of broader tax reform measures.
- Options could include changes to the capital gains tax discount (including both the rate and its broader application), the taxation of real gains, and the introduction of a tax-free threshold.
- Any reforms will require analysis of effective marginal tax burdens and their compounding impacts on savings over lifetimes and likely behavioural responses to changes.

State taxes

- Consolidate the eight separate payroll tax online platforms into a single national platform to simplify compliance for businesses that operate across multiple jurisdictions.
 - There is a role for the Australian Government to help coordinate or enable this reform. For example, the Simplifying Payroll Tax Reporting project currently under way is exploring leveraging Single Touch Payroll data to reduce payroll tax compliance costs.
 - This project should be expanded to more companies, particularly those operating in more than one state, noting the project may identify a need for harmonisation of payroll tax regimes to realise benefits.
- Work with states and territories to help replace stamp duty with a land tax, to remove the disincentive to people relocating, including for new work opportunities.

What not to do with tax reform

- There should be no random tax increases that undermine investor confidence, particularly as businesses with the biggest balance sheets have been the target of these increases, additional compliance measures, more arduous reporting requirements, and additional or higher penalties.
 - Taken together, such actions are increasing risk and deterring investment in Australia.
 - One-off tax increases or levies are not a solution to inefficient spending and inevitably impair the income growth that drives revenue for essential services.
- No super profits tax. Suggestions to tax the so-called super profits of energy providers and miners, in particular, should be resisted.
 - Higher commodity prices were a key factor in the increase in company tax collections from \$99 billion in 2020-21 to \$126 billion in 2021-22 and an expected \$141 billion in 2022-23.
 - The so-called excess profits will not be sustained now that commodity prices are falling. A structural 'solution' should not be imposed on a cyclical boost to prices and profits.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 3: A tax system for the future				
The big idea	N	5	10	
Undertake broad-based reform of the tax system to minimise distortions and sharpen incentives to invest, innovate and hire.	✓	✓	✓	
Action items	N	5	10	
Begin a national conversation about a tax system that is fit for the future, with all options on the table.	✓			
Proceed with the three-stage Personal Income Tax Plan, and consider further reforms to improve work incentives, simplify personal taxes and improve the integrity of the personal tax base.	✓	✓		
Lower the company tax rate over time to 25 per cent. Implement tax integrity measures in a manner consistent with the OECD's Two-Pillar solution.	✓	✓		
Increase the reliance on indirect taxes such as the GST to reduce taxes that are more harmful to growth.	✓	✓	✓	
Review the concessional treatment of different forms of saving to promote more neutral concessional treatment, taking into account implications for other taxes and income distribution.	✓	✓	✓	
Consolidate the eight separate payroll tax online platforms into a single national platform to simplify compliance for businesses that operate across multiple jurisdictions. Work with states and territories to help replace stamp duty with a land tax, to remove the disincentive to people relocating, including for new work opportunities.	✓	✓		



Lever 4 An agenda for microeconomic reform

4

An agenda for microeconomic reform

Tackling our microeconomic settings and making it easier to do business will dramatically improve investor confidence and increase our global competitiveness.

What has to change and why?

Australia's competitiveness has plummeted. Unnecessary and inefficient regulation is making it harder to do business here, so global investors are looking elsewhere.

While we rank well on factors such as credit rating, universal health coverage and investment in telecommunications, we do poorly when it comes to entrepreneurship, workforce productivity and medium and high-tech value add.

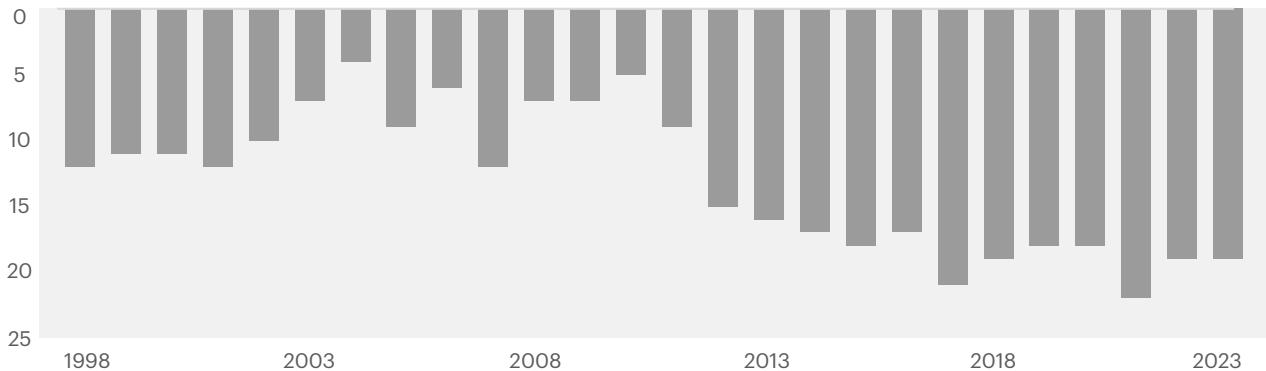


A high-cost, uncompetitive business environment will deter innovation, new investment, and people wanting to start businesses or launch new ventures. This means jobs and money that could have been in Australia will go elsewhere, and our workers will miss out on opportunities and higher wages.

¹ International Institute for Management Development /World Competitiveness Centre 2022, Competitiveness ranking, media release, IMD, <https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/> (accessed February 2023)

Lever 4 Figure 1: Australia's competitiveness ranking has collapsed

IMD World Competitiveness Ranking



Source: IMD

The burden of regulation is a significant issue for Australian companies, which face duplication and inconsistencies across various levels of government, frequent changes to laws and regulations, and a poor understanding from policymakers and regulators of the complexity, time and cost of implementing these changes.

Lever 4 Figure 2: The burden of regulation on Australian businesses



Someone looking to open a cafe in Sydney that requires minor construction work, will have background music, al fresco tables and chairs, an 'A Board' on the footpath and will employ staff (including some working holidaymakers) needs:

- more than 20 licences from multiple agencies across three levels of government
- to determine which of the 122 awards apply
- to understand the Restaurant Industry Award, which is more than 90 pages long with pay determined across six employee classifications, five allowances, six overtime rates and six penalty rates across three employee classifications. The award has been updated six times in 2023 alone.



A major retailer with a national presence must deal with more than 500 laws, regulations and inquiries.

In addition, there are more than 500 local councils with their own sets of rules.



The regulatory costs of our cross-border trading system are \$4.3 billion every year due to complex, duplicative or manual regulatory requirements.

About one-third of cross-border trade regulations are duplicated in some way across agencies.



One major company says spending on compliance has grown from 0.7 per cent of revenue in 2017 to 4.7 per cent of revenue today – almost a sevenfold increase. Another notes the number of staff working on compliance has increased from 200 to 1,200 – a sixfold increase over four years.

Source: BCA

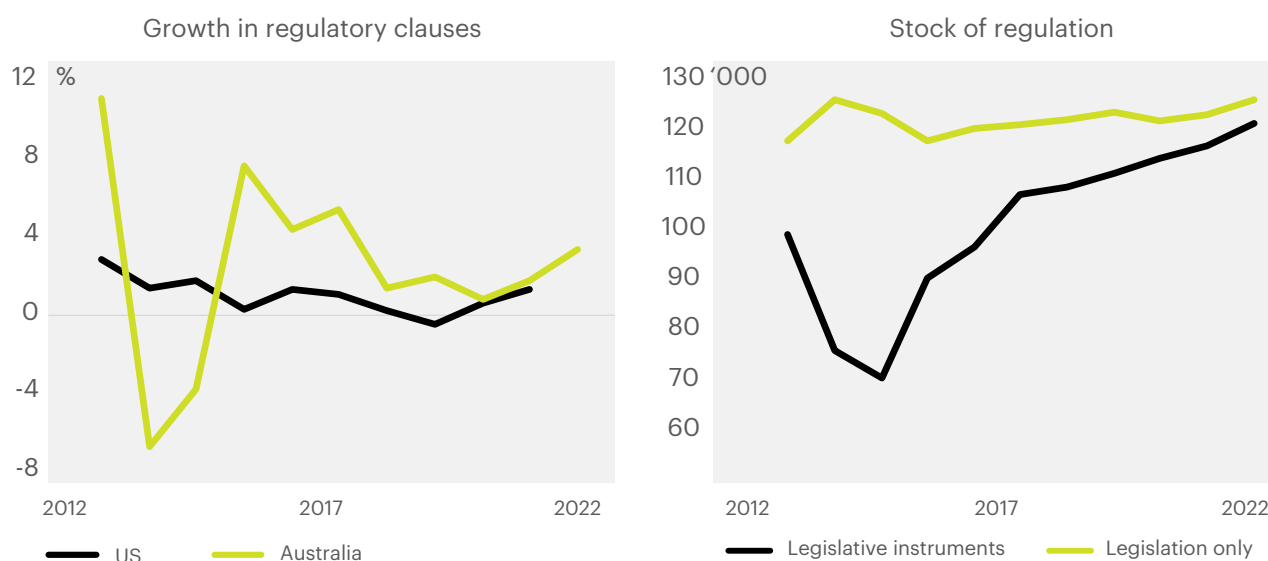
Investment and dynamism is suffering

The patchwork of regulation across Australia is discouraging investment and the ability to be more dynamic. It adds significant costs to businesses operating across multiple jurisdictions, prevents new firms being set up and stops companies growing and trading across state lines or overseas.

In 2022, there were more than 120,000 clauses regulating behaviour and changing incentives in Commonwealth Government legislative instruments.

Lever 4 Figure 3: Regulation has grown dramatically in Australia

Growth in regulation and stock of regulation in Australia



Source: QuantGov

It's harder to make a case for investing in Australia

When making investment decisions, companies and boards assess a portfolio of potential opportunities across different entities, projects and countries.

The risk and return for each investment is analysed, based on factors including regulatory conditions and approvals processes, operating costs, certainty, and after-tax returns.

Planning approvals systems in particular can create uncertainty and risk – in addition to potential additional costs and delays. Planning approvals take an average 200 days for medium-density developments in New South Wales, for example, compared with about 70 days in Western Australia.²

The less competitive Australia is on any of the factors being considered by investors, the less likely it is for companies to do business here. Ultimately, the impact is slower jobs growth.

Over the past decade regulation and intervention have increasingly become the first resort of policy makers to deal with a perceived market failure, while cost-benefit assessments of new policies have either been by-passed or paid lip service by various governments.

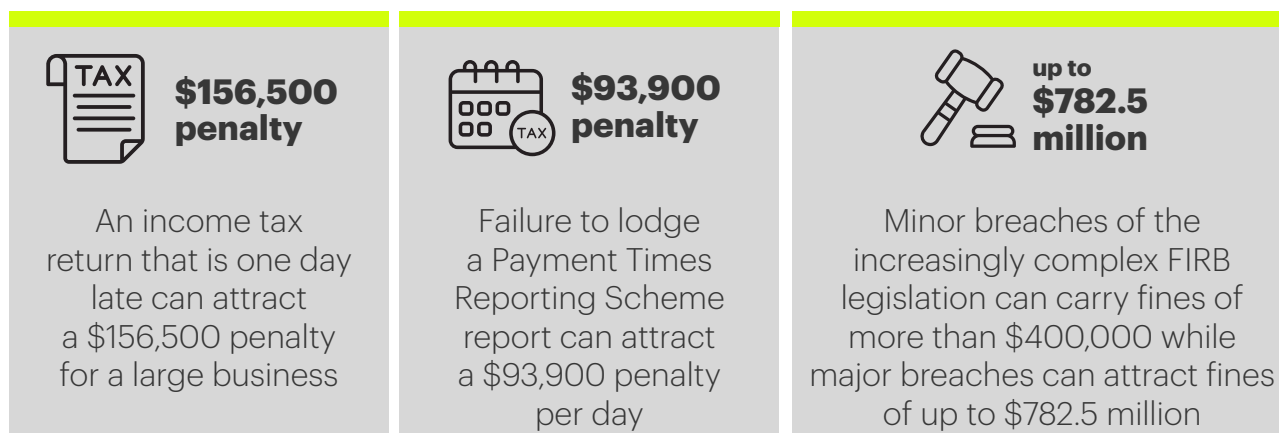
Governments have abruptly changed rules and regulations, increasing risk for future projects. A long line of 'one-off' policy changes give broad scope and power for unnecessary and excessive interventions in business practices, particularly around energy and critical infrastructure.

Fines have also been dramatically increased.

When taken together, these factors are a deterrent to investing in Australia.

² NSW Productivity Commission, 2021, Productivity Commission White Paper 2021, Rebooting the economy, May.

Lever 4 Figure 4: Outsized penalties on business



Source: BCA

Businesses with the largest balance sheets have been the target of:

- ad hoc tax increases
- additional compliance measures
- increased reporting requirements
- additional or higher penalties.

While business acknowledges the right of governments to regulate in the national interest, the cumulative effect of changes and their broader impacts on economic performance cannot be overlooked.

These actions undermine the incentives that drive businesses to invest and innovate in Australia, foster a compliance culture and reduce investor confidence.

Harnessing National Cabinet to drive reform

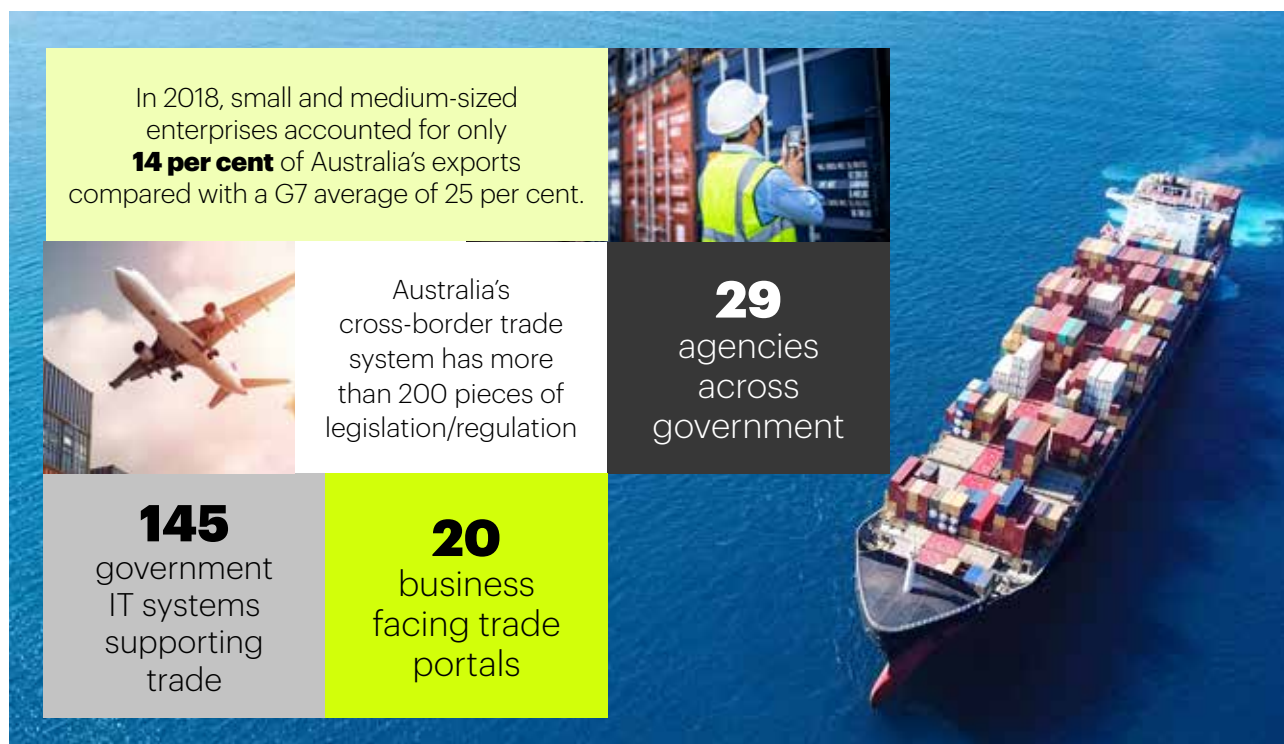
National Cabinet was vital in coordinating Australia's pandemic response and should be called on to tackle some of the most pressing issues across the Federation, particularly in relation to deregulation and consistency.

A well-functioning Federation underpins the efficient delivery of government services and achieves better community outcomes for each dollar spent.

State and territory governments should pursue reforms that benefit the economy, but the design of Australia's tax system means a greater share of the revenue raised through reforms may flow to the Commonwealth.

Recent ad hoc payroll tax increases in Victoria and Queensland will see businesses paying more than \$2.2 billion additional tax each year – a disincentive for them to grow and create more jobs in those states. Companies will look elsewhere to do business and invest in new projects.

Lever 4 Figure 5: Australia's cross-border trade system is a patchwork of rules and complexities³



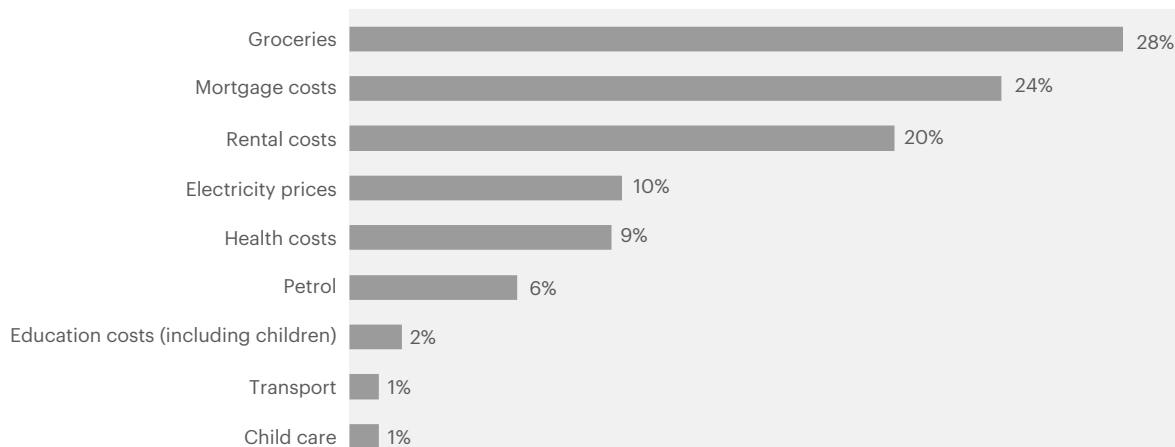
The regulatory costs of our cross-border trading system are \$4.3 billion a year due to complex, duplicative or manual processes. About one-third of cross-border trade regulations are duplicated in some way across agencies.

Delivering housing supply

Australian cities are among the most expensive in the world for housing, as measured by median house price in comparison with median income.

BCA-commissioned research shows that the cost of housing – the combination of mortgages and rents – is the biggest financial worry for Australians, above groceries, electricity prices, health costs, or petrol. Australia is failing to deliver enough new homes to satisfy demand, with growth in new housing supply falling.

Lever 4 Figure 6: Largest financial worry in 2023



Source: BCA commissioned research C|T Group May 2023

³ Export Council of Australia 2018, Trade Policy Recommendations: Increasing SME participation in international trade, media release, ECA, https://export.org.au/wp-content/uploads/2021/08/TPR_2018.pdf (accessed February 2023)

Being unable to find suitable affordable housing stops workers from moving to new locations to take up innovative jobs. This is constraining productivity in what should be some of Australia's most productive areas.⁴ Sufficient affordable housing in the areas that need to attract and retain productive workforces is essential for business, and for Australia's success.

Each state and territory imposes its own set of assessment or planning regulations to control new developments. This is meant to ensure development is in line with strategic planning for an area but can often stymie new housing supply where it is needed most by causing delays and uncertainty.

Planning and zoning rules must enable the nation to build enough housing in the right places, and for land to be made available. Infrastructure is critical to support this – transport, schools, medical facilities, green space, and other government and commercial services are needed.

Some existing infrastructure may have to be upgraded and adapted to support additional housing, but in greenfield areas it will need to be built from scratch, together with utilities and roads.

We applaud the Australian Government for treating housing as an issue of national importance and bringing it to the table at National Cabinet. But far more needs to be done to have a meaningful impact.

Australia needs to deploy different models to deliver new houses. Our build-to-rent market is in a nascent state, hindered in part by tax inefficiencies. The government's recent commitments to review some of these disincentives is welcome news.

There has been much discussion of using superannuation funding to build new dwellings. Build-to-rent is an opportunity for housing to be delivered with long-run commercial returns more attractive to investors.

The cost of new housing goes beyond materials, labour and the land on which it sits. There are significant financial outlays even before the first brick is laid.

Professional services are needed to navigate the planning system, including planners to support the development application and potential rezoning, architects, designers and engineers for the design of the building, and legal and community engagement expertise. All of this imposes an indirect cost on new housing.

There are also the direct costs imposed by governments, including development contribution charges as well as taxes, application fees, and transfer duties.

On top of this are financing costs, which are exacerbated by the amount of time it takes to get a development off the ground and into delivery, as well as ordinary business costs such as sales and marketing.

Retail trading hours

Retail trading hours are heavily regulated in Queensland, Western Australia and South Australia, and can differ according to the day of year, goods sold, company size, store size and location. This limits access and choice for consumers, and prevents staff from being on site to prepare stores for their limited trading hours (such as turning on ovens or preparing tills) or from working more hours.

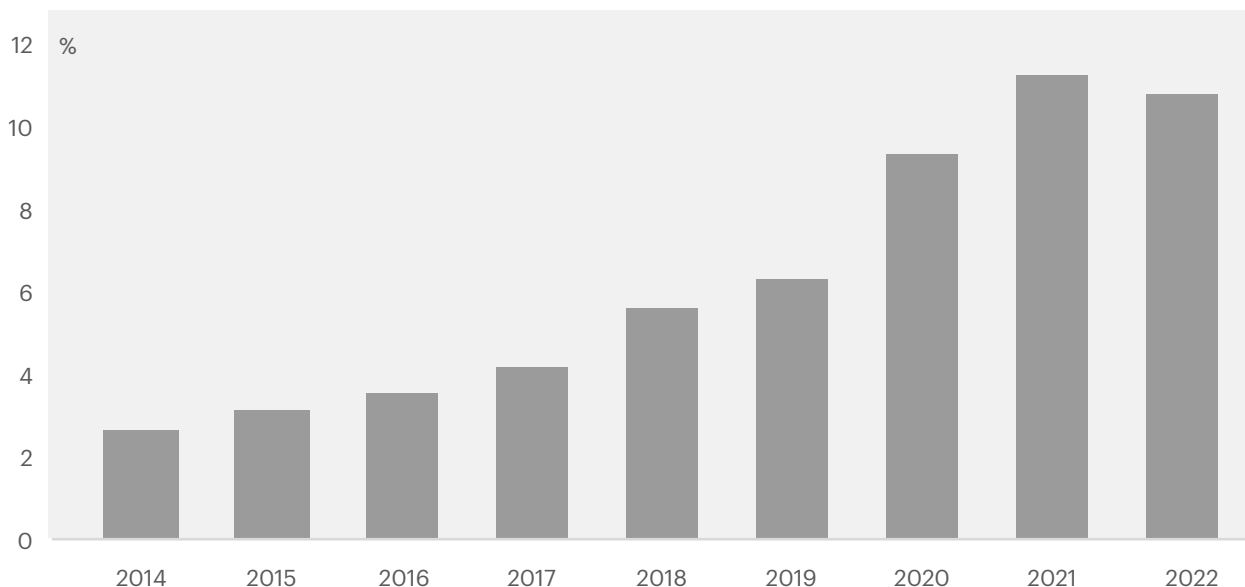
Consumer preferences have changed significantly in recent years, particularly during the pandemic when customers shopped 24/7 and bought products online from any country. Regulation must keep pace.

Online retail was 11 per cent of total retail spending in 2022, up from three per cent in 2014. Retail trading hours were temporarily extended in response to the pandemic to offer more convenient and safer shopping for consumers, supporting employment and improving supply chain efficiency.

4 Hsieh, C and Moretti, E 2019, 'Housing constraints and spatial misallocation', American Economic Journal: Macroeconomics, vol. 11 (2), <https://www.aeaweb.org/articles?id=10.1257/mac.20170388> (accessed March 2023)

Lever 4 Figure 7: Online spending has increased dramatically in recent years

Online spending as a share of total retail spending



Source: ABS

Delivery hour curfews

Planning approvals typically determine hours of operation for major stores and distribution centres. This limits operational flexibility. At the height of the pandemic, these restrictions hampered supermarkets in dealing with panic buying, as they were unable to receive supplies after hours and restock shelves when they needed to. State governments temporarily lifted curfews to allow 24-hour operation of freight delivery and restocking.

Curfews also impact the efficient operation of freight. For example, if a delivery misses the allowable operating period, it has to be rescheduled for the next day rather than be accommodated with a slight delay.

The big idea

Establish a five-year 'ease of doing business' agenda through National Cabinet, guided by a Productivity Commission review of regulations across the Federation. There should be a commitment to best-practice analysis for every new policy introduced.

Reform priorities should be determined by:

- The potential competitiveness and productivity benefits, including the number of businesses affected, direct costs and benefits, and the overall impact of reforms.
- The complexity and ease of implementation, including the degree of coordination required across government (departments, regulators and levels of government) and the nature of the change (legislative, regulatory or a change in administrative process).

National Cabinet should ensure there is a permanent structure or body to drive this agenda. For example, the Council of Federal Financial Relations should be tasked with actioning the 'ease of doing business' agenda, which should be a permanent agenda item for all meetings.

How we get there

We need a change in mindset to improve Australia's productivity performance. The first step is recognising that productivity is an urgent priority, not something to worry about in the future.

Game-changing reforms across the economy can secure our economic future. Major changes will involve hard and detailed work and will take time. But we can also pursue a reform agenda with smaller, practical steps towards improving our nation's productivity. They will produce quick wins and substantial cumulative benefits by:

- reducing the frictions in our economy such as unnecessary and overly burdensome regulations
- increasing the flexibility and adaptability of households and businesses
- removing unnecessary barriers
- making it easier to do business
- improving Australia's competitiveness
- dealing with the supply side issues impacting the economy.

LEVER 4 EXHIBIT BOX 1

National Competition Policy reforms

We should not forget the measures that drove the previous big era of productivity and delivered higher wages and living standards to all Australians. These National Competition Policy reforms benefitted the economy to the tune of at least \$60 billion in today's dollars.

The reforms took a decade to implement and required the effort of all levels of government, covering close to 1,800 pieces of legislation. The benefits flowed into people's pay packets.

The Australian Government made \$4.9 billion of payments to the states and territories for following through on the implementation of the National Competition Policy reforms. This was to encourage a continued commitment to reform, and to ensure that the states and territories shared the benefits.

There are several microeconomic levers we can pull immediately to make a difference.

Productivity payments

- Provide ongoing productivity payments to states and territories that implement beneficial reforms, including tax and regulatory changes. Payments should be available only to jurisdictions that fully meet their reform commitments.
 - The Australian Government should share tax revenue raised through reforms by providing substantial and untied productivity payments to the states and territories. This funding should be ongoing and indexed by inflation and population growth.
 - This should be a joint venture in which all jurisdictions contribute to the cost of reforms but share more evenly in the benefits through productivity payments. The size of these payments would need to be sufficient incentive for all governments to implement reforms, but proportionate to the fiscal dividend.
 - The Productivity Commission should publicly assess each jurisdiction's progress in achieving reforms. This annual assessment should include recommendations to the federal treasurer regarding withholding productivity payments from any jurisdiction that doesn't fully meet its commitments.

Burden of regulation

- The Productivity Commission should investigate how to reduce the regulatory burden on both a state and industry basis. A measure for ease of doing business should be developed to compare each state and territory.

Fund infrastructure that supports housing

- Funding infrastructure tied to housing will help unlock new supply, improve housing affordability and allow more people to own a home. Leverage the \$120 billion federal infrastructure pipeline for projects that have an explicit housing supply outcome. This will open up opportunities beyond what is possible from the National Housing Infrastructure Facility's Critical Infrastructure fund.

Planning approval reform

- Governments must have efficient planning systems that enable new homes to be built in areas in which they are needed.
 - The Australian Government should incentivise states and territories to improve their systems and strive for best practice in timeliness of assessment and granting of planning permissions.
 - Governments should consider up-zoning areas with existing infrastructure and services to boost housing supply.
 - National Cabinet should develop a consistent approach to complying residential development, including low-impact medium-density housing.
- The Australian Government should set national net-additional dwelling targets over 10 years, tied to forecast population growth. These should inform state and territory targets that are linked to financial incentives and penalties. They should take into consideration both greenfield and infill development.
- Governments should ensure policies give due consideration to the need for new housing in areas with existing infrastructure, jobs and services. Local concerns should be balanced with state and national economic and social need in respect to well-located housing.
- The government must continue to remove disincentives to build-to-rent housing. This should include drawing on expertise from the superannuation industry to understand how to get more build-to-rent projects delivered, and encouraging more private capital in this space.
- The Australian Government should progress its commitment in the Nature Positive Plan for the reform of the Environmental Protection and Biodiversity Conservation (EPBC) Act, delivering faster, better decision making for business, while also facilitating improved environmental outcomes.

Retail trading hours

- NSW has extended opening hours for businesses, including supermarkets, following a review of temporary COVID changes. Other states have not committed to this yet, but in 2022 South Australia extended its trading hours in certain circumstances.
 - The NSW approach should be adopted nationally. Recent industry research in South Australia suggested retail employees could earn an extra \$68 million a year if trading hours matched the eastern states model.
 - The Australian Government should raise the broad issue of retail trading hours at National Cabinet as part of a deregulation agenda.

Remove delivery hour curfews

- NSW has lifted restrictions for deliveries and non-trading activities in industrial and business zones. This approach should be adopted nationwide by states with more restrictive settings. The NSW changes allow businesses to operate 24 hours a day for non-trading activities in industrial and business zones. Businesses must ensure they comply with the NSW Environment Protection Authority's Noise Policy for Industry.

Recommended core infrastructure delivery principles

- As Australia's population continues to grow, including through migration which plays an important role in the economy, the federal government must step up to its responsibility to deliver critical infrastructure. This is particularly important for areas experiencing the most rapid population growth. The BCA recognises that the federal government has acknowledged this priority, and it should now follow through with allocating and prioritising funding.
- The government should leverage private-sector investment (including from superannuation funds) as an alternative funding source to government debt. Private-sector funding will enable the pipeline of projects to be delivered, and inject a commercial discipline to help lift productivity. The federal government should encourage states and territories to do the same.
- Priority must be given to projects that deliver solid economic benefits (with credible business cases). There should be a focus on projects that facilitate new housing in areas with strong demand, including enhancing local and regional connectivity so residents have access to transport as well as digital and telecommunications services. Another focus should be projects that enable the transition to renewable energy sources, and those that improve overall resilience to the impact of climate change.
- Projects that relate to state and territory areas of responsibility should reflect the strategic plans laid out by those jurisdictions, rather than competing priorities overlaid by the federal government.
- The federal government should ensure its funding of local and state projects does not prevent the delivery of projects that are solely federally funded. For example, the reliability of the national rail freight network, a federal responsibility, is a priority for BCA members.
- The federal government should use its position to support better coordination between the states and territories, to help reduce peaks and troughs in the availability of skills and materials.
- The federal government should adopt appropriate risk-sharing measures as part of project procurement, including early industry engagement in project design, and a more collaborative approach to risk sharing. This is particularly important in the context of current ongoing market pressures.
- Ten-year rolling funding plans should be established to set a minimum amount of federal government money that is available to be invested in infrastructure. Funding should not be tied to specific projects but allocated as priority projects reach maturity and have demonstrated their value via a business case process.
- Business case and procurement processes should also be reformed to take into consideration the need to reduce the carbon footprint of new projects (both in delivery and operation).



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 4: An agenda for microeconomic reform

The big idea

N

5

10

Establish a five-year 'ease of doing business' agenda, including incremental reforms that together can make a big difference.

Action items

N

5

10

Provide ongoing productivity payments to states and territories that implement beneficial reforms, including tax and regulatory changes. Payments should be available only to jurisdictions that fully meet their reform commitments.

✓

✓

✓

The Productivity Commission should investigate how to reduce the regulatory burden on both a state and industry basis. A measure for ease of doing business should be developed to compare each state and territory.

✓

✓

Funding infrastructure tied to housing will help unlock new supply, improve housing affordability and allow more people to own a home. Leverage the \$120 billion federal infrastructure pipeline for projects that have an explicit housing supply outcome. This will open up opportunities beyond what is possible from the National Housing Infrastructure Facility's Critical Infrastructure fund.

✓

✓

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✓

✓

NSW has extended opening hours for businesses, including supermarkets, following a review of temporary COVID changes. The NSW approach should be adopted nationally.

✓

- The Australian Government should raise the broad issue of retail trading hours at National Cabinet as part of a deregulation agenda.

NSW has lifted restrictions for deliveries and non-trading activities in industrial and business zones. This approach should be adopted nationwide by states with more restrictive settings.

✓

A photograph of several wind turbines in a green field at sunset. The sky is a mix of orange, yellow, and blue. The turbines are white with three blades each. A large, bright yellow number '5' is overlaid on the bottom left of the image. A thin white line curves across the middle of the image.

Lever 5 Energy and the road to net zero

5

Energy and the road to net zero

A smooth energy transition will boost productivity and turbocharge our journey to a net zero economy. It could also mean a cumulative increase of \$890 billion in GDP and more than 195,000 new jobs by 2070.

What has to change and why?

Decarbonising our domestic economy and export sectors is dependent on transitioning to a modern energy system — one that is reliable, affordable and sustainable. This is central to the economic interests of all Australians, including:

- workers in the energy sector and energy intensive parts of the economy
- smaller local businesses that need to keep their energy costs down to survive
- larger externally focussed businesses that need to keep their energy costs down to be internationally competitive
- vulnerable households that need to heat and cool their homes while managing tight budgets and cost-of-living pressures.

Moving ahead with the ambitious plan to decarbonise our economy will position Australia to capitalise on the enormous international opportunities before us.

Australia's emissions reduced by an average of 11.6 million tonnes a year between 2009 and 2022.

To achieve our net zero goal we must increase this average to 17.4 million tonnes a year to 2050.

In 2022 Australia's emissions fell by 0.3 million tonnes.



The challenge we face

In June 2022, the Australian Government committed to reducing Australia's emissions by 43 per cent below 2005 levels by 2030 and achieving net zero emissions by 2050.

- This means reducing our economy's annual emissions from 498 million tonnes today to 354 million tonnes in 2030.
- Total electricity sector emissions per year need to drop by about 100 million tonnes to 62 million tonnes in 2030.¹

Modelling for the Australian Energy Market Operator's (AEMO) Integrated System Planning and the government's Powering Australia Plan — both incorporating the 2030 target — projects an increase in renewable energy use to 82 per cent in 2030 (from 36 per cent today).²

Australia must double its grid-scale renewables build rate and maintain the rooftop solar installation rate every year until 2030³ to deliver a nine-fold increase in grid scale renewables and a five-fold boost in rooftop solar capacity by 2030.⁴

¹ Australian Government, Department of Climate Change, Energy, the Environment and Water, Australia's emissions projections 2022.

² Australian Energy Market Operator, '2022 Integrated System Plan June 2022, For the National Electricity Market', June 2022.

³ Clean Energy Council, 'Clean Energy Australia Report 2023', April 2023.

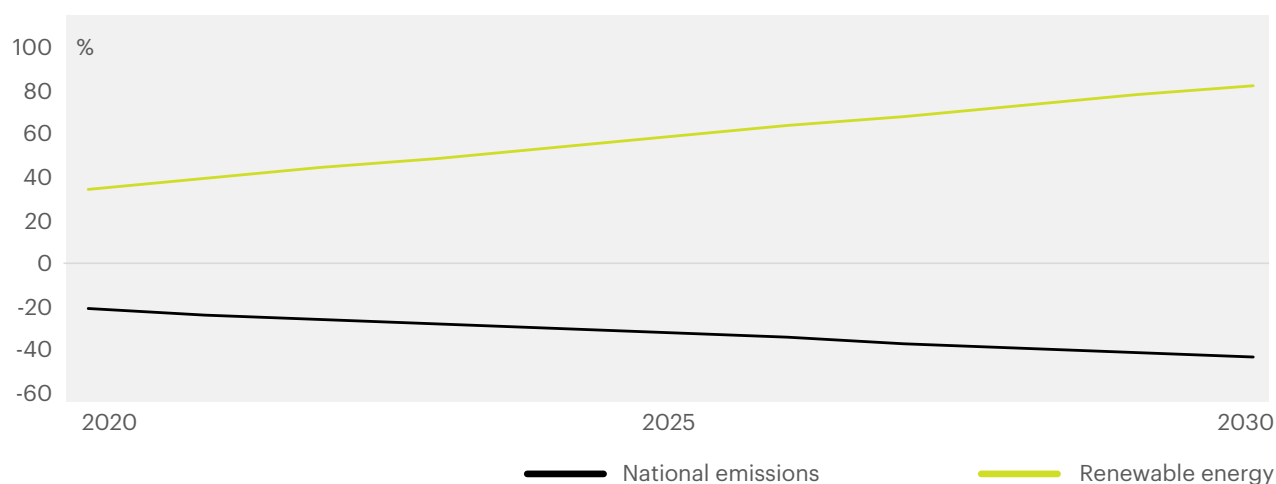
⁴ Australian Energy Market Operator, '2022 Integrated System Plan', June 2022.



Electricity sector emissions represent a third of the national total. But about three quarters of Australia's emissions reductions to 2030 are expected to come from electricity sector investment and divestment.

Lever 5 Figure 1: Government decarbonisation targets

Our 2030 national emissions target will be driven by an increase in renewables use in the electricity sector



Source: Australian Government

Supporting this level of renewable generation while maintaining reliability and affordability requires unprecedented levels of adjustment and investment, including:

- building more than 10,000 kilometres of electricity transmission infrastructure across the country
- a 30-fold increase in energy storage capacity
- the retirement of all coal generation by 2043 (or earlier)
- an increase in gas-fired peaking plants
- a range of demand side and energy efficiency technologies.

Coal-fired power stations will continue to play a role in the energy system, with sites progressively becoming clean energy hubs that provide critical system strength, storage and firming services rather than coal-fired generation.

Australia's gas sector has a critical role to play in stabilising the domestic energy system in the transition to a net zero Australian economy, and an important role to play in supporting the energy systems of many of our Indo-Pacific trading partners as they transition to renewables.

Australia's emissions reduction targets were formalised in legislation in 2022 and the Climate Change Authority (CCA) provides regular detailed advice to government (and parliament) on progress towards meeting targets and setting new ones.

In 2025 Australia is due to submit its next nationally determined contribution under the Paris Agreement, for the period 2031 to 2035, and the CCA has begun consultation with industry and the community.

How ambitious we can be in setting our national emissions reduction target for 2035 will depend on how successful we are in the energy transition to 2030. Success means hitting the 82 per cent renewables target in an orderly way — with energy security and affordability preserved and social licence and community acceptance intact. Otherwise, setting ambitious targets for 2035 and beyond will be that much harder.

Storage technologies will be critical to stable energy supply

Given Australia's net zero emissions by 2050 target, the demand for renewable energy storage is projected to be significant.

Although storage will be key to supporting higher levels of decarbonisation and renewable energy deployment, many Australian sectors face challenges in integrating renewable storage technologies.

Energy market design decisions over the next five years will shape the course of Australia's storage-related needs and investments, and require further consideration and planning.

Australia will need to rapidly develop a pipeline of projects across different energy storage technologies to address challenges in different industrial and power sector applications and geographical locations.

Gas will be critical to stabilising the system

Domestic gas supply in southern Australia is declining faster than projected demand, and domestic gas supply in Western Australia is facing a tight supply demand balance later this decade.

Based on the current technology available in-market, continued investment in the gas sector will enable our economy to move towards a net zero emissions future without putting energy system security and reliability at risk in the process.

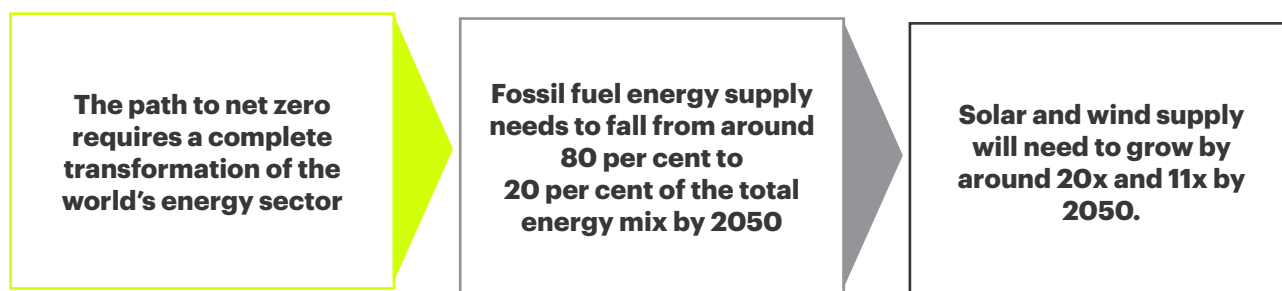
More than half of Australians surveyed by the BCA said they supported more investment and government approvals for gas projects to achieve net-zero emissions by 2050, with 20 per cent in strong agreement and just seven per cent strongly disagreeing. The agreement is broadly consistent across demographic groups and locations.⁵

We must accelerate private investment in our energy sector as we compete with the world for capital

Building a modern energy system requires significant investment in clean energy assets and infrastructure.

The scale and pace of the global clean energy transition is unprecedented.⁶ The International Energy Agency (IEA) estimates that about US\$ 2.8 trillion will be invested in energy in 2023 – and that for every US dollar spent on fossil fuels, 1.7 dollars is now being spent on clean energy. Five years ago, this ratio was 1:1.⁷

Lever 5 Figure 3: The path to global net zero⁸



⁵ BCA commissioned research, CJT Group May 2023

⁶ International Energy Agency, 'Net Zero by 2050: A Roadmap for the Global Energy Sector', October 2021.

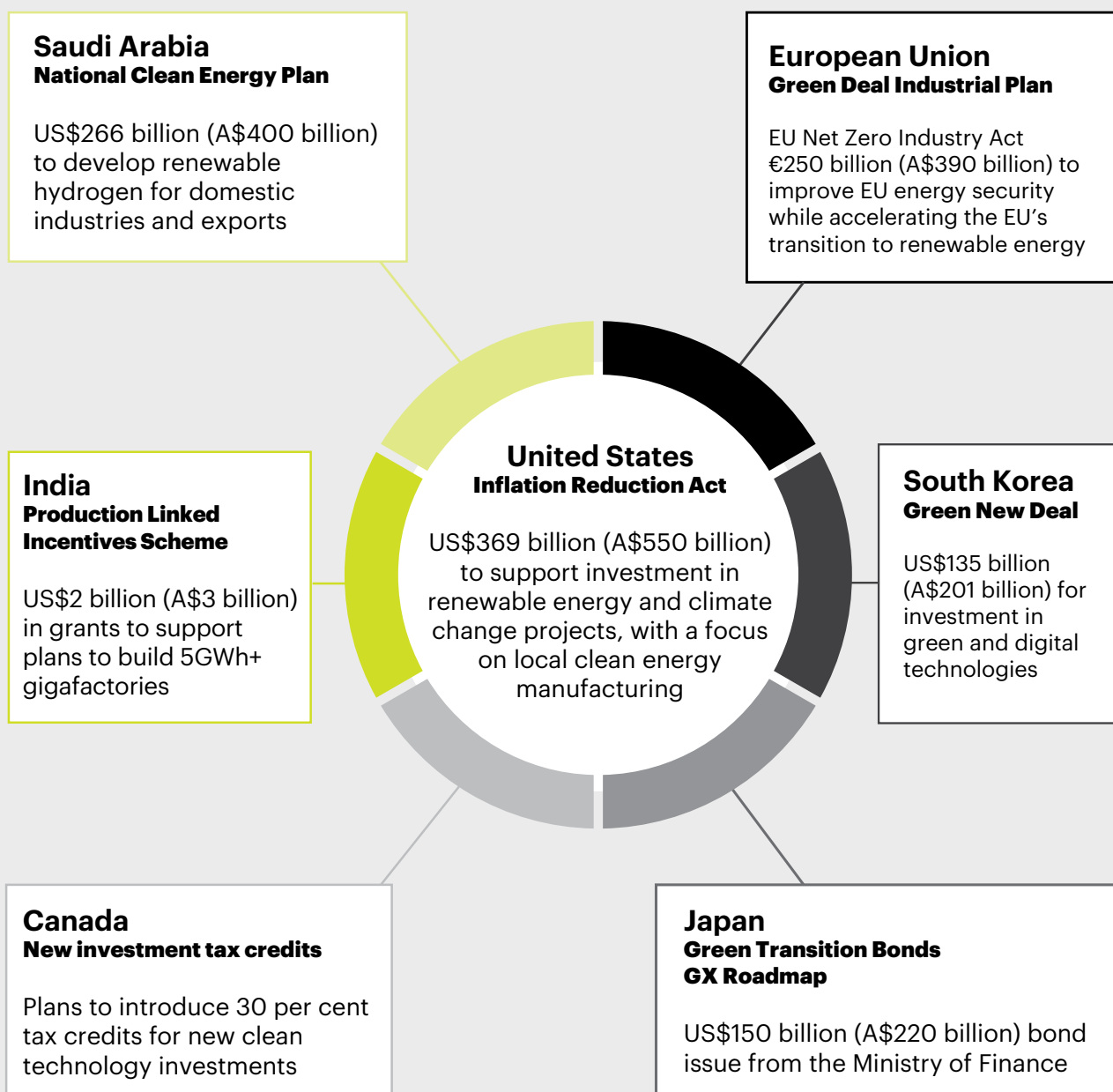
⁷ International Energy Agency, 'World Energy Investment 2023', 2023.

⁸ International Energy Agency, 'Net Zero by 2050, A Roadmap for the Global Energy Sector', October 2021

Renewables currently account for 40 per cent of global power capacity. 2022 saw the largest increase in global renewable energy capacity to date, increasing capacity by nearly 10 per cent and contributing an unprecedented 83 per cent of total global power capacity additions.⁹

Governments in many of our key trading partners are implementing ambitious policies to support their domestic and export renewable industries.¹⁰

Lever 5 Figure 4: Policies introduced across the globe to support domestic and export renewable industries.



Source: BCA

⁹ International Renewable Energy Agency, 'Renewable Capacity Statistics 2023', 2023.

¹⁰ Accenture, 'Sunshot in 2023: Accelerating towards Australia's renewable exports opportunity Final report', March 2023

Our energy policy framework is taking shape but the global energy crisis has been a wakeup call

A lot of hard work over many years has gone into developing Australia's energy policy framework. While not without missteps and challenges, this work has culminated in many positive initiatives.

LEVER 5 EXHIBIT BOX 1

Energy policy framework elements and initiatives

- National Energy Transition Partnership — on 12 August 2022, Commonwealth, state and territory energy ministers agreed to establish a new National Energy Transformation Partnership as a framework for national alignment and cooperative action by governments to support the smooth transformation of Australia's energy sector.
- Clean Energy Finance Corporation, Australian Renewable Energy Agency — government bodies established in 2012 to provide financial assistance to accelerate innovation and drive investment across a diverse range of technologies and activities to help cut emissions across the Australian economy.
- Rewiring the Nation — a \$20 billion program designed to unlock investment in Australia's electricity grid and deliver priority transmission projects critical to the smooth transformation of Australia's energy sector.
- The National Net Zero Authority — a newly established authority to ensure the workers, industries and communities that have powered Australia for generations can seize the opportunities arising from Australia's net zero transformation.
- Powering the Regions Fund — a \$1.9 billion program designed to support the decarbonisation of existing industries and the creation of new clean energy industries.
- State energy road maps and renewable energy zones development — jurisdictional governments are implementing plans to transition their electricity systems from coal-fired power to renewable sources of power, which includes the development of areas with the greatest potential for renewable energy generation.
- Capacity Investment Scheme — a national framework to encourage new investment in clean dispatchable capacity to support reliability and reduce the risk of price shocks in Australia's rapidly changing energy market.
- National Energy Performance Strategy — a \$15.2 million program to develop a Commonwealth-led national plan to accelerate demand-side action, including energy efficiency and electrification.
- AEMO Integrated System Plan — a whole-of-system plan that provides an integrated roadmap for the efficient development of the National Electricity Market (NEM) over the next 20 years and beyond.
- Energy Security Board — established by the nation's energy ministers in 2017 to coordinate implementation of recommendations from the Independent Review into the Future Security of the National Electricity Market.
- Australian Energy Employment Report (Survey) — Australia's first national energy workforce survey designed to improve government and industry understanding of jobs in the energy sector and support the people in those jobs and their skills.
- ACCC Gas Inquiry 2017-30 — a wide-ranging inquiry into the supply of and demand for wholesale gas in Australia.

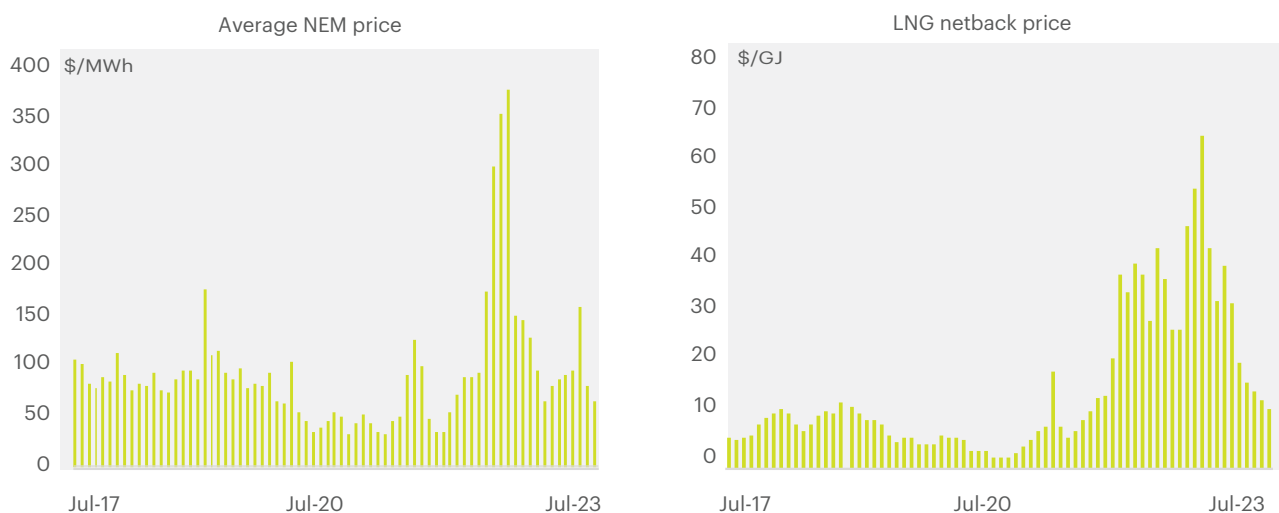
Australia's domestic energy prices have increased dramatically as a result of Russia's invasion of Ukraine in 2022. This was made worse by historically wet weather in Australia and the structural problems facing our energy system as we decarbonise.

In its wholesale markets quarterly report, the Australian Energy Regulator (AER) described the first six months of 2022 as 'the most tumultuous in the history of Australia's energy markets'.¹⁵

In the second quarter of 2022 east coast wholesale electricity and gas prices hit record highs, triggering unprecedented market intervention by the energy market operator to 'keep the lights on' for Australian households and businesses.

In the most recent data, prices have returned to more normal levels.

Lever 5 Figure 5: Wholesale electricity prices, east coast and international gas market prices



Source: AEMO and ACCC

For Australia this has been a stark reminder of two important realities about our energy system:

1. We are vulnerable to domestic and international dynamics as investment in and the reliability of the 'old' system deteriorates rapidly and potentially well ahead of the 'new' system being built.
2. Electricity supply, gas markets and environmental policy frameworks lack alignment and integration across jurisdictions, fuels and policies.

The government has a strong community mandate for ambitious climate change action, but a failure to appropriately balance energy security and affordability with decarbonisation could severely undermine community support.

¹⁵ Australian Energy Regulator, Wholesale markets quarterly - Q3 2022

The Australian Government is uniquely positioned to deliver the significant coordination and integration required across the economy and the community to transition to net zero.



Ad hoc energy policy responses are hurting investment

While the government's 2023 Energy Bill Relief Fund (\$1.5 billion) is good for households and small business, recent one-off energy market interventions have hurt investment and the broader economy in several ways.

- **Country risk:** Damaging to Australia's reputation as a relatively safe, low-risk destination for foreign capital investment.
- **Supply side:** Under-investment in energy infrastructure and capacity, leading to structurally higher energy prices for consumers in the longer term.
- **Demand side:** Encouraging inefficient consumption of energy and delaying adjustment to a global scarcity of energy which may last for several years.
- **Decarbonisation efforts:** Diluting the willingness and ability of businesses to invest in Australia's decarbonised energy future.
- **Domestic resilience:** Making Australia's energy market more vulnerable to future global shocks.

Such interventions create a cycle of risk, low investment and energy supply, high prices, and deteriorating affordability and competitiveness for Australian households and businesses.

Investors in large Australian energy projects already face considerable uncertainty and risk. The gas industry faces policy, tax, environmental approval and social licence pressures across many fronts.

Taken individually, these changes may be manageable. Combined, they create serious concern among potential offshore investors that Australia is too challenging a market.

Many of the investors Australia will rely on to drive our clean energy future are already investors in our energy market. Adding to their difficulties at a time when we must attract more energy sector investment is counterproductive and risks derailing an orderly transition to a decarbonised economy.

16 <https://grattan.edu.au/news/achieving-net-zero-requires-a-new-industrial-revolution/>
17 <https://www.nytimes.com/2019/11/30/climate/john-kerry-climate-change.html>

The big idea

The scale, breadth and complexity of the transition to net zero has been described as the next industrial revolution by some commentators,¹⁶ and equated with world war mobilisation efforts by others.¹⁷

The Australian Government is uniquely positioned to deliver the significant coordination and integration required across the economy and the community to transition to net zero.

The Australian Government and state and territory governments should commit to a detailed 10-year national Net Zero Roadmap based on a whole-of-system approach to decarbonising the economy to 2050.

This approach would recognise that the electricity sector, the gas sector, the industrial sector and major infrastructure need to work together.

It would also recognise the importance of:

- focussing on reducing emissions as the underlying goal of the Net Zero Roadmap and being agnostic to the range of technologies that can best achieve this goal
- getting the policy and regulatory settings right and creating the right environment for investment to attract the vast amounts of private capital needed to decarbonise the economy
- the need to ensure bipartisanship so we can stay the course on the decarbonisation journey, given that making progress is likely to get harder before it gets easier.

The Net Zero Roadmap should assist in navigating the key policy and investment challenges associated with:

- achieving Australia's 2030 emission reduction target
- setting ambitious but pragmatic emission-reduction targets beyond 2030
- putting in place transition stabilisers to 2050.

How we get there

Hitting the 2030 target

Electricity sector emissions represent a third of the national total. But about three quarters of Australia's emissions reductions to 2030 are expected to come from electricity sector investment and divestment.

Energy transmission and storage delays

Despite a strong pipeline of proposed investments in utility-scale renewable energy projects, delays in building the new electricity grid and energy storage infrastructure are holding them up.

The main causes include:

- community dissatisfaction with the footprint of new projects on private property
- shortages of materials and skilled workers resulting in surging project costs
- delays in regulatory approvals to build new projects.

These delays have other consequences:¹⁷

- The volume of solar and wind generation from existing renewables projects will increasingly push the limits of the old grid — with curtailment of renewable generation having grown almost 40 per cent from a year ago.
- The coal generation retirement schedule will become even more uncertain and precarious, with anywhere between one and two thirds of coal generation expected to end by 2030, and the possibility that some generators need to remain in service for longer than planned.

17 Australian Energy Market Operator, 'AEMO CEO speech at Australian Energy Week', 20 June 2023.



Achievement of the 82 per cent renewable penetration target (and therefore the 43 per cent national emission reductions target) is critically dependent on overcoming delays to building the electricity grid and storage infrastructure.

Expedite the implementation of key policies

- Continue to implement critical policies such as the Capacity Investment Scheme, Rewiring the Nation, Powering the Regions Fund and the National Reconstruction Fund.

Fostering community acceptance

- Establish a national review to consider factors that influence community acceptance of energy infrastructure and work with regional communities to attain social licence and ease resistance to projects and construction.

Pipeline of energy storage options

- Leverage the National Energy Transition Partnership (NETP) to coordinate private and public-sector development of projects across different energy storage technologies.

Carefully manage coal asset retirement

- Leverage the NETP to manage the retirement of baseload generation plants across all regions, taking into consideration reliability, sustainability and affordability.

Improve project approvals process

- Ensure that regulatory frameworks governing project approvals, including the EPBC Act, can fast-track consideration in the case of critical energy infrastructure projects.

Skills capacity building

- Leverage the NETP to prepare for the considerable growth in demand for skilled energy workers this decade by training local people and accessing international workers where necessary.

Targets beyond 2030

The existing policy framework architecture, including the reformed Safeguard Mechanism, the domestic offset market arrangements, the Powering the Regions Fund and the National Reconstruction Fund, should be maintained and built upon as we move beyond 2030. Our governments need to support each other and stay the course with this architecture because the decarbonisation challenge is likely to get harder before it gets easier.

National determined contributions

One of the key recommendations from the BCA's *Achieving a net zero economy* report was that:

“The Climate Change Authority be further empowered and resourced to become Australia’s trusted, independent climate advisory body responsible for advising the Australian Parliament and all governments on all aspects of the national overarching climate policy framework in pursuit of the net zero emission policy goal”.

Australia’s emissions reduction framework is crucially important because it calibrates the speed at which we can reach the net zero goal. Each of Australia’s Nationally Determined Contributions (NDC), or emission reduction targets, from 2030 to 2050 will inform the policies needed to attract massive private investment in decarbonisation.

The Net Zero Australia study estimates a cumulative capital investment of \$7 to \$9 trillion could be required to transition our economy to net zero.¹⁸

Targets that fail to transition the economy quickly enough mean Australia will lag behind on its decarbonisation journey and risk investment going elsewhere. Targets that push too hard impose unnecessary costs on the economy and risk losing community support for the transition.

It is important that the Climate Change Authority (CCA) carries out a rigorous and transparent assessment of the costs associated with the different emissions reduction scenarios being considered. This is essential to balance the impact of future NDCs on Australia’s international competitiveness, regional economies and communities, and productivity performance.

The CCA’s 2025 advice to government would be greatly enhanced if it provided an indication of Australia’s next three NDCs (for 2035, 2040 and 2045) and the 2050 target (net zero or net negative).

- The advice would provide a firm and certain recommendation regarding Australia’s 2035 NDC, which is due to be formally submitted by the Australian Government to the UNFCCC secretariate in 2025.
- The advice would also provide indicative NDCs for 2040, 2045 and 2050, even though formal submission of these NDCs to the UNFCCC secretariate is not required until a later date.

This approach would mean that each NDC recommendation made by the CCA (in the year it becomes formally due) is explicitly and transparently set in the context of an indicative emission targets pathway to 2050. It is important to note that indicative future NDCs would not be formal commitments made ahead of the Paris Agreement NDC timetable, and they would be adjusted (if necessary) prior to being submitted to the UNFCCC secretariat.

18 Net Zero Australia, ‘Final modelling results, charting pathways to net zero’, April 2023.

This approach is beneficial for several reasons.

- Each NDC is cumulative and builds on the achievement of the previous NDC.
- Progress in scaling up zero and low-emission technologies is unlikely to be linear.
- Investor and investment timelines for large assets and infrastructure will cover multiple decades.
- Transition planning timelines for regional economies and their communities will cover multiple decades.

The rationale for individual NDC levels of ambition is clearer in the context of an indicative targets pathway. Australia's entire emissions budget to 2050 should be evaluated in the context of the Paris Agreement and any temporal trade-offs debated in the process. For example, if the NDC chosen in an earlier period was less ambitious, then the NDC chosen in a later period would need to be more ambitious to stay within the total emission budget.

The Climate Change Authority's 2025 advice to government

- Maintain a clear line of sight to 2050 by providing an indication of Australia's next three NDCs and the 2050 target (net zero or net negative).
- Determine the best decarbonisation pathways for all sectors so the electricity and large industry sectors are not inefficiently and unfairly burdened with meeting Australia's NDCs.
- Outline the detailed sector plans, policies and targets required to drive the pathways above.
- Include an effectiveness and efficiency audit of existing and announced policies and regulations (across all jurisdictions) and recommend improvements from an integrated, whole-of-economy perspective.

Safeguard mechanism post 2030

Under the newly legislated safeguard mechanism:

- Post-2030 decline rates for safeguard mechanism emission baselines will be set in predictable five-year blocks and rates for 2030-31 to 2034-35 would be set by 1 July 2027
- Periodic baseline setting by the government and industry would involve consultation and advice from the CCA and the latest Annual Climate Change Statements to Parliament
- Indicative annual decline rates will be set for 2030-31 to 2049-50 with an end point of zero net for total safeguard emissions by 2050.

The government has announced a review of additional policy options to address carbon leakage, including considering an Australian carbon border adjustment mechanism from mid-2023.



Safeguard to accommodate technology challenges

- It is vital that the process for determining annual emissions limits on industrial businesses to 2050 considers new technology scaling timeframes and progress in closing technology gaps.
- There needs to be adequate government support for harder-to-abate industries where emission baseline reductions move ahead of what available and economically viable technologies make possible.
- As recommended in the BCA's *Achieving a net zero economy* report, the eligibility threshold for entities covered by the Safeguard Mechanism should be reduced from 100,000 tCO₂ per year, down to 25,000 tCO₂ per year — to increase the scheme's coverage of emission point sources across the economy.

Transport sector

The Australian Government has announced its National Electric Vehicle (EV) Strategy and state and territory governments have agreed to six key areas of collaboration to enable the national transition to EVs. These include national standards, data sharing, affordability, remote and regional charging infrastructure, fleet procurement, and education and awareness.

Policies to reduce transport emissions

- Task the nation's infrastructure bodies with identifying a pathway to minimal whole of life carbon from public projects, including carbon embedded in materials, used during construction, generated during use and through end-of-life deconstruction.
- Leverage the advantages of low-carbon fuels in reducing emissions from the existing vehicles fleet.
- Look at the best ways to introduce electric trucks, including the adoption of internationally aligned vehicle width and weight allowances to enable import opportunities.

Infrastructure sector

Governments shape most of the nation's public infrastructure investments, and public investment in infrastructure is at record levels. The projects being delivered today — and their emissions footprints — will operate for decades to come.

Governments have an obligation to use their powerful position in supply chains to not only deliver efficient infrastructure services but steer the market towards outcomes consistent with the net zero goal.

Policies to reduce infrastructure emissions

- Task the nation's infrastructure bodies with identifying a pathway to adopt low-carbon materials on public projects, including the reduction of emissions during construction.
- Cost premiums for low-carbon materials should be evaluated against their effectiveness in reducing emissions, so the most efficient solutions are supported.
- Government treasuries should develop a consistent approach to presenting life cycle emissions and reviewing procurement processes as part of business case development.

Agriculture and land sector

Farmers manage more than half of Australia's land, giving them a critical role in caring for our natural environment. Emissions reduction in the agricultural sector can be a win-win for land managers, particularly where there are financial opportunities to deliver environmental benefits while improving productivity and increasing resilience to a changing climate.

The global effort to mitigate and adapt to climate change also presents export opportunities for the agricultural sector. Producers who can demonstrate emission-efficient production systems, and ultimately carbon neutrality, are preferred by consumers to higher-emission alternatives.

Policies to reduce agriculture emissions

- The sector needs a roadmap of effective, equitable and efficient policies to support on-the-ground programs that enable producers to address emissions — mainly methane and nitrous oxide — while boosting their other agricultural interests.

Transition stabilisers to 2050

A broad portfolio of technologies

A neutral approach to supporting zero and low-emission technologies

- The Net Zero Roadmap must include energy systems across the country and be agnostic towards the full range of potential technologies needed to transition these systems, such as large and small-scale renewables, all storage options, all hydrogen options, natural gas, biofuels, carbon capture use and storage options, and nuclear power.

Adaptation and resilience

The Australian Government has spent \$24 billion on disaster relief since 2005 but just \$500 million on resilience. The Insurance Council of Australia calculates the insurance bill for storms and floods since January 2020 at more than \$12 billion.

In just three years, one in every 25 adult Australians has made an insurance claim because of wild and wet weather. Treasury estimates show that severe weather last year cut 0.25 per cent off real GDP – about \$5 billion – due to reduced economic activity.

The National Climate Resilience and Adaptation Strategy 2021-2025 will set out what the Commonwealth will do to help all levels of government, business and the community better anticipate, manage and adapt to our changing climate.

The strategy recognises that this is a shared responsibility requiring sustained action. It operates across four domains – natural, built, social and economic – with three objectives to enable a more effective transition across Australia.

- Objective 1 - Drive investment and action through collaboration.
- Objective 2 - Improve climate information and services.
- Objective 3 - Assess progress and improve over time.

Long-term adaptation and resilience strategy development

- The National Climate Resilience and Adaptation Strategy needs a much longer planning horizon (preferably 20 years) to better inform the community and investors about climate risks.

Supporting regions and communities

The regions that have always powered the Australian economy can continue to drive it towards a decarbonised future, but we need to seize the opportunity now.

The new legislated Net Zero Authority will:

- help workers in emissions-intensive sectors access new jobs, skills and support during the net zero transformation
- coordinate programs and policies across government to help regions and communities attract and take advantage of new clean energy industries and set those industries up for success
- help investors and companies embrace net-zero transformation opportunities.

Implementing the Net Zero Authority

Expedite establishment of the legislated national Net Zero Authority and ensure it is adequately funded to perform its remit.

Carbon offset markets

International and domestic offset markets have a critical supporting role to play in a holistic climate policy framework. In 2022 the Intergovernmental Panel on Climate Change said the use of carbon dioxide removals, or offsets, to mitigate hard-to-abate residual emissions is unavoidable if net zero emissions are to be achieved.

Australia has a growing domestic carbon offset market, but voluntary and compliance-driven demand from Australian businesses is set to ramp up substantially. Scaling up a robust, transparent and liquid market for offsets is critical to support businesses as they seek to reduce their own emissions.

The Climate Change Authority's 2022 review of international offsets identified a broad range of critical policy issues that must be resolved with respect to the role of carbon offsets within Australia's climate policy framework.

Establish a National Carbon Market Strategy

- Government needs to assess the full potential for domestic and international carbon offsets to contribute to achieving Australia's NDCs. A National Carbon Market Strategy should be established to clarify the role of offsets in the transition to net zero 2050. This strategy needs to look at expanding approved methods to ensure an adequate supply of high-integrity credits into the future.

Climate reporting framework

Australia's economy and its businesses need to be competitive in global markets to attract green investment. Businesses support continuous improvement in the quality of climate-related financial disclosures to guide investment decision making.

The primary purpose of the new mandatory requirement to report climate-related financial disclosures should be to help investors form the most rigorous view possible of climate risks and opportunities as they pertain to investments in corporations.

Phasing in the new requirement for climate-related financial disclosures

- The commencement date should give all covered entities a minimum of 12 months from the date legislation is proclaimed and climate disclosure standards have been finalised to develop internal capabilities and capacity to meet the disclosure requirements.
- A policy review cycle of two to three years should monitor roll-out of the coverage timetable, including an assessment of reporting entities' system readiness, coverage in other jurisdictions, and scope for adjustment.
- The judicious use of liability protections for some disclosures is crucial to promoting good faith and fulsome disclosures on a best endeavours basis, without removing accountability.

While existing legislative arrangements addressing 'greenwashing' misrepresentation are appropriate, better guidance on how entities can comply with laws, including greater clarity around key definitions and concepts, would improve outcomes.



Biodiversity market framework

Australia leads the world in voluntary carbon market development and is equally well positioned to be a leader in emerging biodiversity market development. Businesses support the establishment of a robust and enduring framework for a voluntary national market that delivers improved biodiversity outcomes.

Good biodiversity market design

- **Clarity about the broader policy framework:** It's important to understand how this framework will evolve in the context of Australia's broader environmental legislation if we are to attract investors to nature repair markets.
- **Learnings from carbon markets:** Avoiding the potentially disruptive and confidence-destroying impacts of changes and challenges to policy frameworks will help attract investors to nature repair markets.
- **Convergence of ecosystem markets:** Investment in projects that deliver both carbon and biodiversity benefits may be easier to monetise due to the maturity of carbon markets.
- **Minimising risks for investors:** Developing supporting regulations and rules that minimise project risk is vital to stimulate supply and demand side participation.

National energy performance strategy

Improving energy performance on the demand side is as important as improving energy production on the supply side as we transition toward a nationally integrated system that delivers affordable, reliable and clean energy.

Improvements in performance will also build Australia's resilience to global energy shocks and other energy related factors that are out of our control, such as weather events.

Priorities for a national energy performance strategy

- **Residential users of energy:** Improving energy performance in low-income households, which are hardest hit by an energy crisis and typically represent the most vulnerable in society.
- **Commercial users of energy:** Improving energy performance in small businesses, which face the biggest financial barriers to doing so and are the 'engine room' of the economy.
- **Industrial users of energy:** Improving energy performance in large businesses that could benefit from electrification and fuel switching and where government support has a role to play.
- **Supply chains:** Development of the proposed National Energy Workforce Strategy to ensure a pipeline of highly skilled and diverse workers to support improved energy performance.

Long-term gas market strategy

There is a polarising debate in the community about the future role of the gas sector in Australia's energy transition. At one end are those who believe gas has a limited and rapidly declining role, while at the other are those who believe gas will play an important role in Australia's energy mix for decades to come.

Commit to a gas master plan

- The government should immediately begin work with industry on a gas master plan to define the long-term gas market strategy for Australia, consistent with our climate commitments.

Ensure removal trigger for gas code

- A formal trigger for removal of the mandatory gas code should be included to minimise the impact on incentives to invest in Australia's energy future.
- The trigger should explicitly reflect the circumstances of the current energy crisis, and other temporary factors contributing to the tightness in east coast energy markets.
- There must be consultation with industry to ensure the trigger is practical and removes regulatory disincentives to invest in Australia.

Clean energy export development

In 2021, the BCA and project partners World Wildlife Fund (WWF), Australian Conservation Foundation (ACF) and the Australian Council of Trade Unions (ACTU) set a vision for Australia's low-emissions future with six renewable export opportunities that could support more than 400,000 high-paying, secure jobs and contribute over \$100 billion to the Australian economy.

Developing our green export potential

- Expedite broader macroeconomic reforms to improve Australia's attractiveness as an investment destination in areas including environmental and planning legislation, the workplace relations framework, and the taxation system, with a view to boosting Australia's longer-term productivity performance.
- Introduce a green tax credits system for investments in low-emission technology to help attract international capital to support the transition.
- Commit government funds to developing a National Renewable Exports Strategy.

Australia has a great opportunity to grow export industries in critical minerals, green metals, batteries, renewable hydrogen and ammonia, education exports, and green professional services.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 5: Energy and the road to net zero

The big idea

N

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10

The Australian Government and state and territory governments should commit to a detailed 10-year national Net Zero Roadmap based on a whole-of-system approach to decarbonising the economy to 2050.



This approach would recognise that the electricity sector, the gas sector, the industrial sector and major infrastructure need to work together.

It would also recognise the importance of:

- focussing on reducing emissions as the underlying goal of the Net Zero Roadmap and being agnostic to the range of technologies that can best achieve this goal
- getting the policy and regulatory settings right and creating the right environment for investment to attract the vast amounts of private capital needed to decarbonise the economy
- the need to ensure bipartisanship so we can stay the course on the decarbonisation journey, given that making progress is likely to get harder before it gets easier.

The Net Zero Roadmap should assist in navigating the key policy and investment challenges associated with:

- achieving Australia's 2030 emission reduction target
- setting ambitious but pragmatic emission-reduction targets beyond 2030
- putting in place transition stabilisers to 2050.

Action items

N

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Continue to implement critical policies such as the Capacity Investment Scheme, Rewiring the Nation, Powering the Regions Fund and the National Reconstruction Fund.



Establish a national review to consider factors that influence community acceptance of energy infrastructure and work with regional communities to attain social licence and ease resistance to projects and construction.







Leverage the National Energy Transition Partnership (NETP) to coordinate private and public-sector development of a pipeline of projects across different energy storage technologies.



Leverage the NETP to manage the retirement of baseload generation plants across all regions, taking into consideration reliability, sustainability and affordability.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now	Implementation timetable		
Action items	N	5	10
Ensure that regulatory frameworks governing project approvals, including the EPBC Act, can fast-track consideration in the case of critical energy infrastructure projects.			
<p>Maintain a clear line of sight to 2050 by providing an indication of Australia's next three NDCs and the 2050 target (net zero or net negative).</p> <p>Determine the best decarbonisation pathways for all sectors so the electricity and large industry sectors are not inefficiently and unfairly burdened with meeting Australia's NDCs.</p> <p>Outline the detailed sector plans, policies and targets required to drive the pathways above.</p> <p>Include an effectiveness and efficiency audit of existing and announced policies and regulations (across all jurisdictions) and recommend improvements from an integrated, whole-of-economy perspective.</p>			
<p>It is vital that the process for determining future safeguard emission baseline reductions to 2050 considers new technology scaling timeframes and progress in closing technology gaps.</p> <p>There needs to be adequate government support for harder-to-abate industries where emission baseline reductions move ahead of what available and economically viable technologies make possible.</p> <p>As recommended in the BCA's <i>Achieving a net zero economy</i> report, the eligibility threshold for entities covered by the Safeguard Mechanism should be reduced from 100,000 tCO₂ per year, down to 25,000 tCO₂ per year — to increase the scheme's coverage of emission point sources across the economy.</p>			
<p>Expedite a fuel efficiency (or emission) standard for light vehicles, coupled with a compliance and testing regime.</p> <p>Leverage the advantages of low-carbon fuels in reducing emissions from the existing vehicles fleet.</p> <p>Look at the best ways to introduce electric trucks, including the adoption of internationally aligned vehicle width and weight allowances to enable import opportunities.</p>			

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now	Implementation timetable		
Action items	N	5	10
<p>Task the nation's infrastructure bodies with identifying a pathway to minimal whole of life carbon from public projects, including carbon embedded in materials, used during construction, generated during use and through end-of-life deconstruction.</p> <p>Cost premiums for low-carbon materials should be evaluated against their effectiveness in reducing emissions, so the most efficient solutions are supported.</p> <p>Government treasuries should develop a consistent approach to presenting life cycle emissions and reviewing procurement processes as part of business case development.</p>		✓	
<p>The sector needs a roadmap of effective, equitable and efficient policies to support on-the-ground programs that enable producers to address emissions — mainly methane and nitrous oxide — while boosting their other agricultural interests.</p>		✓	
<p>The Net Zero Roadmap must include energy systems across the country and be agnostic towards the full range of potential technologies needed to transition these systems, such as large and small-scale renewables, all storage options, all hydrogen options, natural gas, biofuels, carbon capture use and storage options, and nuclear power.</p>	✓		
<p>The National Climate Resilience and Adaptation Strategy needs a much longer planning horizon (preferably 20 years) to better inform the community and investors about the physical climate risks.</p>		✓	
<p>Expedite establishment of the legislated national Net Zero Authority and ensure it is adequately funded to perform its remit.</p>	✓		
<p>Government needs to assess the full potential for domestic and international carbon offsets to contribute to achieving Australia's NDCs. A National Carbon Market Strategy should be established to clarify the role of offsets in the transition to net zero 2050. This strategy needs to look at expanding the approved methods to ensure an adequate supply of high-integrity credits into the future.</p>	✓		

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now	Implementation timetable		
Action items	N	5	10
<p>The commencement date should give all covered entities a minimum of 12 months from the date legislation is proclaimed and climate disclosure standards have been finalised to develop internal capabilities and capacity to meet the disclosure requirements.</p> <p>A policy review cycle of two to three years should monitor roll-out of the coverage timetable, including an assessment of reporting entities' system readiness, coverage in other jurisdictions, and scope for adjustment.</p> <p>The judicious use of liability protections for some disclosures is crucial to promoting good faith and fulsome disclosures on a best endeavours basis, without removing accountability.</p>		✓	
<p>Clarity about the broader policy framework – it's important to understand how the broader policy framework will evolve in the context of Australia's environmental legislation if we are to attract investors to nature repair markets.</p> <p>Learnings from carbon markets — avoiding the potentially disruptive and confidence-destroying impacts of changes and challenges to policy frameworks will help attract investors to nature repair markets.</p> <p>Convergence of ecosystem markets — investment in projects that deliver both carbon and biodiversity benefits may be easier to monetise due to the maturity of carbon markets.</p> <p>Minimising risks for investors — developing supporting regulations and rules that minimise project risk is vital to stimulate supply and demand side participation.</p>		✓	
<p>Residential users of energy — improving energy performance in low-income households, which are hardest hit by an energy crisis and typically represent the most vulnerable in society.</p> <p>Commercial users of energy — improving energy performance in small businesses, which face the biggest financial barriers to doing so and are the 'engine room' of the economy.</p> <p>Industrial users of energy — improving energy performance in large businesses that could benefit from electrification and fuel switching and where government support has a role to play.</p> <p>Supply chains — development of the proposed National Energy Workforce Strategy to ensure a pipeline of highly skilled and diverse workers to support improved energy performance.</p>		✓	
<p>The government should immediately begin work with industry on a gas master plan to define a long-term gas market strategy for Australia.</p>	✓		

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation
timetable

Action items

N

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A formal trigger for removal of the mandatory gas code should be included to minimise the impact on incentives to invest in Australia's energy future.

The trigger should explicitly reflect the circumstances of the current energy crisis, and other temporary factors contributing to the tightness in east coast energy markets.

There must be consultation with industry to ensure the trigger is practical and removes regulatory disincentives to invest in Australia.



Expedite broader macroeconomic reforms to improve Australia's attractiveness as an investment destination in areas including environmental and planning legislation, the workplace relations framework, and the taxation system, with a view to boosting Australia's longer-term productivity performance.

Introduce a green tax credits system for investments in low-emission technology to help attract international capital to support the transition.

Commit government funds to developing a National Renewable Exports Strategy.



Lever 6 Nurturing our people and skills



6

Nurturing our people and skills

Australia's most important asset is its people. Reforming the education, skills and migration systems to ensure every Australian can reach their potential will benefit the economy and society.

What needs to change and why?

Australia needs to better develop the skills and capabilities of its people to drive resilience and long-term prosperity.

Ensuring Australians have the competencies and skills needed for the jobs of today, and of the future, is the responsibility of our education and training systems, complemented by a well-managed migration structure.

These systems must work seamlessly together to meet current and future workforce needs. They must jointly deliver for all Australians by providing access to skills and training throughout their lives to secure new, higher-paying jobs and better opportunities.



Nine out of 10 new jobs will require post-school qualifications; five out of 10 will need a bachelor's degree or higher.¹

Australians rightly expect our education system to be world leading. The truth is that in many areas it is not.

- Access to our early childhood education and care system is fragmented and inconsistent, leaving many children unprepared for school. For example, some jurisdictions have rolled out kindergarten for three-year-olds while in other jurisdictions kindergarten starts later.
- Too many young Australians are leaving school without the basics and are ill-prepared for further study or work.
- Our tertiary education system is beset by a misaligned funding model, course designs that don't meet the needs of employers and a structure that inhibits flexibility and collaboration.
- A lack of coordination exists in mapping our workforce needs and combining skills and migration to respond.

¹ National Skills Commission 2022, Employment outlook, media release, NSC, employment-outlook-industry-and-occupation-trends.pdf (nationalskillscommission.gov.au) (accessed April 2023)

No amount of increased funding will fully rectify the issues we face without a considered and coordinated approach. For example, we've increased secondary education funding markedly in recent years, with little to show for it.

With two to three million Australian adults lacking some of the basic skills needed in life, such as reading, writing, mathematics and digital literacy, it is clear more needs to be done.²

This section identifies the key deficiencies within the early childhood education and care, schooling and tertiary sectors, in addition to widespread problems with connectivity across the learning journey.

Part A: Education and skills development

Early childhood learning

Early childhood education is essential in ensuring young Australians having the foundational skills to develop the competencies they will need over their lifetime. The first five years of a child's development are critical. In fact, 90 per cent of brain growth occurs by the age of five.

Evidence from organisations such as Minderoo's Thrive by Five and the Centre for Policy Development clearly demonstrates the impact of moderate to high-level access to early childhood services on a child's development and, by extension, their success at school and into higher education, employment and career progression. It is a significant lever when it comes to addressing entrenched disadvantage.

Yet, two out of 10 children enter primary school developmentally vulnerable in at least one area, such as language and cognitive skills, communication, physical health and wellbeing or general knowledge. One out of 10 is vulnerable in two indicators.³

Many children struggle once they enter primary school and secondary education because they lack basic reading, writing, maths and digital literacy skills.

Even across existing preschool services, Australia does not have uniform, universal access across all states and territories. With different age requirements and education costs dependent on which state or territory a child is in, it's a disjointed system that can lead to children being left behind.

In contrast, more than 50 per cent of children under three years of age are enrolled in quality early childhood education and care services in countries including Israel, Denmark, Norway and Korea. This rises to almost 100 per cent enrolment for students aged three to five years in contrast to only 56 per cent in Australia. Many of these countries provide a universal entitlement to services from the first year or two of a child's life.⁴

Schools and secondary education

Too many Australian students are leaving school without the skills they need and are ill-prepared for further study or work.

Despite significant increases in spending on education 'gross school income per student has increased by nearly 20 per cent in real terms since 2011, with little discernible improvement in test scores'.⁵ The Productivity Commission's (PC) recent five-year productivity inquiry, *From learning to growth*, found that despite increased investment in schools, foundational skills such as writing and numeracy have stagnated for a decade.

Senior school retention rates have slipped, following earlier increases, and proficiency in maths, science and literacy have fallen over the past two decades as measured by Programme for International Assessment (PISA) scores for 15-year-olds.

² Foundation Skills Study | Ministers' Media Centre (dewr.gov.au)

³ Home - Thrive By Five/Thrive By Five

⁴ Organization for Economic Co-operation and Development 2022, *Education at a Glance 2022*, OECD, 3 October 2022, p 145-147.

⁵ Productivity Commission 2023, *5-year Productivity Inquiry: From learning to growth*, Vol. 8, Inquiry Report no. 100, Canberra, p 12.

In 2018, PISA placed Australian students at 16th in the OECD in reading, 17th in science and 29th in maths; earlier surveys showed us sitting as high as fourth, eighth and 11th respectively.

Additional funding in and of itself will not be sufficient to change things, instead national and international evidence shows us that improving teacher training, standards and curriculum are essential to improving outcomes.

For too long we have lacked a fully supported school curriculum. Until an appropriate, nationally consistent and engaging curriculum is agreed on, ensuring that Australian students leave school equipped to make the best of their lives will continue to be a challenge.

Research has consistently shown that improving the quality of teaching is the most effective way to achieve better educational outcomes for students. Our system is not geared to driving teachers towards excellence by rewarding and training them adequately.

Poor careers advice and counselling is also a significant problem

It's clear that students who complete secondary school are more likely to enter the workforce or move on to further study with a greater collection of competencies and skills.

But not all are given the best chance to take advantage of the opportunities before them due to poor careers advice or because they are incentivised into courses they're not suited for. According to recent data, one in every eight domestic students who starts a bachelor's degree at university will drop out within the first year. About 30 per cent of those who start a bachelor's degree are unlikely to have finished it within nine years; the problem worsens for students with lower ATAR scores.⁶

The issue is more acute for those pursuing an apprenticeship. About one-third of apprentices cancel or withdraw in the first year.

Failure rates of this level are a clear signal that something is not working. Either the student was not adequately prepared for the course or apprenticeship, or they chose the wrong path due to poor counselling. Whatever the cause, the wasted investment in education, the impact on the individual, and the future opportunity cost of a less-skilled workforce is enormous.

The tertiary system

Australia's tertiary education system needs to be improved. We are falling short of where we need to be to match the needs of the future workforce, given that nine out of 10 new jobs will require a further qualification after school.

Skills need to be refreshed over time, and as technologies and processes change. Studies have shown that workers will need to improve their skills because the individual tasks that make up their jobs will change by 18 per cent every decade.⁷

Research has suggested that workers will have to learn about one new task for every five they currently do.

⁶ Table 15.1 in 2021 Section 15 Attrition, success and retention. Department of Education data. <https://www.education.gov.au/higher-education-statistics/resources/2021-section-15-attrition-success-and-retention>

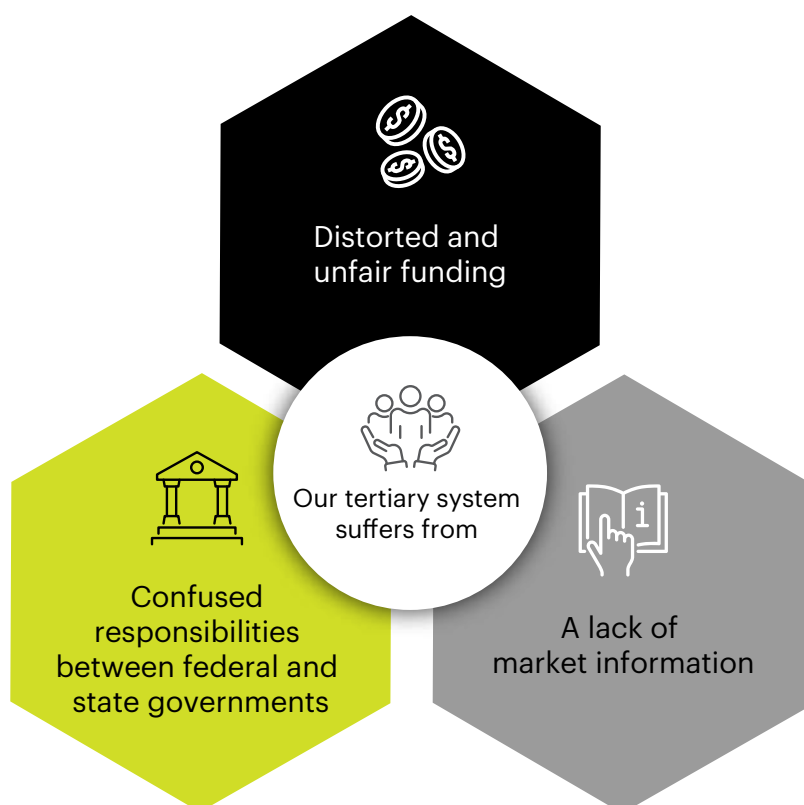
⁷ https://www.professions.org.au/wp-content/uploads/Future-Skills-Report_AlphaBeta.pdf

To meet these needs, a training and education system that encourages lifelong learning is critical.

Much of the focus in our education system is on the skills and knowledge Australians develop in their first 20 to 30 years. However, in an economy that needs to adapt to change, develop new industries and respond to the transformation associated with digitalisation, it is critical that systems and incentives are also in place for people to develop new skills and knowledge throughout their careers. Australians must be able to refresh and update their skills over their lifetime, and they need a better set of options for acquiring new skills that match and track industry needs.

- Australia's tertiary education is too divided between higher education and vocational education and training (VET). This includes distorted and unfair funding (differing across state borders and with uneven incentives for similar training delivered by various institutions), a lack of market information and confused responsibilities between federal and state governments.
- There is too narrow a focus on qualifications that align with traditional occupations, instead of the skills, standards and competencies that span qualifications, occupations and industries.
- The system is not flexible enough to respond to emerging industries, given its focus on delivering multi-year qualifications rather than short, stackable training options, including industry-delivered microcredentials.
- Post-school qualifications take too long to update and become detached from current industry needs.
- Australians have limited options to quickly retrain and upskill mid-career, or to collate and share their credentials.
- The system does not support increased labour movement, recognise prior learning or make it easy to integrate short courses that enable people to upskill or reskill.
- There is no nationally consistent system to recognise workplace learning.

Lever 6 Figure 1: Why the tertiary system needs an overhaul

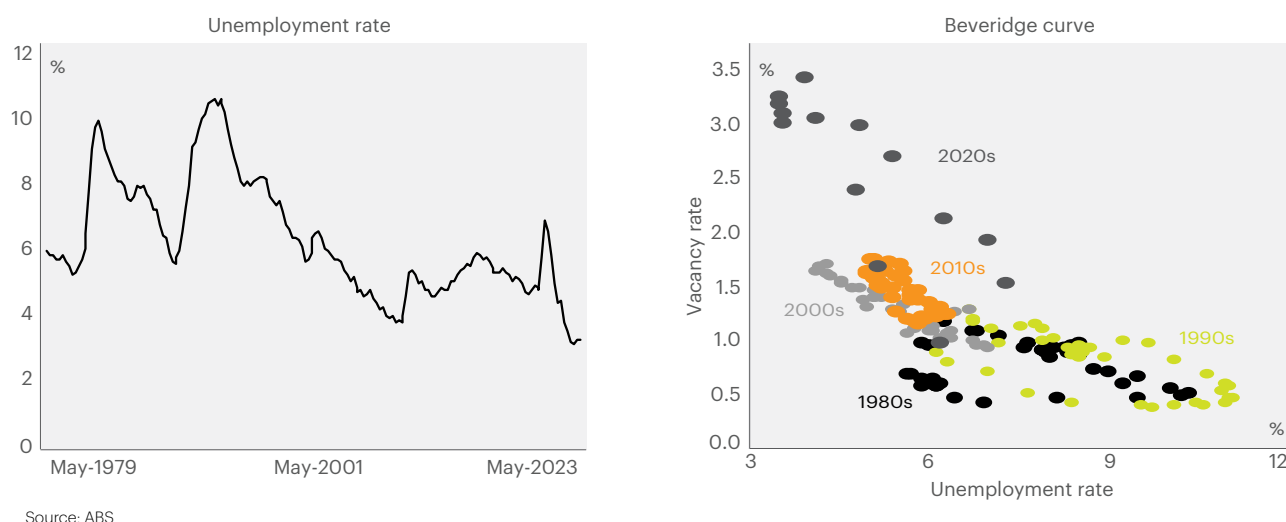


Source: BCA

Improvement is vital at a time when Australia is experiencing severe skills shortages, as demonstrated by

the outward shift that has occurred in recent years in the Beveridge curve. This curve, used by economists, captures the relationship between the unemployment and vacancy rates, and suggests the skills required by employers are increasingly misaligned with the skills of jobseekers.

Lever 6 Figure 2: Tightness of Australia's labour market



The big idea

Australia needs to move away from its fragmented system of education, skills and training and move towards a coherent system of lifelong learning, that is flexible and responsive to a changing economy.

- Consideration should be given to how we can more effectively manage roles, responsibilities and accountability across the federation to support lifelong learning and delivering improved educational outcomes.
- One option could be that the Commonwealth progressively takes responsibility for the tertiary education system and the states take more responsibility for early childhood education and care and schooling.

This will also help remove funding distortions and enable the reforms that give Australians access to lifelong learning through various parts of the education system.

In the interim the Commonwealth and states should implement the following fundamental building blocks to support a lifelong learning system:

- A universal early childhood education guarantee to afford all children adequate early childhood development and enable school readiness.
- A schooling system that builds people's capabilities and competencies for life supported by a digital skills passport and effective careers advice.
- An interoperable post-secondary system that will expand the learning and career options available to Australians and provide more choice and control in the skills and education pathways they take. This should include higher education, VET and work-based learning and the incorporation of microcredentials to enable easier access to re-skilling and upskilling.

To support a fully integrated skills and training system, National Cabinet should leverage existing review



processes including the National Skills Agreement, the Universities Accord and the Productivity Commission's review of Early Childhood Education and Care to link early childhood education, primary and secondary schooling and the tertiary education system in addition to specific reforms within each segment.

How we get there

Early childhood learning

We must build a world-class early childhood system that recognises the fundamental importance of the first five years of a child's development.

Australia must move towards an early childhood education guarantee based on uniform, universal access to early childhood education and care across all states and territories. It should guarantee services for families with children aged up to five years. In designing the guarantee, an examination of key elements including cost, demand, access, any subsidy design, the interface with the school system, trained workforce and the role of the Commonwealth and the states will be needed.

The early childhood education guarantee should be based on the following principles:

- A world-leading, integrated early childhood service delivered from birth to school.
- An accessible and affordable system.
- A system that invests in a skilled early childhood workforce that elevates the profession and attracts talent.
- A focus on putting early childhood education firmly on the national agenda and creating arrangements across jurisdictions that are cohesive, evidenced based and family centric.

Schools and secondary education

Governments should recommit to implementing the Shergold Review of Senior Secondary Pathways to ensure students leave school with strong foundational skills, a clear view of career opportunities, and a learner profile that outlines their capabilities and experience, not just their Australian Tertiary Admission Rank (ATAR).

The reset should include:

- Setting ambitious proficiency standards for the basics (literacy, numeracy and digital skills) and providing extra help for students who are falling behind.
- Improving career advice through best-practice resources (including digital resources) for students, parents and teachers, delivered by the National Careers Institute with strong backing from state and territory governments, and leveraging jobs and skills councils and career hubs. Jobs and Skills Australia should drive these improvements.

- Equipping all students with a Learner Profile that they can build on over their career made up of evidenced work experience, employability skills (for example team building and volunteering) and academic results. This will allow employers to see the full range of competencies students have acquired and will provide students with greater access to and choice to post-secondary employment.
- Introduce a digital system (beginning with the secondary system pathway) that allows comprehensive tracking of skills attainment, such as a digital skills passport.
- Accelerated development of nationally consistent teacher standards and workforce development program including clear pathways for teachers to enhance their competencies and skills in key proficiencies (literacy, numeracy and digital) including through the use of microcredentials.

LEVER 6 EXHIBIT BOX 1

South Australian Certificate of Education capabilities & learner profile pilot

The South Australia Government has been piloting a capabilities & learner profile to provide a more holistic picture of graduating students' achievements. The project is being undertaken over five years and to date has completed its initial pilot and evaluation for 23 schools which participated in 2022. Pilot 2 has commenced involving 41 schools. The project has benefited from collaboration with tertiary providers, employer and industry representatives to create a fit-for-purpose profile.

These changes will better enable secondary students to transition into work or further education.

We need to reward the most talented, capable and committed teachers for excellence and support them with the resources they need to deliver an appropriate, nationally consistent and engaging curriculum.



Excellent teaching is the key to better student outcomes and higher levels of achievement, regardless of student background. Too often the school funding debate is consumed by different funding models rather than how best to invest in teacher quality. There must be a renewed focus on teacher quality including teaching standards, and investing in teacher quality. Remunerating teachers in line with standards and experience must be part of this.

The tertiary system – support for lifelong learning

With the right settings in place, Australia can strengthen its post-secondary education and training system so it is set up to facilitate lifelong learning and support Australia's future economy. The goal should be to expand the learning and career options available to Australians, and provide more choice and control in the skills and education pathways they take.

Australia's tertiary funding system should evolve into a tertiary guarantee that puts the learner in control of their education and is funded by a variety of sources. The guarantee should be guided by these principles:

- Universal tertiary funding made up of either:
 - an income-contingent loan
 - individual contribution
 - employer contribution
 - subsidy.
- The mix of the guarantee (for example the level of subsidy) is based on equity and depends on:
 - whether it is a first foundation qualification.
 - public need.
 - the benefit to industry.
- Digital recognition via a portable skills sharing system
 - The courses funded by the guarantee would lead to a qualification that can be included in a portable skills sharing system (digital skills passport) that potential employers can access. The courses should be recognised nationally.
- Flexibility is paramount and the guarantee would allow access to:
 - university
 - TAFE
 - private providers
 - work-based learning.

Over time, this will deliver an integrated and compatible tertiary education system that better connects – and more evenly funds – VET and higher education. In conjunction with the reform pathway outlined below, this would enable Australians to undertake a mix of university, VET and TAFE courses throughout their lives.

For example, subsidies would be higher for those studying for their initial qualifications compared with subsequent qualifications. Consideration should be given to ensuring those from disadvantaged backgrounds have equitable access.

Jobs and Skills Australia (JSA) should determine the demand for various courses and advise on the degree of subsidy to be provided, reflecting the public need. In cases where there is a demonstrable benefit for industry more widely, it would be expected that businesses would contribute to funding training for their employees. This will in many cases reflect current practice.

Such a funding system would need to be flexible, so it can be used across VET, higher education and workplace-based learning.

Removing the distortions in the current funding model that encourage one type of learning over another, regardless of its suitability, will enable the reforms needed in a modern, dynamic economy.

This is also consistent with the Australian Universities Accord Interim Report 2023 where a universal learning entitlement is under consideration.

Key opportunities to transition the building blocks within tertiary education towards a tertiary guarantee are as follows:



Microcredentials

Australia must ensure there is a nationally consistent pathway for short courses and micro-credentials to be properly recognised, recorded and rewarded. This would include the ability to ‘stack’ micro-credentials within the Australian Qualifications Framework (AQF), including by recognising microcredentials in both VET and higher education.

To remain up to date in the 21st century and drive forward lifelong learning, we need to increase delivery and integration of short, stackable training options, including industry-delivered microcredentials, consistent with the new National Microcredentials Framework. This kind of education and training is particularly suited to mid-career Australians and parents looking after young children who are more likely to have existing qualifications and working or caring responsibilities that make it difficult to engage in full-time or long-term study.

To keep pace, the training system needs to strike a better balance between regulation and responsiveness to industry. For short courses and microcredentials to have their full impact, it is critical that they can be properly recognised, recorded and rewarded for the capabilities they signify.

This would build on the recommendations of the 2019 Noonan Review of the AQF and should encourage greater recognition of prior learning within the framework. As it stands, skills and training undertaken outside formal qualifications often go unrecognised.

LEVER 6 EXHIBIT BOX 2

Industry Led Certification – Google’s Career Certificates

Google’s Career Certificates enable Australians to upskill in digital technology through micro-credentials, with training reflecting up-to-date industry expertise. Eighty per cent of the program’s graduates report a positive career outcome within six months of completion.

Programs such as these are flexible enough to help people upskill in their current role or train for a new one. Half of Google’s Career Certificate program graduates were working full-time while taking the certificate, while almost two in five were under-employed or unemployed when they started it.

A welcome development has been the establishment of pilots for Institutes of Applied Technology (in Digital and Construction) in NSW, following the recommendations of the 2021 Gonks and Shergold Review. These institutions bring universities, TAFEs and industry together to co-design and deliver microcredentials that can be recognised by the participating organisations. Such innovations should be supported at a national scale, notwithstanding the challenges of different regulatory environments across states and territories for vocational education.

A further innovation that could support increased uptake of microcredentials is the increased access to FEE-HELP support. Microcredentials developed under the current Microcredentials Pilot in Higher Education are currently available to access FEE-HELP, and should the pilot prove successful, consideration should be given to increasing access more broadly.

Lever 6 Figure 3: Guaranteeing the impact of short courses



Source: BCA

Work-Integrated Learning

A nationally consistent approach to Work-Integrated Learning (WIL) must be established as part of the tertiary guarantee.

As part of the Accord process, the Australian Government should encourage greater usage of WIL in university courses by supporting the implementation of the National Work-Integrated Learning Strategy. Consideration should also be given to pursuing a target rate of participation in WIL across degrees.

Incorporating WIL will enable graduates to enter the workforce with the ability to apply technical skills in real-world work situations and develop general business skills too often left to the employer to develop.

This will require greater commitments from both universities, in designing courses to include a WIL component, and industry, in committing resources to mentor and welcome students into participating programs. Universities and industry should work together to increase the usage of WIL, while a target level of participation in WIL in appropriate fields could act to incentivise increased use.

An updated National Work-Integrated Learning Strategy, designed and sponsored by the university sector and industry, will provide best-practice procedures for successful WIL. The National Priorities and Industry Linkage Fund (NPILF) Pilot fund inclusion of funding to build the capabilities of universities to undertake WIL was a welcome initial attempt to encourage collaboration, although the program will require further reforms to succeed at the scale necessary.

National Skills Agreement

Federal and state governments should recommit to sign an ambitious new National Skills Agreement that combines ongoing additional investment in skills and training with substantial reform.

Key priorities to be included in a new agreement include:

- Guaranteed foundational skills for all Australians who need to catch up on basics, including digital literacy.
- Better aligned support for apprenticeships, traineeships and cadetships to boost on-the-job training, including expanded options in high-demand emerging fields (e.g. digital cadetships/traineeships).
- Support for lifelong learning, including accredited and/or industry-recognised microcredentials. As part of this, the training system needs to strike a better balance between regulation and responsiveness to industry.
- Fast tracking measures to tackle skills gaps, including reforms under way to streamline VET qualifications and improve industry engagement, will help and it's important that momentum is not lost.
- Improved transparency over expenditure and accountability for improving learner outcomes.
- Increasing funding parity with higher education, via expansion of loan support for higher-level VET courses.

LEVER 6 EXHIBIT BOX 3

Enabling an interoperable post-secondary skills and training pathway – a portable skills sharing system

Australians need to have access to a portable skills sharing system that allows them to build and share a digital portfolio of education and skills. This should include both formal qualifications alongside microcredentials and other training, including non-accredited training, as well as recognition of prior learning.

A more portable system would help to facilitate a more flexible approach to qualifications, making it easier for learners to change degrees or institutions while still receiving recognition for what they have done. Ideally, such recognition could extend between higher education and VET as well, facilitating a more joined-up, interoperable system and creating a more seamless experience for learners transitioning between VET and higher education..

Such a system would need to recognise the skills and competencies developed not just through higher education and VET, but through work-based training. It should include recognising the role of Work Integrated Learning.

Importantly, this would ensure that there is a digital record focused not just on what qualifications someone has, but what skills and competencies they may have gained that would potentially be applicable to a variety of jobs across a range of industries. Digital Identity or Unique Student Identifier should be available to be shared with employers, who would be able to see and verify what skills and competencies a potential employee has developed in a standardised format.

This kind of system would link together the various initiatives being developed by industry and state and federal governments (e.g. education wallets, skills passports, learner profiles). It can also better account for and reward non-formal work-related training, which had been on the decline leading into the pandemic, particularly for SMEs.

It is crucial that the design of digital standards is flexible so that they can be easily deployed across states and employers.

A future higher education system

Universities are central to Australia's economic and social wellbeing, fostering the research, innovation and discovery that will generate the new big ideas to position Australia as a frontier economy.

At an economic level, universities play a key role in training Australia's future workforce and driving new industries through innovative research. They support our relationship with other countries through their collaborations with overseas institutions and the education of international students.

Similarly, industry partnerships through work integrated learning and research collaboration are important.

The jobs of the future will require ongoing adaptation and learning. This can be achieved by a university system that promotes renewed learning and breaks down the perception that ongoing knowledge building can only happen at schools and universities.

The Universities Accord provides a welcome opportunity to focus on improving the skills of our workforce, increase research collaboration, enable opportunities for more Australians and ensure the system is appropriately funded.

It is important not just that there is sufficient funding, but that it incentivises the right actions and is provided in a sustainable way. It means considering the roles and responsibilities of various layers of government, particularly in relation to the VET sector.

Commonwealth Supported Places

- The government should increase the number of Commonwealth Supported Places (CSPs) to meet the demand for future skills.
 - These additional resources must be prioritised toward fields in high demand that will drive Australia's future industries and innovation, and lead to high-skill, high-wage careers.
 - Places should be targeted at areas of skills need that have been identified by JSA.
 - Consideration should be given to ensuring the increase in places benefits disadvantaged groups.
- The government should expand eligibility for demand-driven university funding to all Indigenous Australians.

The Australian Universities Accord

The Accord aims to drive lasting alignment and develop a shared, long-term commitment among stakeholders. Collaboration between businesses and universities is vital to provide the innovation necessary to make Australia a frontier economy.

To achieve that degree of collaboration will require expanding how we think about partnerships and creating multiple pathways towards forming the relationships necessary for successful collaboration. This means partnerships in skills development, research, consulting and brokering, alongside increased use of Industry PhDs and embedding and co-locating academics and industry together.

- The Accord should reset the fundamental goals of universities, their role in the economy and key aspects of their business model.
- The government should establish a permanent forum between industry peak bodies, representatives of the higher-education sector, and state and territory governments (including agencies such as JSA).

7 2021 Census: Nearly half of Australians have a parent born overseas, Australian Bureau of Statistics, 28 June 2022
8 Australia's Population by Country of Birth, Australian Bureau of Statistics, 26 April 2022

Part B: Migration

Attracting talent to our shores

Migration is essential to provide the skills Australia needs, fill employment gaps and give us access to emerging capabilities. Young skilled migrants help manage our otherwise ageing population and labour shortages and bring new ideas and international connections.

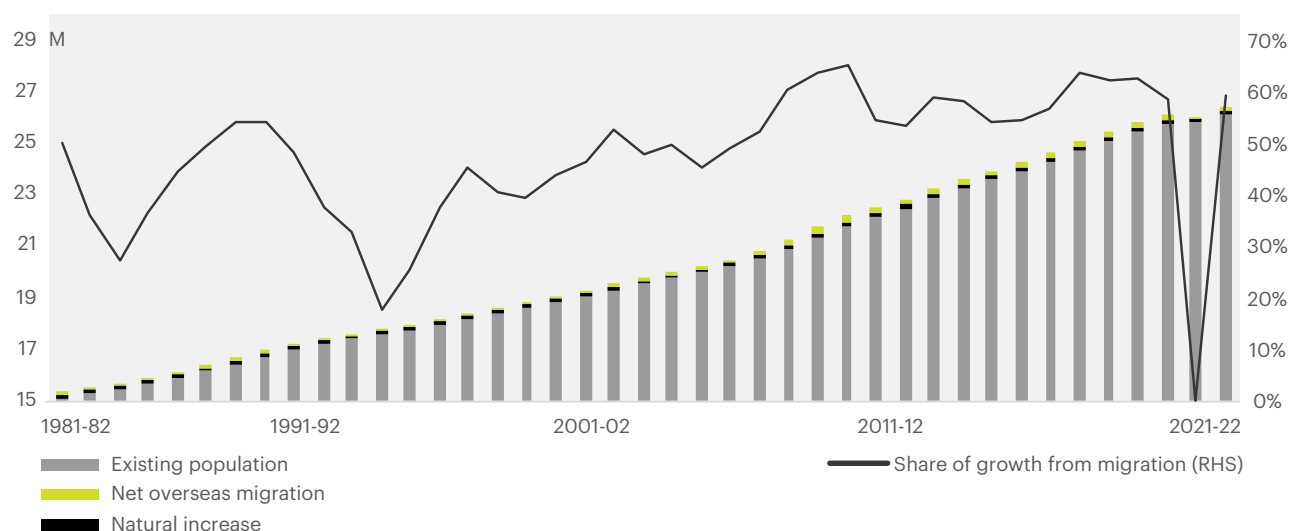
But migration delivers more than just economic benefits. It enriches our diversity and helps us become a more outward-looking nation.

Australia is a multicultural success story, and most Australians agree that well-managed migration is beneficial. Today, almost 30 per cent of Australian residents are migrants, and close to half had at least one parent born overseas.⁷ Australia ranks ninth internationally for the number of migrants in its population.⁸

Over the past 40 years, migration has made up about half of Australia's population growth on average.

Lever 6 Figure 4: Migration has been a key driver of population growth

Australia's population growth, 1981-82 to 2021-22



Source: ABS

⁹ BCA/Ernst & Young 2021, A hit to economic growth: we need to catch up lost migration for the good of all Australians, media release, BCA.

Lever 6 Figure 5: Enriching Australia⁹

The economic and demographic benefits of migration

When young and skilled workers migrate to Australia they help fill skills gaps in our economy

they offset our ageing population

and they bring the knowledge and experience needed to support the growth of future industries



A real-life experiment has played out over the past three years in terms of the impact on our nation of stifling Australia's migration program. Job vacancies shot up as Australia emerged from COVID-19 lockdowns and two years with our international border largely closed. Australia experienced the second worst labour shortage in the OECD in 2022.

Research commissioned by the BCA shows that 60 per cent of people have been impacted by worker shortages, including delays in services, difficulty getting products, or higher costs. Most are of the view that migration is necessary to avoid worker shortages. Two-thirds of Australians agree that properly planned and managed migration is a good thing for Australia (less than 20 per cent disagree – the remainder not having a view).

Australia is rebalancing its migration intake following COVID border closures. Some have characterised this as a 'Big Australia policy', but this is a disingenuous representation of our nation's migration and population story.

Australia's population is estimated to be more than 375,000 people below the forecast prior to the pandemic. By decade's end, the population is expected to be 225,000 short of the pre-pandemic projection for the same period.

While there has been a large number of people arriving this financial year, averaged over the period from 2019-20 until now the Net Overseas Migration figure remains well below recent historical norms.

Migration is not to blame for a lack of housing

As the BCA's recent Housing Australia's Talent paper makes clear, a lack of housing is a real problem; but migration is not driving it, nor is reducing migration the solution.

Poor-performing planning systems and restrictive zoning are significantly impacting the delivery of new housing. Approvals are at decade lows, with the short-term impacts of material and labour costs, interest rates, and long-term underlying issues of regulation and restrictive planning policy impacting supply. Governments must act to fix this problem, rather than using migration as a scapegoat for poor planning.

Our migration system is no longer fit for purpose

In September 2022 the government announced a review of the migration system as an outcome of the Jobs and Skills Summit. The BCA undertook a round of consultation with our members to understand the issues they faced in using the migration system to source talent.

9 BCA/Ernst & Young 2021, A hit to economic growth: we need to catch up lost migration for the good of all Australians, media release, BCA.

Their feedback painted a picture of a bureaucratic system that is no longer fit for purpose.

Employers must deal with complicated and outdated occupation lists, short term (two-year) visas that are not attractive to highly experienced people moving overseas, time consuming and ineffective labour market testing, large upfront levy payments, and the lack of a useful pathway for inter-company transfers.

Businesses seek a migration system that is efficient and easy for both sponsors and migrants to use, and allows Australia to be competitive in attracting the best global talent.

Countries such as New Zealand, Switzerland, Sweden, Canada and Norway rank ahead of us in terms of attractiveness for skilled migrants or entrepreneurs. More must be done to improve our migration policy, as well as more general policy settings and economic conditions, if we are to attract the best and brightest to our country.

The big idea

Move to a three-tier temporary labour migration approach. This would simplify the system under a risk-based approach. In particular, a streamlined high-salary cohort (without application of complicated occupation lists) would enable employers to better target talent in emerging sectors such as advanced technology or science. A well-regulated pathway for lower-income workers, meanwhile, would help deal with persistent labour shortages across sectors such as aged care, food manufacturing, and parts of the hospitality sector.

How we get there

The government has been given a blueprint for reform of the migration system by a team of independent reviewers, including Dr Martin Parkinson AC PSM, Professor Joanne Howe and John Azarias. The Review of the Migration System, Final Report 2023 tackles both temporary and permanent migration, and puts forward many proposals that the business community can support. The government should move forward with this ambitious agenda.

The BCA backs many of the recommendations from the review, which should now be implemented. This includes:

- Moving to a three-tier temporary labour migration approach. This revised approach would allow Australia to better attract and compete for talent in highly paid and highly skilled occupations above a salary threshold. A streamlined approach could potentially remove the need for occupation lists, which often do not reflect occupations at the cutting edge of technology and innovation, facilitating faster and less complex migration applications.
 - Coupled with the recent change to give all temporary labour migrants a pathway to apply for permanency, it will help make the nation far more attractive for these in-demand professionals to choose to come to Australia.
 - A three-tier system would also facilitate workers being brought in below the \$70,000 Temporary Skilled Migration Income Threshold in a controlled and highly regulated manner where there were long term labour shortage needs, with a differentiated approach for these workers from those in higher pay brackets recognising the different risks and labour market impacts.
- Support the concept of workplace mobility for sponsored visa holders to tackle migrant exploitation, coupled with refund provisions for government costs and appropriate protections to prevent gaming of the system. Employers are currently charged on the basis that an employee remains for their full visa term. It is important, therefore, that employers are not left with government costs incurred on the basis of an employee remaining for their full visa term, and that there are appropriate protections.

- The Skilling Australians Fund levy alone can be up to \$7,200 for a four-year visa, paid upfront with no refund provisions. It should be replaced with monthly payments or a pro-rata refund system. There should still be a minimum period in which a migrant is required to stay with their original sponsor for their visa to remain valid.
- Universal four-year visas should replace the existing short-term visas and short and medium-term occupation lists that make it hard to attract and retain talented people, create uncertainty and increase costs for employers.
- We need to improve the way Australia recognises skills developed overseas. BCA has advocated for improved mutual recognition of occupational licensing and qualifications. There also must be improved efficiency overall in the skills recognition system.
- Changes to the migration system need to be coupled with a determined push to improve planning systems nationwide to facilitate greater housing supply, and active planning and investment in infrastructure that supports Australia's growth. These are issues that the federal government has identified as priorities, and will need to work closely and quickly with states and territories to deliver on.

The BCA's recent *Migration makes Australia stronger* paper provides further observations and recommendations for the migration system.

Getting the skills and training system governance right

Jobs and Skills Australia's primary focus should be on developing the skills and capabilities of our people to build a more dynamic and productive economy.

There needs to be greater recognition and support for lifelong learning, recognising that skills development does not end when Australians complete their initial secondary or tertiary educations. The federal government, through Jobs and Skills Australia (JSA), should develop a comprehensive lifelong learning strategy.

JSA should map out Australia's current and future workforce needs, and ensure our skills, education and migration systems can meet the challenge and provide employment opportunities for all Australians. One of the problems highlighted by our recent spate of workforce shortages is the lack of a single body within government that has properly planned for such challenges. We need to get better at coordinating planning and policies to meet skills and workforce needs (e.g. education and training priorities and migration/visa settings) and use this coordinated approach to inform and bolster the level of Australia's workforce.

JSA is best placed to chart the course ahead, coordinating effort and acting as the primary source of independent advice to governments on priority areas for government support. This will require better alignment across and between governments, close industry engagement, and sophisticated use of data. An ongoing Accord Forum, with representatives from government, universities and industry, should include JSA to inform them of the most up-to-date developments in higher education.

Improving industry engagement will also be a key driver of improving the perception of VET by businesses. The establishment of the new jobs and skills councils, which will undertake industry-specific workforce planning, training development and stewardship, is a key opportunity for direct feedback to be received from industry and increase responsiveness from the training sector.

Ensuring that businesses have an opportunity to provide feedback, with clear points of contact identified, should be a key performance indicator for the councils.

Similarly, at a broader level, it is important that JSA takes advantage of its tripartite engagement model to ensure that the priorities and concerns of businesses are responded to within the skills and training system.

These changes are in addition to recalibrating how we can more effectively manage roles, responsibilities and accountability across the federation to support lifelong learning and delivering improved educational outcomes.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 6A: People and Skills

The big idea

N

5

10

Australia needs to move away from its fragmented system of education, skills and training and move towards a coherent system of lifelong learning that is flexible and responsive to a changing economy.



Consideration should be given to how we can more effectively manage roles, responsibilities and accountability across the Federation to support lifelong learning and deliver improved educational outcomes.

One option could be that the Commonwealth progressively takes responsibility for the tertiary education system and the states take more responsibility for early childhood education and care and schooling.

This will also help remove funding distortions and enable the reforms that give Australians access to lifelong learning through various parts of the education system.

Action items

N

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Australia must move towards an early childhood education guarantee based on uniform, universal access to early childhood education and care across all states and territories. It should guarantee services for families with children aged up to five years.



In designing the guarantee, an examination of key elements including cost, demand, access, subsidy design, the interface with the school system, trained workforce and the role of the Commonwealth and the states will be needed.





The early childhood education guarantee should be based on the following principles:

- A world leading, integrated early childhood service delivery from birth to school.
- An accessible and affordable system.
- A system that invests in a skilled early childhood workforce that elevates the profession and attracts talent.
- A focus on putting early childhood education firmly on the national agenda and creating arrangements across jurisdictions that are cohesive, evidenced based and family centric.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now	Implementation timetable		
Action items	N	5	10
<p>Governments should recommit to implementing the Shergold Review of Senior Secondary Pathways to ensure students leave school with strong foundational skills, a clear view of career opportunities, and a learner profile that outlines their capabilities and experience, not just their Australian Tertiary Admission Rank (ATAR). The reset should include:</p> <ul style="list-style-type: none"> ▪ Setting ambitious proficiency standards for the basics (literacy, numeracy and digital capabilities) and providing extra help for students who are falling behind. ▪ Improving career advice through best-practice resources (including digital resources) for students, parents and teachers, delivered by the National Careers Institute with strong backing from state and territory governments, and leveraging jobs and skills councils and career hubs. ▪ Equipping all students with a learner profile that they can build on over their career, made up of evidenced work experience, employability skills (for example team building and volunteering) and academic results. ▪ Introduce a digital system (beginning with the secondary system pathway) that allows comprehensive tracking of skills attainment, such as a digital skills passport. ▪ Accelerated development of nationally consistent teacher standards and workforce development program. 	✓	✓	
<p>Australia's tertiary funding system should evolve into a tertiary guarantee that puts the learner in control of their education and is funded by a variety of sources. The guarantee should be guided by these principles:</p> <ul style="list-style-type: none"> ▪ Universal tertiary funding made up of either: <ul style="list-style-type: none"> – an income-contingent loan – individual contribution – employer contribution – subsidy. ▪ The mix of the guarantee (for example the level of subsidy) is based on equity and depends on: <ul style="list-style-type: none"> – whether it is a first foundation qualification – public need – the benefit to industry. ▪ Digital recognition via a portable skills sharing system <ul style="list-style-type: none"> – The courses funded by the guarantee would lead to a qualification that can be included in a portable skills sharing system (digital skills passport) that potential employers can access. The courses should be recognised nationally. ▪ Flexibility is paramount and the guarantee would allow access to: <ul style="list-style-type: none"> – University – TAFE – private providers. – work-based learning. 	✓	✓	

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now	Implementation timetable		
Action items	N	5	10
Ensure there is a nationally consistent pathway for short courses and microcredentials to be properly recognised, recorded and rewarded. This would include the ability to 'stack' microcredentials within the Australian Qualifications Framework (AQF), including by recognising microcredentials in both VET and higher education.			
A nationally consistent approach to Work-Integrated Learning (WIL) must be established as part of the tertiary guarantee.			
<p>Federal and state governments should recommit to sign an ambitious new National Skills Agreement that combines ongoing additional investment in skills and training with substantial reform.</p> <p>Key priorities to be included in a new agreement include:</p> <ul style="list-style-type: none"> ▪ Guaranteed foundational skills for all Australians who need to catch up on basics, including digital literacy. ▪ Better aligned support for apprenticeships, traineeships and cadetships to boost on-the-job training, including expanded options in high-demand emerging fields (e.g. digital cadetships/traineeships). ▪ Support for lifelong learning, including accredited and/or industry-recognised microcredentials. As part of this, the training system needs to strike a better balance between regulation and responsiveness to industry. ▪ Fast track measures to tackle skills gaps including reforms under way to streamline VET qualifications and improve industry engagement will help, and it's important momentum is not lost. ▪ Improved transparency over expenditure and accountability for improving learner outcomes. ▪ Increasing funding parity with higher education, via expansion of loan support for higher-level VET courses. ▪ The government should increase the number of Commonwealth Supported Places (CSPs) to meet the demand for future skills. <ul style="list-style-type: none"> – These additional resources must be prioritised toward fields in high demand that will drive Australia's future industries and innovation, and lead to high-skill, high-wage careers. – Places should be targeted at areas of skills need that have been identified by JSA. – Consideration should be given to ensuring the increase in places benefits disadvantaged groups. ▪ The government should expand eligibility for demand-driven university funding to all Indigenous Australians. 			

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
<ul style="list-style-type: none"> ■ The Australian Universities Accord should reset the fundamental goals of universities, their role in the economy and key aspects of their business model. ■ The government should establish a permanent forum between industry peak bodies, representatives of the higher-education sector, and state and territory governments (including agencies such as Jobs and Skills Australia). 		✓		
Lever 6b: Migration				
The big idea		N	5	10
Move to a three-tier temporary labour migration approach. This revised approach would allow Australia to better attract and compete for talent in highly paid and highly skilled occupations above a salary threshold. The streamlined approach would potentially remove the need for occupation lists, which often do not reflect occupations at the cutting edge of technology and innovation, facilitating faster and less-complex migration applications.		✓		
Action items		N	5	10
Support the concept of workplace mobility for sponsored visa holders to tackle migrant exploitation, coupled with refund provisions for government costs and appropriate protections to prevent gaming of the system.		✓		
Universal four-year visas should replace the existing short-term visas and short and medium-term occupation lists that make it hard to attract and retain talented people, create uncertainty and increase costs for employers.		✓		
Improve the efficiency of the overall skills recognition system, including improved mutual recognition of occupational licensing and qualifications.		✓	✓	
Changes to the migration system need to be coupled with a determined push to improve planning systems nationwide to facilitate greater housing supply, and active planning and investment in infrastructure that supports Australia's growth.		✓	✓	

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation
timetable

Action items

N

5

10

Jobs and Skills Australia should map out Australia's current and future workforce needs, and ensure our skills, education and migration systems can meet the challenge and provide employment opportunities for all Australians.

This will require better alignment across and between governments, close industry engagement, and sophisticated use of data. As noted above, an ongoing Accord Forum, with representatives from government, universities and industry, should include JSA to inform them of the most up-to-date developments in higher education.



Lever 7

Advancing the economic interests of women



Advancing the economic interests of women

Maximising our talent and empowering women to advance in the workforce is central to Australia's success.

What has to change and why?

It has never been more important that every person in Australia who can work is working.

Our competitive advantage, economic growth and future prosperity depend on getting the very best out of all our people.

But the simple reality is that we are not maximising the contribution of many Australians.

Women still face significant barriers to returning to work, taking on more hours and advancing their careers.

Australia ranks equal first for women's education – but 43rd for women's economic opportunity.¹



Greater levels of part-time work, employment in lower-paid industries and less time in the workforce due to care responsibilities are contributing to economic insecurity for women into their retirement years.

Increasing the number of women in work is one of our nation's biggest economic and social opportunities.

Lever 7 Figure 1: The benefits of removing structural barriers for women to work²



¹ World Economic Forum 2022, Global Gender Gap Report 2022, media release, WEF, 13 July, 13 July, <https://www.weforum.org/reports/global-gender-gap-report-2022> (accessed April 2023)

² Deloitte Access Economics in partnership with Australians Investing in Women 2022, Breaking the norm Unleashing Australia's economic potential, November, p. vii.

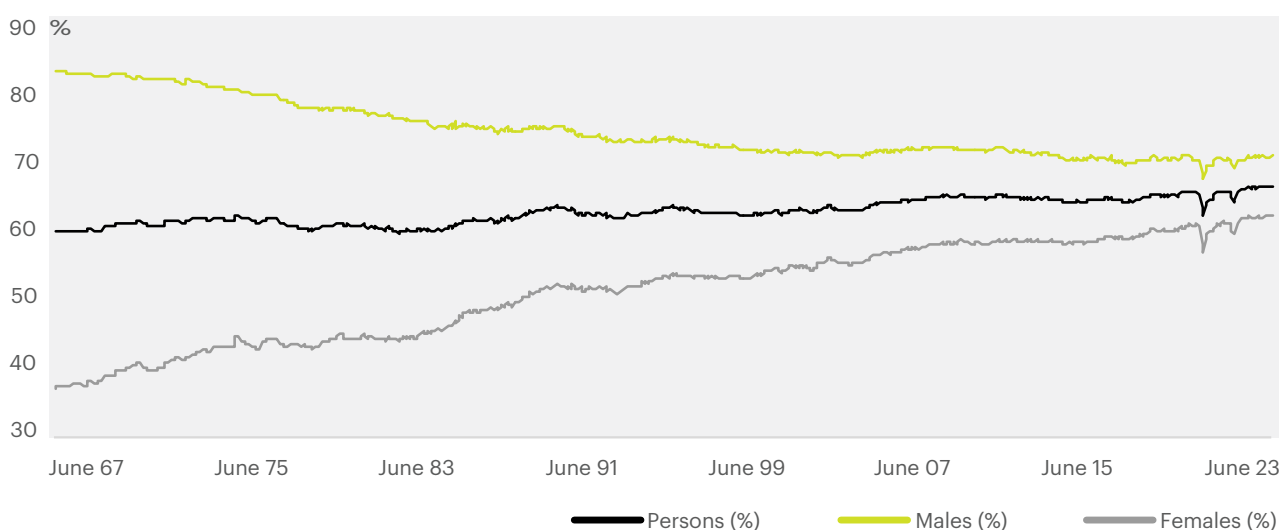
In its 2021 report, *Back of the Pack: How Australia's Parenting Policies are Failing Women and Our Economy*, Equity Economics' modelling found that 'if an average Australian woman had the same workplace participation patterns after having children as an average Swedish woman, she would earn an additional \$696,000 over her working life; and retire with an additional \$180,000 in superannuation'.³

Increasing the opportunities for women to continue to work if they choose and providing additional training will improve their economic security.

Strengthening women's participation and advancement

Australia lacks a women's economic framework to drive workforce participation, the advancement of women and wealth accumulation.

Lever 7 Figure 2: Labour force participation rate



Source: ABS

Child care: taper rates, subsidy and affordability

Affordable, accessible, high-quality child care plays a critical role in a woman's decision to work, and to progress and advance her career.

The current tax and social security system remains one of the biggest structural barriers to increasing women's participation in the workforce. High out-of-pocket expenses combined with other restrictive tax and welfare settings are counter-productive to families and the economy more broadly. They are a disincentive to keeping women at work.

Both the Productivity Commission (PC) and the Henry Tax Review identified that reform of the system, which is fragmented, highly regulated and delivered through different levels of government, is necessary if Australia is to increase the number of women in the workforce.

The system is increasingly inequitable, particularly for those in outer metropolitan areas, and no longer reflects the needs and aspirations of modern Australian families.

Issues that the PC investigated in 2015, such as supply, pricing, workforce availability and the flexibility of the system, still have not been resolved. Increases in childcare demand will create further pressure, particularly where access to child care places and employee shortages remain problematic. It is essential that cost structures around these issues are understood by government.

We must also re-examine how the system works as a whole, including how the childcare system interacts with the early childhood learning system (see Lever 6: Nurturing our people and skills).

³ Back of the Pack: How Australia's Parenting Policies are Failing Women and Our Economy" Equity Economics, 2021, Pg 7

Sharing the care with paid parental leave

The existing Commonwealth-funded paid parental leave (PPL) scheme must go further to promote a more equal distribution of care between parents in the longer term.

It should incentivise both parents to share care responsibilities to help shift traditional cultural and gender norms and see more women working and advancing in their professions.

Many large companies have already expanded their paid parental leave, offering up to six months leave to either parent. They have also removed the requirement for the claimant to be the primary carer.

These progressive policies are paying dividends in the hunt for global talent, according to companies that have adopted them. Importantly, they recognise the needs of the modern family and equalise the role of both parents.

Male-dominated industries

Many women continue to be locked out of opportunities to work in male-dominated industries which are often characterised by higher pay.

Women currently make up only about three per cent of the trades workforce. Gender segregation of women and men across fields of study overall has changed little since 2007.

Australian companies in some traditional male-dominated industries have introduced initiatives to increase female participation, but Trades Women Australia noted in a recent report that 63 per cent of employers said the biggest issue was women not applying for roles.

Female-dominated sectors

The care sector is largely female dominated, low paid and facing significant workforce shortages. It is also one of the fastest-growing employment areas.

Lever 7 Figure 3: Care worker jobs to explode⁴

16% of all new jobs will be in the health and social assistance sector by 2026

The largest growth will be for aged and disabled care workers



⁴ National Skills Commission 2022, Employment Projections by Industry, media release, NSC, 8 September, <https://www.nationalskillscommission.gov.au/topics/employment-projections> (accessed April 2023)

Deloitte Access Economics forecasts that demand for workers across the total care and support system will double by 2049-50.

The BCA acknowledges the work under way at federal and state levels to develop workforce strategies to meet employment demand in the care sectors. National strategies will enable an agreed, uniform approach to improving quality, productivity and providing lifelong learning opportunities.

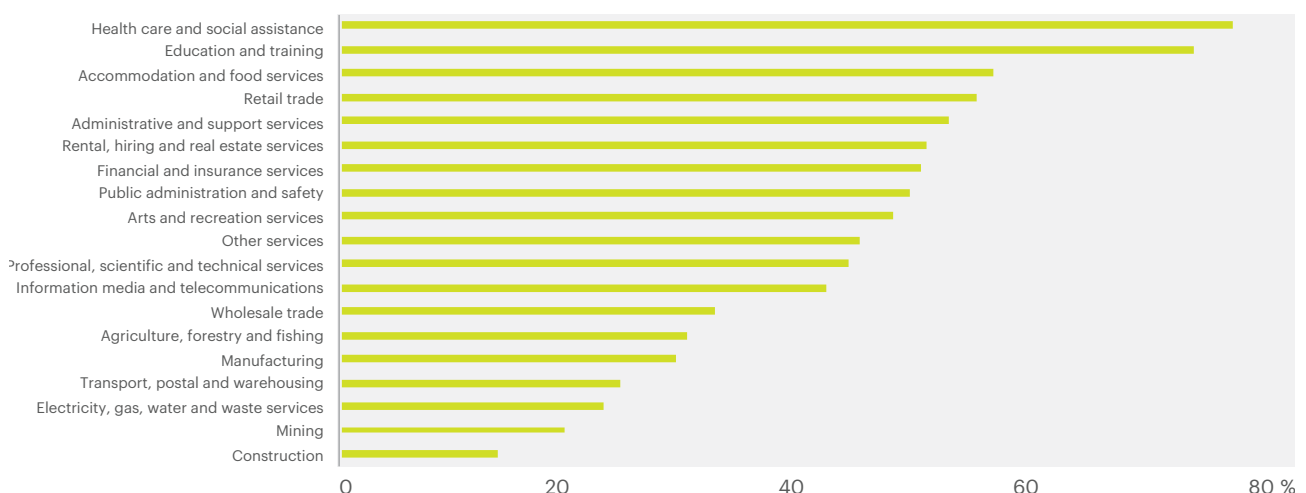
Government, business, and the tertiary sector must work with training providers to develop microcredentials in industry-specific specialisations to support new skills, career progression and higher remuneration (see Lever 6: Nurturing our people and skills).

Connecting the care economy to the overarching economic landscape may also offer a significant productivity boost and further address women's participation rates, while helping turbocharge Australia's economic recovery.

The BCA supports calls for a non-refundable tax offset for unpaid care work performed by women and men.

Lever 7 Figure 4: Female-employment dominated industries

Female employment share, 2022-23



Source: ABS

Business ownership and wealth accumulation

Two thirds of new businesses in Australia over the past decade were founded by women.⁵ This accounts for a 46 per cent jump in women-owned business in the past 20 years when overlayed with ABS data.

While good news, there is evidence that the need for greater flexibility is driving this trend.

Lever 7 Figure 5: Business ownership equals flexibility⁶

Why women start their own businesses

56 per cent



A desire for greater flexibility

49 per cent



The need for greater work-life balance

⁵ Marie Claire and Salesforce 2019, 'Women in Small Business Research Piece', 8 March, Marie Claire Joins With Salesforce To Improve The Working Lives Of Aussie Women | Marie Claire International (accessed March 2023)

⁶ Xero Boss Insights 2021, Small business and sole traders in the new world, media release, Xero, April, <https://www.xero.com/content/dam/xero/pdfs/reports/xero-boss-insights-2021.pdf> (accessed March 2023)

Data indicates that women are moving away from traditional workplace structures. One way for employers, industry and government to continue to benefit from their skills is to alter procurement rules so female-owned businesses can compete.

A recent Australian Small Business and Family Enterprise Ombudsman survey found that 43 per cent of 600 female-led or owned businesses saw access to capital as a significant barrier to growth.

Superannuation on paid parental leave

Workplace Gender Equality Agency (WGEA) data shows 81 per cent of companies that offer paid parental leave also pay superannuation as part of this leave.⁷ The government should consider support for superannuation paid on PPL and how it can benefit the long-term financial security of women. It should also investigate further changes that would enable women to catch up on superannuation lost due to time out of the workforce as a result of care responsibilities.

Savings

There is a gender divide in savings, with an average savings balance of \$38,932 for men compared with \$21,233 for women.⁸

Savings and investment solutions from lending institutions supported by government can help, especially for those on lower or single incomes and older women.

We note the work of the banks and the Australian Securities and Investments Commission (ASIC) in designing financial tools to help women make informed financial decisions to boost their savings. It would be useful to review these resources and consider a 'one-stop shop' on the Office for Women website that connects women to this support.

Asset and wealth accumulation

Property ownership underpins a dignified retirement. At a time of reduced income, owning your own home significantly reduces costs and, by extension, the incidence of poverty in retirement.

But women face greater hurdles when it comes to buying a home than men due to the gender pay gap, poor financial literacy and lower participation in the workforce.

Most home ownership schemes are aimed at first homeowners and are subject to lenders' criteria.

The importance of financial literacy

Women aged 25-34 are the biggest online consumers, spending about 112 hours a month online. Artificial intelligence algorithms combined with buy-now, pay-later schemes are making increased spending more attractive. Women are more likely to experience financial distress and to take out pay-day loans; 41 per cent are single parents.

The government has moved to review these schemes.

Women's financial literacy is not where it should be. Financial products and services can be complex and overwhelming, while the median cost of financial advice is about \$3,500 – putting it out of reach of many Australians.

⁷ Workplace Gender Equity Agency 2022, Australian employers paying up for mums and dads on parental leave, media release, WGEA, 8 February, Australian employers paying up for mums and dads on parental leave | WGEA (accessed March 2023)

⁸ Finder 2022, International Women's Day 2022: Work, Wealth and Financial Equality, media release, Finder, 3 March, <https://dvh1deh6tagwk.cloudfront.net/finder-au/wp-uploads/2022/03/International-Womens-Day-2022.pdf> (accessed March 2023)

Most of the recent rises in women’s workforce participation have come from women in their 50s and 60s who have had to go back into the workforce for financial security as they are not adequately set up for retirement.

Lever 7 Figure 6: The difference in financial literacy between men and women⁹

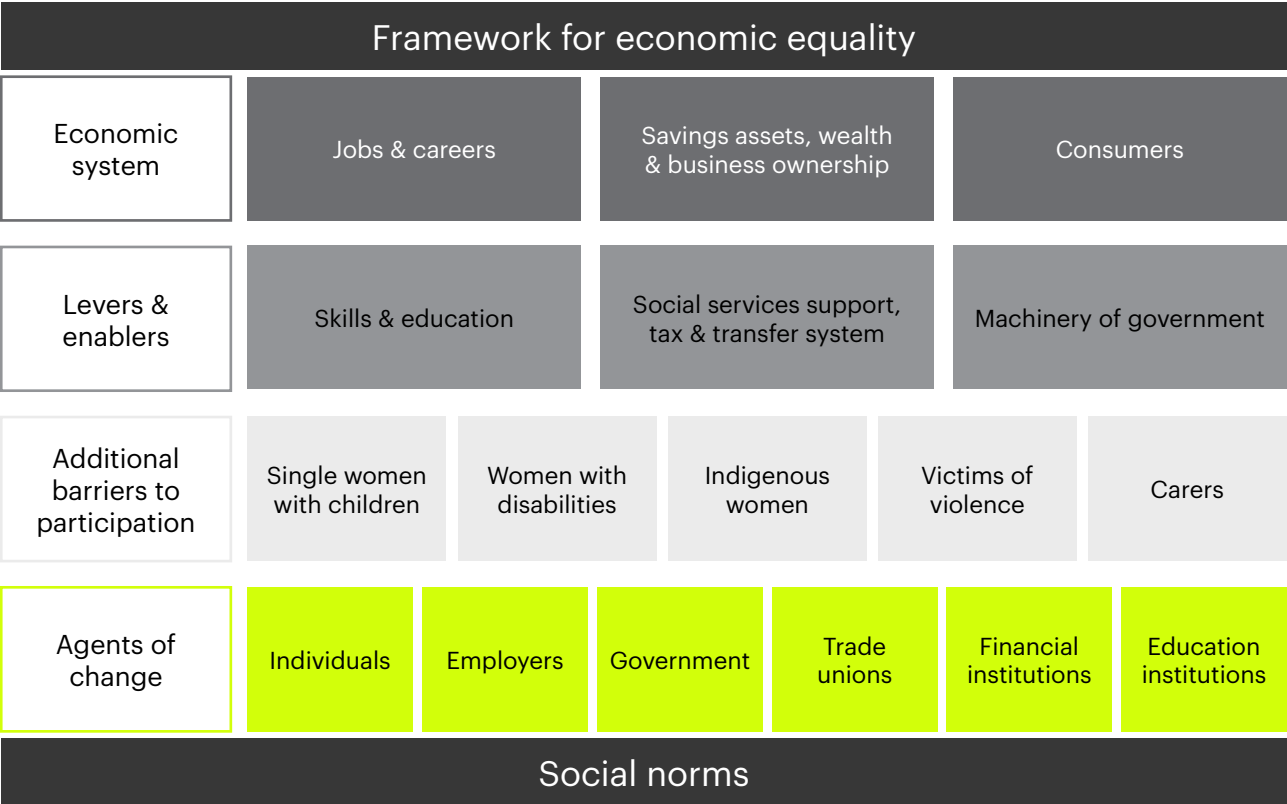


The big idea

The BCA has mapped out a 10-year pathway detailing the key actions government, business and others such as unions, not-for-profits and community groups can take to remove barriers in the system and increase the economic participation of women.

Our proposals for measurement are simple and complement data collected by WGEA, making tracking, reporting and accountability possible. The measures and benchmark data described below lend themselves to the creation of a women’s advancement report card that could be released annually by the Prime Minister to coincide with International Women’s Day.

Lever 7 Figure 7: Economic framework to advance women’s economic participation and equality.



Source: BCA

⁹ Wilkins, R and Lass, I 2018, The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16, Melbourne Institute: Applied Economic & Social Research, University of Melbourne, Melbourne, HILDA-report_Low-Res_10.10.18.pdf (unimelb.edu.au) p. 118 (accessed March 2023)

The BCA's 10-year economic framework sets several key milestones to advance women's participation, leadership and financial security staggered over the decade.

These include working to eliminate the gender pay by 2034, increase the number of women in executive leadership positions, especially in ASX 300 companies, and ways to improve women's home ownership and financial literacy.

Lever 7 Figure 8: Key economic framework targets for advancing women

Milestones are aimed at progressing workforce participation, leadership and financial security



Source: BCA

How we get there

Child care

- Consider how further changes to the Child Care Subsidy (CCS) could reduce financial disincentives for families.
 - These changes could build on the government’s recent reforms and help eliminate high workforce disincentive rates.
 - Review workforce disincentives and gender inequity embedded in the tax and social security system as it relates to child care.
 - The Productivity Commission’s final report into the child care and early childhood systems should support the concept of an early years guarantee for children and their families (see Lever 6: Nurturing our people and skills).

Paid parental leave

- Adopt the BCA’s PPL model which enshrines equal sharing of leave between parents. It also:
 - provides incentives and signals to partners to help drive cultural change, including changes to ‘use it or lose it’ weeks
 - does not penalise mothers
 - improves simplicity and flexibility
 - builds in flexibility for families to choose what works best for them.

Lever 7 Figure 9: A flexible approach to sharing paid parental leave

The BCA’s PPL model

	Reserved portion A	Reserved portion B	Shared portion	Total leave	Concurrent allowed
2023	2 weeks	2 weeks	16 weeks	20 weeks	2 weeks
2024	3 weeks	3 weeks	16 weeks	22 weeks	2 weeks
2025	4 weeks	4 weeks	16 weeks	24 weeks	2 weeks
2026	5 weeks	5 weeks	16 weeks	26 weeks	2 weeks

Source: BCA

- Develop a best-practice guide on career development and talent identification strategies that keep women connected to their employers, particularly when on PPL or other forms of extended leave.

Male-dominated industries

- To increase the number of women working in male-dominated industries, business and industry work together to deliver targeted campaigns, career pathway information, mentoring, use of ambassadors and female-led industries/businesses.
 - Successful programs containing the elements above and others such as Women Building Australia and initiatives by the construction and mining industries should be scaled and expanded.
 - Ensure Priority Wage Subsidy incentives include women taking up apprenticeships in occupations with skills shortages and low female participation (including construction). The government could set a goal of supporting 10,000 apprenticeships for women.

- The BCA welcomes the government’s Australian Skills Guarantee target to double the proportion of women in apprenticeships and traineeships on Commonwealth-funded major construction projects.
- The initiatives above will benefit from industry input and a targeted communications campaign to boost awareness.

Female-dominated industries

- The government should introduce a non-refundable progressive Carers’ Income Tax Offset for unpaid caring work performed by men and women, which would be paid upon their return to the workforce.
 - This offset could be directed to carers who are supporting family members who are aged, have disabilities, or are chronically ill.
- The government should introduce low-income superannuation tax offsets or other catch-up provisions.
- Government and industry should develop a national carer workforce strategy with scope to elevate traditional care roles through:
 - technological advancements
 - digital capabilities
 - telecare
 - better monitoring of the care and support workforce
 - mechanisms for remuneration and productivity uplifts.

Savings, assets and wealth accumulation

- The government should examine support for superannuation paid on PPL and how it can benefit the long-term financial security of women. It should also consider catch-up superannuation to mitigate loss of time in the workforce due to care responsibilities.
- Additional superannuation options include:
 - Time-limited rebates of the superannuation contributions tax (SCT).
 - Providing top-up superannuation contributions for primary carers (not on a co-contribution basis).
 - Allowing employers to make unused superannuation guarantee concessional contributions for recipients of Commonwealth PPL without a time limit.
 - Removing the five-year limit on use of concessional caps for years spent as a primary carer.
 - Creating a primary carer supplementary concessional cap.
- Working with ASIC and business, the government should establish a mechanism for seed funding to increase support for female entrepreneurs wanting to start and run their own businesses.
- Government and business should work together to establish a procurement program that promotes buying from female-led and female-owned businesses.
- The BCA proposes that a portion of federal infrastructure funding be specifically targeted to infrastructure that supports new housing supply as many women are priced out of the market, particularly in their later years.
- There should be state and territory net additional dwelling targets linked to population and backed by incentives and penalties.
- Treasury should urgently analyse the impact of an increase to Commonwealth Rent Assistance (CRA) on recipients and the broader housing market (including rents). It is critical this is better understood in order to deliver targeted and tailored support.

Financial advice

- Scale up financial literacy programs in schools.
- Develop and refine financial toolkits and grants that strengthen financial capability and wellbeing.
 - ASIC’s online financial literacy training is visited by one in two people.
- The BCA recommends that the government work with the banking industry to develop and refine financial literacy toolkits to strengthen women’s financial capabilities.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 7: Advancing the economic interests of women				
The big idea		N	5	10
The BCA has mapped out a 10-year pathway detailing the key actions government, business and others such as unions, not-for-profits and community groups can take to remove barriers in the system and increase the economic participation of women.		✓	✓	✓
Action items		N	5	10
<p>Consider how further changes to the Child Care Subsidy (CCS) could reduce financial disincentives for families.</p> <ul style="list-style-type: none"> – These changes could build on the government’s recent reforms and help eliminate high workforce disincentive rates. – Review workforce disincentives and gender inequity embedded in the tax and social security system as it relates to child care. <p>The Productivity Commission’s final report into the child care and early childhood systems should support the concept of an early years guarantee for children and their families.</p>			✓	
Adopt the BCA’s PPL model which enshrines equal sharing of leave between parents.		✓		
Develop a best-practice guide on career development and talent identification strategies that keep women connected to their employers, particularly when on PPL or other forms of extended leave.		✓		
Ensure Priority Wage Subsidy incentives include women taking up apprenticeships in occupations with skills shortages and low female participation (including construction). The government could set a goal of supporting 10,000 apprenticeships for women.		✓		
Business and industry want to work with the government to significantly increase the number of women in male-dominated industries. Strategies include targeted campaigns, career pathway information, mentoring, use of ambassadors and female-led industries/businesses.		✓		

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
The government should introduce a non-refundable progressive Carers' Income Tax Offset for unpaid caring work performed by men and women, paid upon their return to the workforce. This could be directed to carers who are supporting family members who are aged, have disabilities, or are chronically ill.			✓	
Government and industry should develop a national carer workforce strategy with scope to elevate traditional care roles.		✓		
The government should examine support for superannuation paid on PPL and how it can benefit the long-term financial security of women. It should also consider catch-up super to mitigate loss of time in the workforce due to care responsibilities.		✓		
Government and business should work together to establish a procurement program that promotes buying from female-led and female-owned businesses.			✓	
The BCA proposes that a portion of federal infrastructure funding be specifically targeted to infrastructure that supports new housing supply as many women are priced out of the market, particularly in their later years.		✓		
There should be state and territory net additional dwelling targets linked to population and backed by incentives and penalties.			✓	
Treasury should urgently analyse the impact of an increase to Commonwealth Rent Assistance (CRA) on recipients and the broader housing market (including rents). It is critical this is better understood in order to deliver targeted and tailored support.		✓		
Scale up financial literacy programs in schools.		✓		
The BCA recommends that the government work with the banking industry to develop and refine financial literacy toolkits to strengthen women's financial capabilities.			✓	

Lever 8 Social inclusion

8



Social inclusion

We must create an employment and training system that enables all Australians to participate in the workforce and ensures no one is left behind.

What has to change and why?

Skills, knowledge and experience are fundamental to Australia's competitive advantage. Unleashing the talent of our people at all levels in the workplace is central to the work of the BCA. It underpins Australia's productivity, innovation and ability to become a frontier nation.

But too many Australians are left behind due to disadvantage, discrimination or because our systems of support are not fit for purpose.

More than 1.2 million Australians experience deep social exclusion due to challenges including long-term health issues, disability, low levels of education or because they are of Aboriginal and Torres Strait Islander background.¹

We are spending more than \$17 billion on an employment system that is failing those who need it most².



About five per cent of the population is locked out of

- opportunities to get ahead
- the ability to participate fully in the workforce and contribute to the economy
- the ability to reach their full potential.

Our employment and training systems are failing to provide the right tools for skilling and reskilling large groups of Australians. They are locking people who are marginalised and who face complex barriers into long-term poverty.

More than half a million Australians have been in the employment services system for over 12 months; more than 50,000 have been on JobSeeker for over a decade.

Worse still, people who've been unemployed for up to two years (including those from Indigenous and culturally and linguistically diverse backgrounds, and younger jobseekers) are leaving the employment services system altogether, further entrenching disadvantage and exclusion.

This is at a time when Australia has been experiencing acute labour and skills shortages, and record low unemployment rates.

These failings need to be viewed in the context of record JobSeeker payments (estimated at \$12.9 billion in 2023-24, rising to \$14.9 billion in 2026-27), and the \$4.3 billion spend on the employment service system.³

¹ PC News, Is Australia becoming more unequal?, May 2019 source: Is Australia becoming more unequal? - PC News - May 2019 - Productivity Commission

² Portfolio Budget Statements 2023-24, Budget Related Paper 1.14, Social Services Portfolio, Page 38 and Expenditure on Employment Services, Advice provided by the Parliamentary Budget Office to the Select Committee on Workforce Australia Employment Services, 2 November 2022, Page 10

³ Portfolio Budget Statements 2023-24, Budget Related Paper 1.14, Social Services Portfolio, Page 38 and Expenditure on Employment Services, Advice provided by the Parliamentary Budget Office to the Select Committee on Workforce Australia Employment Services, 2 November 2022, Page 10

Realising the full potential of all Australians

The Productivity Commission reported that about nine per cent of Australians (around 2.2 million people) are experiencing poverty, and three per cent of Australians (about 700,000 people) have been in poverty for at least the last four years.⁴

The commission found that 'people living in single-parent families, Indigenous Australians, people with low educational attainment, the long-term unemployed, and people with disabilities or other long-term health conditions are most likely to experience protracted income poverty.

'Whether inequality increases or decreases in the future will depend on the opportunities people have to improve their living standards. Sustained economic growth and access to reliable employment will provide opportunities for most people. But for a smaller group, the challenges are more complex'.⁵

Government, business, unions, educational institutions, NGOs and others must do more to ensure all Australians have access to the services they need to reach their full potential and have meaningful and fulfilling roles in the workforce, and in society. We have an extraordinary opportunity to make smart investments and remove the structural barriers preventing Australia from becoming a frontier nation.

Government, business and industry must collaborate on a complete overhaul of the employment services, education and training systems. Their disconnect from the human services system must be addressed, with business and industry embedded in a new structure.

Demand-led, place-based employment approaches offer the most sustainable, long-term employment opportunities as they are based on a business's real workforce needs. This is in contrast with the employment services system where a job applicant is offered to an employer whether a job exists or not.

We need a longer-term vision that focuses on social inclusion to build the foundations for long-term employability, career development and advancement.

Indigenous education and employment gap

Educational outcomes for Indigenous students continue to lag behind the rest of the population and remain a barrier to getting good jobs and building careers. Nationally in 2021, 68.1 per cent of Aboriginal and Torres Strait Islander people aged 20–24 years had attained Year 12 or equivalent qualification. While it's an improvement on the Closing the Gap baseline, the goal to reach 96 per cent looks out of reach.

The National Agreement on Closing the Gap set a target to increase the share of young Aboriginal and Torres Strait Islander people with a tertiary qualification to 70 per cent by 2031. This will require a 30 per cent point increase on 2016 levels. Indigenous women experience a 10 per cent point employment gap with Indigenous men, even when the education level is the same.⁶

Indigenous men and women had shared experience in the workforce particularly around issues relating to cultural identity, cultural safety, organisational authenticity and organisational activity.⁷

But the report noted that Indigenous women carers faced a 'triple jeopardy effect' with issues around racism, discrimination and lack of support.

4 PC News, Is Australia becoming more unequal?, May 2019 source: Is Australia becoming more unequal? - PC News - May 2019 - Productivity Commission

5 Australian Institute of Health and Welfare 2021, Indigenous employment, media release, AIHW, 16 September, <https://www.aihw.gov.au/reports/australias-welfare/indigenous-employment> (accessed April 2023)

6 Workplace Gender Equity Agency 2021, Gari Yala (Speak the Truth): Gendered Insights, media release, WGEA, Canberra, 26 October, <https://www.wgea.gov.au/publications/gari-yala-speak-the-truth-gendered-insights> (accessed March 2023)

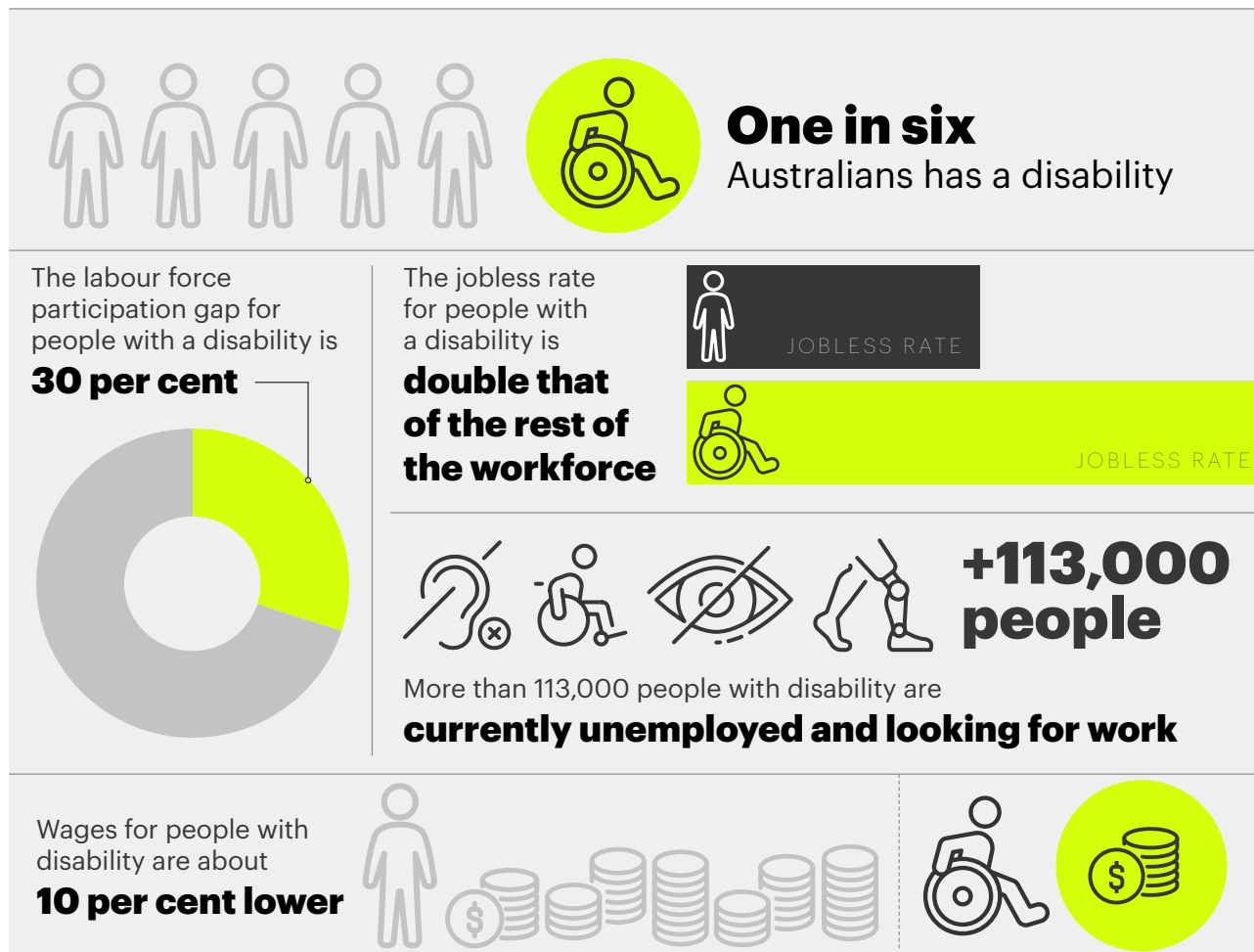
7 Deloitte Access Economics 2011, The Economic benefit of increasing employment for people with disability, report, August.

People with disability are missing out on opportunities

People with disability have a wide range of skills and experiences and represent one of Australia's most under-represented talent pools.

Despite this, we have one of the lowest employment rates for people with disability in the OECD, sitting at 21 out of 29 countries.

Lever 8 Figure 1: How Australians with disability fare in the workforce⁸



Deloitte Access Economic modelling commissioned for the Australian Network on Disability showed that if the gap between participation and unemployment rates for people with disability was reduced by a third, the cumulative impact on GDP would be \$43 billion.

The economic case is clear: there is a significant productivity uplift if people participate more.

Recent BCA analysis relating to disability employment found that fewer than five per cent of employers were using the employment services system to find candidates for jobs. However larger providers such as SEEK, LinkedIn and others are used extensively by both candidates and employees.

By contrast, concentrating on developing the strengths of a place or a particular industry means governments and businesses can respond to actual labour needs and ongoing employment opportunities.

⁸ Australian Institute of Health and Welfare 2020, People with disability in Australia 2020: in brief, media release, AIHW, Canberra, 02 October, <https://www.aihw.gov.au/getmedia/7005c061-1c6e-490c-90c2-f2dd2773eb89/aihw-dis-77.pdf.aspx?inline=true> p. 20 (accessed March 2023)
 Australian Bureau of Statistics 2023, Labour Force, Australia January 2023, ABS, 16 February, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/jan-2023> (accessed March 2023)
 Job access 2023, The compelling case for disability employment in Australia. The unrivalled benefits of an underutilised labour market, media release, JA, Canberra, March, Job Access | The compelling case for disability employment in Australia (accessed April 2023)

The big ideas

Employment and training

- Overhaul the employment and training system and replace it with a 21st-century framework that focuses on:
 - ensuring **jobseekers** have access to education and training opportunities, including foundation and digital skills, reskilling options, career information and advice to maximise their job readiness
 - For those who face significant barriers, the employment services system must be the front door to the broader human services system that is better equipped to provide support.
 - providing **employers and industry** with the ability to match candidates to jobs, bridging the gap between supply and demand and providing access to job-ready employees
 - Employers are committed to supporting the workforce participation of those who are under-represented in the labour market.
 - ensuring the **government** delivers a service system geared to lifting workforce participation.
 - This should be a demand-led model, underpinned by value for money, that can rapidly adapt and respond to changes in the labour market.
- Establish Indigenous service delivery arms of Aboriginal community-controlled organisations that operate as a business and provide services to a local area or region.

LEVER 8 EXHIBIT BOX 1

Focus on demand-led employment

Features of a successful approach:

- Early, strategic partnerships with large employers to prepare jobseekers for future workforce needs
- Greater information for employers about the work readiness of a jobseeker, and partnerships with sophisticated job marketplaces such as SEEK, Indeed and LinkedIn
- Linking with other relevant non-government organisations (NGOs) to offer/provide a service to assess workplace suitability and provide advice for a successful job placement
- Increased focus on monitoring and timely interventions to address issues and support jobseekers
- A dedicated service point for employers within employment services providers.

Removing barriers for people with disability

- The BCA will work with government and organisations representing people with disability to develop and support procurement programs for the sector. These could be similar to the Raising the Bar program, which is a joint BCA and Supply Nation project aimed at growing the number of Indigenous suppliers.

Bridging the regional divide

- An overarching regional strategy is needed to focus on the competitive advantage of our regions and build on the work the government has begun, including the Buy Australia Plan, Net Zero Economy Taskforce and Reshaping Australian Food Systems blueprints.

How we get there

A demand-led, place-based employment service system

- The government should carve out large elements of the Workforce Australia jobs marketplace and allow other specialist jobs marketplaces to provide this service on existing digital platforms.
- The digital jobseeker service must include links for training and support to help all job seekers, including investment in foundation and digital skills.
- The government should prioritise jobseekers who face significant barriers. This group must be provided with targeted wrap-around support and co-development and delivery of employment programs by employers, employment services providers and training providers.
- Greater and more personalised support should be available to help the most disadvantaged jobseekers use the jobseeker system as an additional entry point to a broader human services response.
- Increase the use of data and technology to control service delivery costs, and implement a systematic approach to improving program outcomes.
- Recalibrate government payments to employment services to encourage long-term employment.

Lever 8 Figure 2: Inclusive workers are beneficial for employees⁹

INCLUSIVE WORKERS ARE:



10 times
more likely to be highly effective



9 times
more likely to innovate



10 times
more likely to provide
excellent customer service



Empowering Indigenous Australians

- Ensure all levels of government implement an Indigenous business strategy that incorporates procurement targets.
- Focus on the synergies between the BCA's Raising the Bar program and the Commonwealth Indigenous Procurement Program to determine the best ways of establishing Indigenous business panels.
- Provide Commonwealth funding for proven Indigenous business incubator and accelerator programs as well as training for procurement teams in non-Indigenous businesses.
- Continue funding for longitudinal data collection and measurement of the Indigenous business sector.
- Fund an Indigenous Chamber of Commerce that can provide support to the Indigenous business sector.
- Undertake a comprehensive analysis of workforce needs in the Indigenous community sector including:
 - Current profiles of the Indigenous community-based workforce, including occupation, qualifications, employment type and main sociodemographic characteristics
 - Balance of supply and demand in the sector and likely demand over a five to 10-year horizon
 - Challenges to labour supply including remuneration, skills and training models, employee retention opportunities for career progression, education and training pathways
 - A framework for monitoring and continuous improvement.
- Universities and businesses should provide outreach, mentoring and educational support programs to ensure Indigenous students are set up to succeed in tertiary study and future employment.

LEVER 8 EXHIBIT BOX 2

The Indigenous business sector – a story of success

The Australian Indigenous business sector is one of our nation's success stories, with Indigenous businesses experiencing exponential growth over the past few years.

The University of Melbourne's *Indigenous Business Sector Snapshot 1.1* report estimates that Indigenous businesses employ approximately 44,000 people nationally, making them a significant source of jobs.

Growth in the sector has been supported by key policies directed at Indigenous procurement by federal and state governments and the corporate sector.

The BCA's Raising the Bar initiative, in partnership with Supply Nation, began in 2019 with the specific aim of growing Indigenous procurement capability.

Removing barriers for people with disability

- Focus on demand-led employment for people with disability, which offers the best avenues for successful employment.
- Establish a procurement program for people with disability that allows for:
 - accessible procurement
 - targeted recruitment using specialist services such as Disability Employment Services (DES) and other parties, such as the Australian Network on Disability and Get Skilled Access.
 - a supply chain of businesses owned and operated largely by people with disability.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 8: Social inclusion				
The big idea		N	5	10
<p>Overhaul the employment and training system and replace it with a 21st century framework that focuses on:</p> <ul style="list-style-type: none"> ensuring jobseekers have access to education and training opportunities, including foundation and digital skills, reskilling options, career information and advice to maximise their job readiness <ul style="list-style-type: none"> For those who face significant barriers, the employment services system must be the front door to the broader human services system that is better equipped to provide support. providing employers and industry with the ability to match candidates to jobs, bridging the gap between supply and demand and providing access to job-ready employees <ul style="list-style-type: none"> Employers are committed to supporting the workforce participation of those who are under-represented in the labour market. ensuring the government delivers a service system geared to lifting workforce participation. <ul style="list-style-type: none"> This should be a demand-led model, underpinned by value for money, that can rapidly adapt and respond to changes the labour market. <p>Establish Indigenous service delivery arms of Aboriginal community-controlled organisations that operate as a business and provide services to a local area or region.</p> <p>The BCA will work with government and organisations representing people with disability to develop and support procurement programs for the sector. These could be similar to the Raising the Bar program, which is a joint BCA and Supply Nation project aimed at growing the number of Indigenous suppliers.</p>			✓	✓
Action items		N	5	10
The government should hand over large parts of the Workforce Australia jobs marketplace to specialist private-sector job advertisers to ensure jobseekers can see available jobs across all existing digital platforms.		✓		
The government should prioritise jobseekers who face significant barriers. This group must be provided with targeted wrap-around support and co development and delivery of employment programs by employers, employment services providers and training providers		✓		

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
The digital jobseeker service must include links for training and support to help all job seekers, including investment in foundation and digital skills.			✓	
Greater and more personalised support should be available to help the most disadvantaged people use the jobseeker system as an additional entry point to a broader human services response.			✓	
Increase the use of data and technology to control service delivery costs, and implement a systematic approach to improving program outcomes.		✓		
Recalibrate government payments to employment services to encourage long-term employment.			✓	
Ensure all levels of government implement an Indigenous business strategy that incorporates procurement targets.		✓		
Focus on the synergies between the BCA's Raising the Bar program and the Commonwealth Indigenous Procurement Program to determine the best ways of establishing Indigenous business panels.		✓		
Provide Commonwealth funding for proven Indigenous business incubator and accelerator programs as well as training for procurement teams in non-Indigenous businesses.		✓		
Continue funding for longitudinal data collection and measurement of the Indigenous business sector.		✓		
Undertake a comprehensive analysis of workforce needs in the Indigenous community sector.			✓	
Universities and businesses should provide outreach, mentoring and educational support programs to ensure Indigenous students are set up to succeed in tertiary study and future employment.		✓		
Focus on demand-led employment for people with disability, which offers the best avenues for successful employment.			✓	
Establish a procurement program for people with disability.			✓	

Lever 9

Efficient workplaces



Efficient workplaces

Workplaces need to be responsive to the future of work. They must enable innovation, ingenuity and collaboration, and offer clear reward for effort.

What has to change and why?

We all want Australians to have safe, high-paying, sustainable jobs that reward people for their hard work and experience.

We want to bring out the best in people, to give them access to new opportunities and to enable them to collaborate with employers to create a positive and rewarding work environment.

The future of work will be driven by digitisation and technology. To maximise these opportunities, we need an environment that supports new industries and jobs, taps into the world's supply chains and produces value-added products that command premium prices.

But this rapidly changing landscape comes at a time when Australia faces an enormous productivity challenge.



Since federation, almost all wages growth has been driven by labour productivity.

If we don't improve our productivity – work smarter to create more value (units of output per unit of input) – our wages will be lower, our enviable low unemployment will be at risk, goods will be more expensive and interest rates will be higher for longer.

Our urgent priority must be to create a workplace relations system that gives us the tools to tackle productivity challenges head on while empowering and protecting workers.

The world of work has evolved

We no longer stay in the same job from school to retirement. Employment opportunities are far more varied, and many next-generation jobs have not even been conceived of yet. People are looking for flexibility and choice in how and where they work.

How we use our people's skills and talent will determine Australia's ongoing viability as a highly developed economy, with high living standards.

Australia's workplace relations system should focus on driving enterprise-level innovation and ingenuity, which will lead to job creation. By removing the tensions that prevent collaboration between employers and employees and stop us unleashing the potential of every Australian, we can build a workplace relations system that is a source of national competitive advantage.

By working together, we can deliver incentives for new investment and significantly increase our global competitiveness.

The key principles for our workplace system should be:

- Australian workplaces must remain agile, flexible and efficient so more Australians can be better matched to higher-paying jobs.
- Workers must be able to choose how they work rather than having a framework imposed on them which may not reflect the needs and desires of the modern workforce.
- The workplace relations system must allow companies to adapt and innovate to remain globally competitive.
- Workers must be protected from unsafe work practices and exploitation.
- Wage-setting mechanisms must be aligned with and support productivity outcomes, including through voluntary and mutually empowering enterprise bargaining.
- How we regulate work must not prevent us from adopting new technologies and new ways of doing business, particularly where they deliver improved outcomes for customers (in price, quality, service and safety), employees (flexibility, opportunity, lifestyle and pay), companies and the broader economy.
- Businesses must be supported in responding to changing consumer demand and expectations, and be able to scale as required to leverage opportunities and compete globally.

The consequences of not improving and updating our workplace relations environment, and continuing to see our productivity decline, will be lower wages, higher unemployment and a lower standard of living.

What we have now

Productivity growth in the past decade was at its lowest in 60 years – 22 per cent lower than the US.¹ Interest rates have been rising, inflation is high and persistent, and unemployment, while low, is expected to increase.

The Productivity Commission has demonstrated that “almost all wage growth since federation appears to be due to labour productivity growth”.² Low productivity has led to slower wages growth in recent years. Using a tight labour market to drive up wages or through policy intent is not a sustainable long-term solution.

What is wrong with the current system?

Complex rules and regulations that suffocate innovation are the hallmark of the Australian workplace relations system. The current framework covers 122 awards and thousands of pages of detail.³ It is virtually impossible for a business or a worker to understand these documents, leading to confusion and errors in administration and payments.

¹ Treasurer, The Hon Jim Chalmers MP, 2023 Turning the headwinds into tailwinds – Australia's productivity challenge, Address to CEDA, Brisbane, 7 March

² Productivity Commission 2020, PC Productivity Insights: Australia's long term productivity experience, Canberra, November.

³ Productivity Commission, 2022, 5-year Productivity Inquiry: A more productive labour market, Interim Report, Canberra, October.

The Manufacturing and Associated Industries and Occupations Award specifically regulates work from the horse and buggy era, with references to making ‘carriages’ and ‘carts’, in wood.

It also applies to making motorcycle sidecars, and to Bakelite and Casein, technologies from the early 1900s. The award contains numerous classifications for vehicle manufacturing, despite Australia making its last cars in 2017.

The General Retail Industry Award has classifications for video shops, fitting surgical corsets and taking dictation, in an era of streaming services, online retailing and automatic transcription.

There are also requirements such as a specific allowance for working in Broken Hill but not in other regional centres, and inconsistent rates to reimburse the use of private cars between different awards.

Awards are also prescriptive and detailed:

- Across 122 modern awards, Australia prescribes not one minimum wage but more than 1,200.
- Some awards, such as the Social, Community, Home Care and Disability Services Industry Award, contain more than 400 separate classifications, each of which generates dozens of separate wage obligations, depending on when someone works.
- The pay summary for the Manufacturing Award is 206 pages long and identifies more than 10,000 separate hourly minimum wage rates.
- The General Retail Industry Award is subject to a 29-page pay summary, which contains 1,515 separate hourly minimum wage rates.
- On top of minimum wage rates are multiple separate allowances in each modern award. The Manufacturing Award prescribes more than 100 such allowances, which must be applied in addition to minimum wage rates.

Awards do not reflect the way in which many Australians choose to work today. Work-from-home arrangements are not included in most awards yet are now an important feature of many workplaces.

Given these awards are the basis for bargaining and the instrument against which enterprise agreements are assessed, they are a significant disincentive to collective bargaining, as evidenced by the collapse in enterprise bargaining over the past decade. The current system has made what should be simple workplace agreements beyond the ability of most businesses without a team of lawyers.

As enterprise agreements decline, the system defaults to an even more centralised model regulated by the Fair Work Commission – a model that previous governments moved away from because they recognised its failings. A wage system divorced from productivity can fuel inflation and disproportionately hurt low-income earners.⁴

⁴ Reserve Bank of Australia, 2022, Statement of Monetary Policy, August.

The big idea

Replace the myriad of workplace relations structures with a clear framework based on:

- Minimum standards that provide a simpler, more straightforward, more enforceable safety net.
- Fewer awards applied more broadly, with clear minimum wage structures and allowances.
- Enterprise agreements as the primary means of determining workplace arrangements, which are easy to make and approve, driven by collaboration and reward for effort, and support flexibility and innovation for workers and businesses.
- Those above a high-income threshold are able to negotiate their own arrangements, subject only to National Employment Standards.
- The role of the workplace relations regulator is focused on ensuring the safety net is adhered to, and providing guidance in a way similar to the Australian Taxation Office provides guidance on tax matters.

How we get there

It is critical that the workplace relations system is structured around co-operative and collaborative enterprise agreements at the workplace level because this is where real productivity gains can be made.

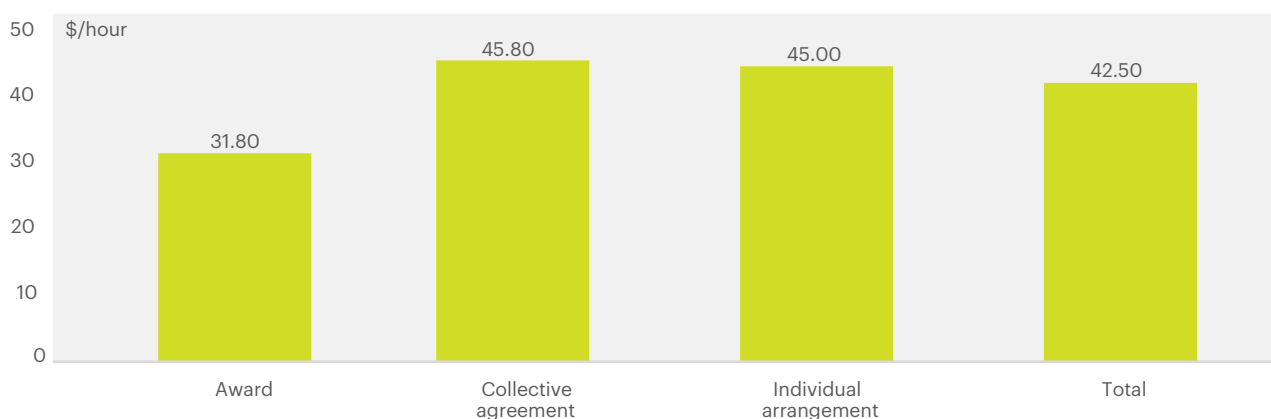
Business wants to work in partnership, not in conflict. Employers and employees can work together to deliver improved outcomes for all.

Those on enterprise agreements are on average paid about \$600 more per week than those employed under an award.



Lever 9 Figure 1: Workers on enterprise agreements are paid more than workers on awards

Average hourly cash earnings for non-managerial employees, by method of setting pay, May 2021



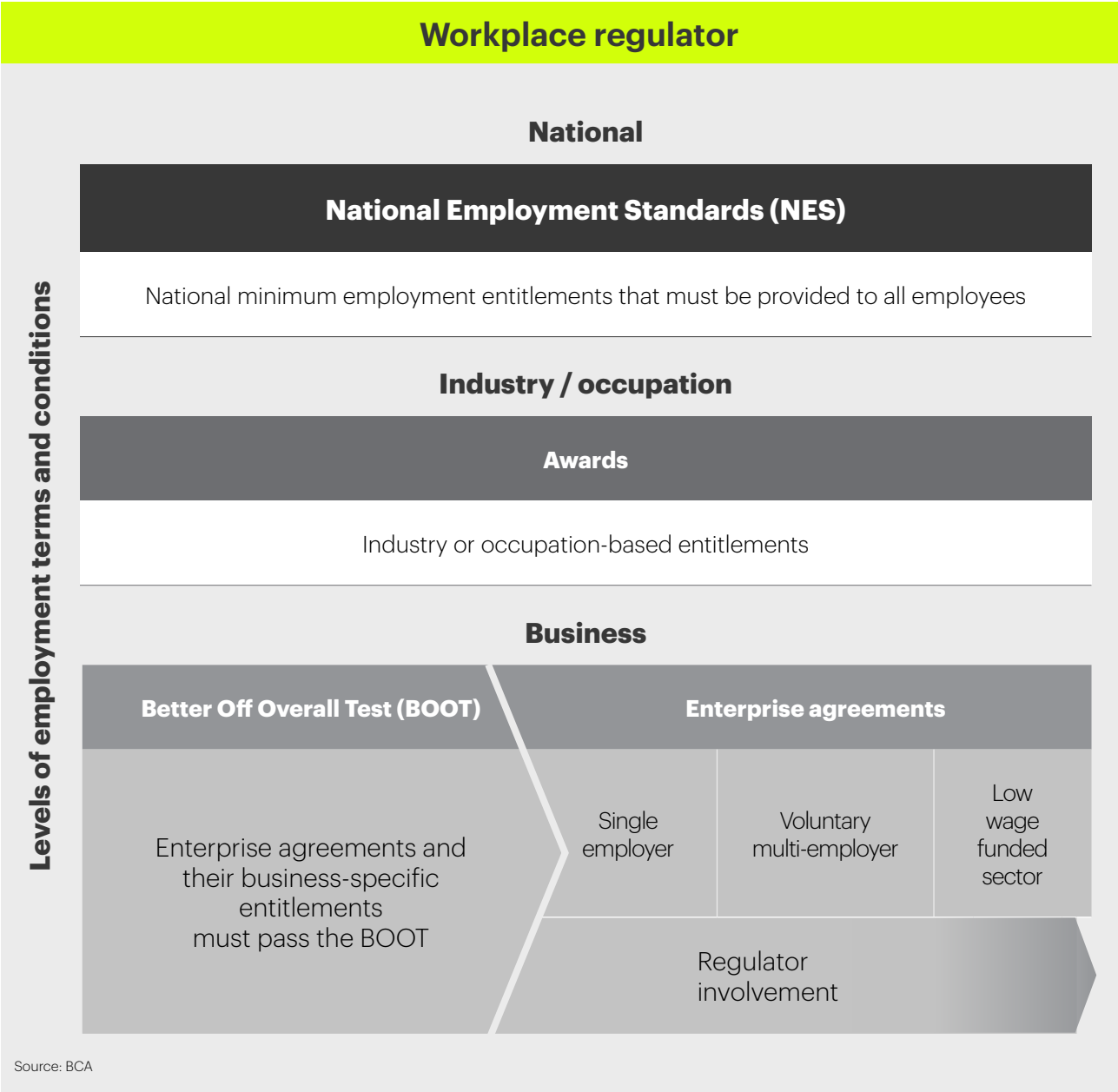
Source: ABS, Employee Earnings and Hours, Australia, May 2021

The ability to build a "bigger and better-trained workforce" and "improve the path for productivity" will impact how we benefit from the local and global trends impacting our economy, including digitalisation and the climate and energy transition.⁵

Improving productivity and increasing the size of the workforce will generate opportunities for Australians across the country, including greater youth participation levels.⁶

The BCA believes the following structure would achieve a simple, flexible and fair workplace relations framework and provide a clear pathway for businesses and their employees to determine wages and conditions.

Lever 9 Figure 2 A flexible and fair workplace relations framework



5 The Hon Dr Jim Chalmers MP, Address to the Australian Financial Review Business Summit, Sydney, 7 March 2023.

6 Treasurer, The Hon Jim Chalmers MP, 2023 Turning the headwinds into tailwinds – Australia’s productivity challenge, Address to CEDA, Brisbane, 7 March

Key principles of the proposed framework:

A strong safety net

- National Employment Standards (NES) should be the starting point for the workplace relations system.
- The NES would underpin the entire system and provide minimum workplace entitlements for all employees.
- Standards should be clear and simple, so all employees and businesses can understand them.
- The workplace relations regulator should administer the standards, with a system to ensure minimum standards are met. The regulator should provide guidance for business on the application and interpretation of employment obligations so correct payments are made.

Simpler modern awards

- The award system must be substantially simplified, with fewer instruments prescribing fewer separate minimum wage rates, and far simpler application to hours worked.
- Awards should be based on broader, more generic industry sectors.
- Awards should be refined to focus on the terms of employment, wage categories and allowances, and away from non-wage conditions.
- They should be in plain English and able to be clearly understood and applied by businesses and employees. Ideally, they would move towards becoming descriptions of classifications and schedules of current minimum rates and allowances.
- Outdated restrictions and concepts of work should be removed, enabling greater flexibility to support new ways of working. A good starting point would be to ascertain where most payment errors are happening due to the complexity of the system. This would directly benefit employees and employers by ensuring more accurate payments and minimising the risk of inadvertent under and over-payments by business.



Enterprise agreements

A workplace relations system that continues to prevent workers and businesses from determining their own arrangements will dramatically limit the capacity of businesses to grow and provide the higher-paid, sustainable jobs of the future.

The focus should be on encouraging enterprise bargaining that will reward workers, not a system that stifles productivity improvement and results in everyone being paid the same with no regard for experience, skills or effort.

In its interim report in October last year, the Productivity Commission stated that bargaining at the enterprise level is, “likely to improve the matching between firms and workers, as more productive firms can offer higher wages and better conditions to attract more productive workers. Moreover, it can be a source of innovation in determining new ways of working that benefit both employers and employees overall.”⁷

For this reason, genuine enterprise bargaining needs:

- to be more accessible for a wider range of employers and employees
- to give primacy to single-enterprise bargaining
- to be voluntary and empower employers to engage in bargaining to deliver wage rises, productivity increases and innovation
- to ensure that the Better Off Overall Test (BOOT) is further reformed to allow wage outcomes to be linked to productivity gains and to enable employers to innovate and determine workplace needs and flexibility requirements
- to ensure the BOOT is not constrained by entrenched workplace practices that fail to balance the operational requirements of employers and working needs of employees in the modern workplace
- to ensure the BOOT recognises non-monetary benefits, such as increased flexibilities for employees, and assesses them on a qualitative and quantitative basis
- agreements to be assessed against a simplified BOOT so they can:
 - fully substitute modern awards (not just build on them)
 - reduce complexity
 - generate productivity gains
 - continue to safeguard employees.
- the agreement of the parties to be given primacy. The workplace regulator’s role should be a light touch and it should be left to the parties to determine their agreements to the maximum extent possible
- wind back multi-employer bargaining. It could support access to bargaining where otherwise it may be too difficult for a business to do so. To ensure increased productivity and a focus on single-enterprise agreements, any multi-employer agreements should apply on an exceptional basis and be voluntary.
- the level of engagement by the regulator to be aligned with the bargaining stream, from a minimal role for single-employer agreements, increasing for voluntary multi-employer agreements to a more engaged role in the low wage funded sector (see Lever 9 Figure 2).

⁷ ABS, 2022, Technical data report: Analysis of changes in casual conversion in Australia, July.

Flexibility to innovate and grow

Businesses must be able to scale up and down their operations to meet demand, and source the skills and expertise they need in a changing business environment.

The development of tech-based service platforms across multiple industries has significant productivity benefits, enabling better matching between firms and their customers, non-standard work arrangements and flexibility for workers who desire it, as well as increased competition.

These service platforms have developed in response to consumer demands such as food home delivery, greater choice and independence in managing their own care services, or the improved quality of ride share over other transport services.

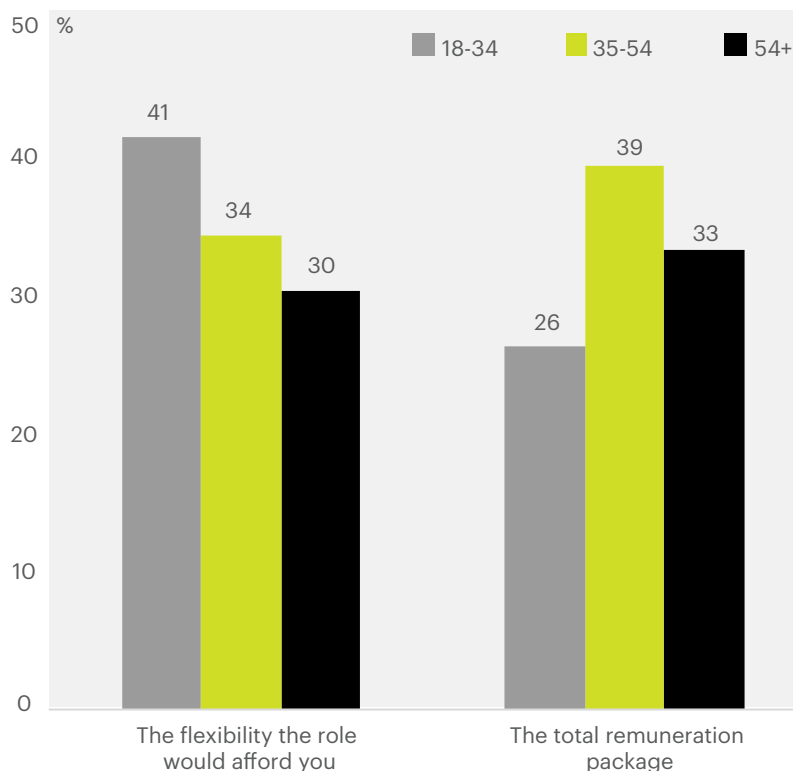
While there is a role for minimum standards that reflect the specifics of a sector, they should not be so overly prescriptive as to restrict ideas and innovation.

It is impossible to conceive of the range of businesses that will develop in coming years. What we need is a simple workplace relations framework that acts as a springboard for ideas to evolve and businesses to grow, not one that contains them within regulations that fail to meet the needs of businesses, workers and consumers.

Many workers see new ways of working as their opportunity to get ahead, to earn more income and work on their own terms. Many deeply value the flexibility and autonomy afforded to them by non-permanent engagement models.⁸

Lever 9 Figure 3: What Australian workers value

What different age groups value most highly when considering a job



Source: C/T Group

⁸ Ipsos, 2022, Uber Eater Preferences Australia, which found that 98 per cent of Uber's driver and delivery partners want policymakers to preserve their ability to work flexibly, and two-thirds prefer independent contractor status over employee status, June.

Many workers prefer the flexibility and higher rates that casual work provides. The percentage of casuals in the workforce has remained stable over the past decade. The number of casual workers converting to permanent employment also remains low, below 15 per cent and declining, and has not changed significantly even with the increased rights to conversion that were introduced to the Fair Work Act in 2021.

We must protect the rights of independent contractors who value the goodwill and independence they derive from building a business of their own, and don't want to be considered 'employees' under a tightly regulated system.

These forms of work, particularly in the gig economy, support greater flexibility for workers and businesses and have proven adaptable to changing demands and expectations. This is increasingly important in a world where technology is transforming how businesses deliver services and customer expectations continue to change.

If we are to meet the needs of consumers and provide jobs, we need a workplace relations system that enables work in the gig economy, rewards innovation and new skills.

All of this can be done by providing safer, higher-paid and more sustainable work over the longer term with a simple, clear and well-structured workplace relations framework.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 9: Efficient workplaces				
The big idea		N	5	10
A workplace relations system that lifts performance, encourages flexibility, and allows wages to rise with productivity.		✓	✓	✓
Action items		N	5	10
Substantially simplify modern awards and consolidate into fewer instruments as a genuine safety net.		✓	✓	
Start the process with the most complex awards which have led to payment issues, and those covering large numbers of workers such as retail and hospitality, making them simpler and in plain English to they can be understood and more reliably applied by employers and employees.				
National Employment Standards (NES) should be the starting point for the workplace relations system.		✓		
The NES would underpin the entire system and provide minimum workplace entitlements for all employees.				
Standards should be clear and simple, so all employees and businesses can understand them.				
The workplace relations regulator should administer the standards, with a system to ensure minimum standards are met. The regulator should provide guidance for business on the application and interpretation of employment obligations so correct payments are made.				
Continue to promote single enterprise bargaining by using the reforms to the Better Off Overall Test (BOOT) and seek to further extend the reforms to lift productivity and achieve sustainable wage increases and improved working conditions.		✓		
Continue to support those in the low-wage sector but remove the across-the-board changes under the late 2022 amendments the Fair Work Act. Multi-employer bargaining to become strictly voluntary.		✓		
Workplace regulator to provide a guidance role, similar to the Australian Taxation Office, to support business and ensure they are meeting their legal requirements for payments. Extra support for small business.		✓		

The background of the slide features a roller coaster with a tall drop tower on the left side, set against a twilight sky with soft orange and yellow clouds. The Australian flag is flying from a tall pole in the upper left corner. A large, bright yellow number '10' is prominently displayed in the lower half of the image, partially overlapping the roller coaster tracks. A thin white arc is visible in the upper left quadrant.

Lever 10 Effective government and better services

10

Effective government and better services

Australia needs better value from government through more disciplined spending and significant improvements to public service delivery.

What has to change and why?

Australia's public finances are on an unsustainable trajectory.

With our ageing population and rising demand for government services that are beset by design and delivery inefficiencies, Australians face an increasingly heavy tax burden if changes are not made now.

This burden will overwhelmingly be borne by younger workers.

The NDIS is the fastest-growing Commonwealth payment – forecast to grow 10.4 per cent on average per year for the next decade.¹



The sustainability of our public finances is key to Australia's economic health and to protecting us from future shocks. As we've seen during recent crises, a strong public sector provides an important buffer for the community at times of economic uncertainty and downturn.

To ensure the sustainability, resilience and value of our public services, the Australian Government must commit to a fiscal plan that will restore our nation's finances.

There must be a comprehensive review and reform of government expenditure and services so Australians get the support they need in a sustainable and cost-effective manner.

Good reforms will lift living standards and ensure that younger generations are not unfairly burdened by rising taxes.

Considerations should include a cap on tax as a share of the economy, limits on spending growth, recalibration of government programs and transparency about the cost of public debt.

¹ Budget 2023-24

Government expenditure is increasing and the burden of debt is real

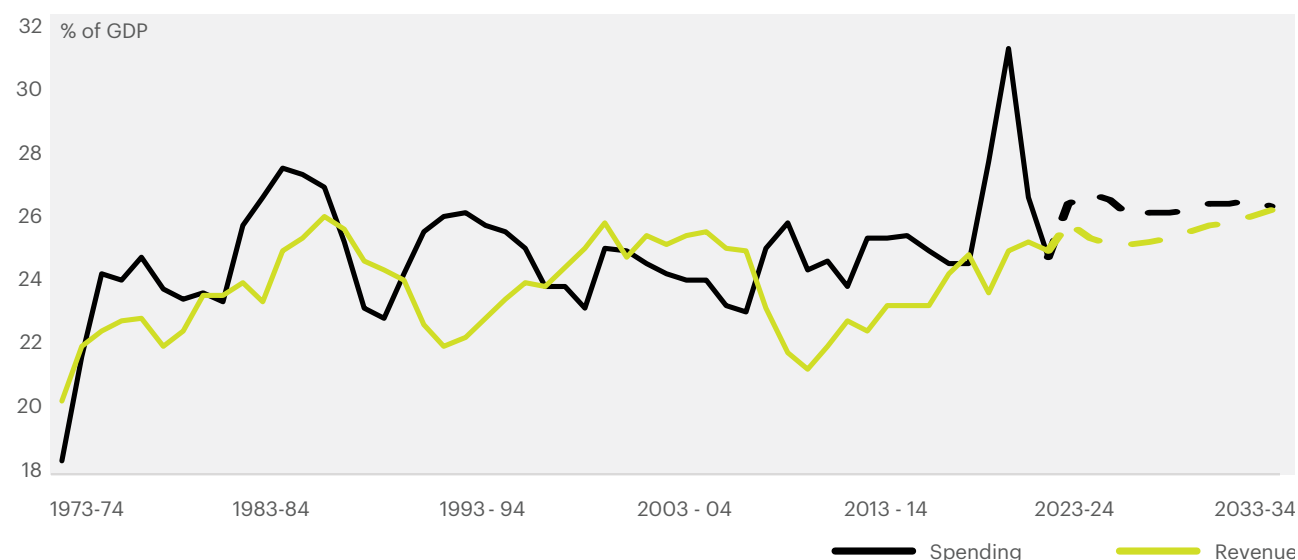
The size of government and the tax burden is growing, impacting long-term productivity growth. Government spending and revenue shares of the economy have been expanding since the early 1970s. Successive crises, most recently the pandemic, have increased the role of government intervention in the economy.

The May 2023-24 Budget projections allow the spending share of GDP to drift up from 24.8 per cent in 2022-23 to 26.4 per cent in 2033-34. The removal of the 23.9 per cent tax cap in the October 2022 Budget, which had been in place since the 2018-19 Budget, means the government will also allow the revenue share of the economy to drift higher. The former cap will be breached in 2031-32, with rises to 24.4 per cent by 2033-34.

According to the Parliamentary Budget Office, *“Medium-term fiscal strategies are a key tool in building fiscal buffers and managing fiscal policy expectations.”*²

While Australians have many legitimate demands on government, as the overall tax burden increases, so does the drag on growth from higher taxes.

Lever 10 Figure 1: Revenue and expenditure as a share of GDP



This is particularly the case if the tax system is not distributing the burden efficiently. The only effective way to mitigate this is to contain government spending.

As government assumes a greater role in the economy, it's increasingly important that it allocates resources efficiently and does not crowd out the private sector. Focusing on the efficiency and effectiveness of the public sector is a priority as growth in government spending is largely driven by demand for government services.

The build-up of regulations over time has become a problem, with governments increasingly prescriptive in their control of the economy. Legislative and regulatory complexity and the associated compliance burdens and uncertainty simply add further costs.

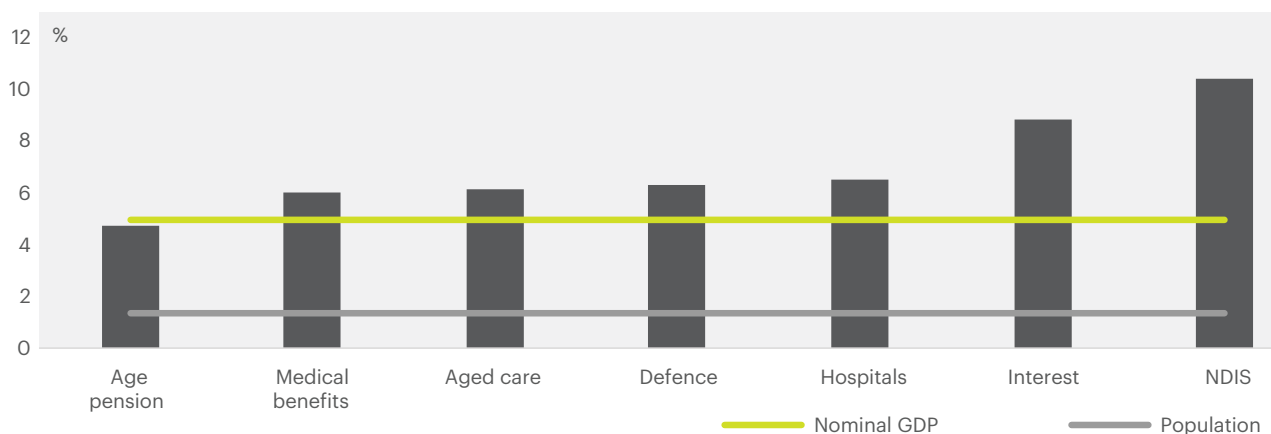
All of this is a drag on productivity and may partially explain the recent slowdown in productivity growth.

² Parliamentary Budget Office, Beyond the budget 2023-24: Fiscal outlook and sustainability, p. 12.

Drivers of change

Increases in major payments in the federal budget far outstrip economic and population growth.

Lever 10 Figure 2: Average annual growth in major payments 2023-24 to 2033-34

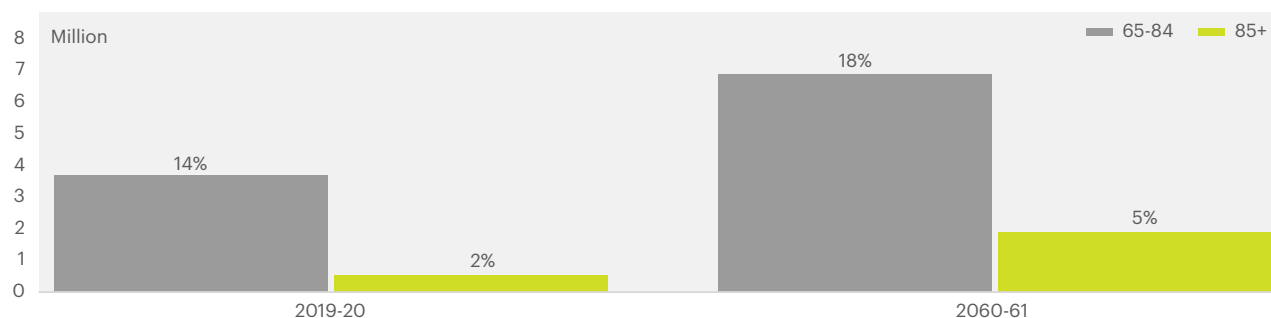


Source: Commonwealth Treasury

Our ageing population

The proportion of Australians aged 65 and over is projected to increase from 16 per cent to 23 per cent (almost one in four) by 2060-61. The number of Australians 85 years and older will more than quadruple to about two million people during this time. Over the next decade, more than 2,000 people a week will be added to the 70+ cohort.³

Lever 10 Figure 3: Older Australians and proportion of population



Source: Intergenerational Report, 2021.

Reduced availability of informal care

At a time when the number of older Australians is rapidly increasing, the number of family and friends able to provide informal care is declining. The Productivity Commission has identified the ageing population, changing family structures including fewer children and increasing female workforce participation as contributing to the decline.⁴

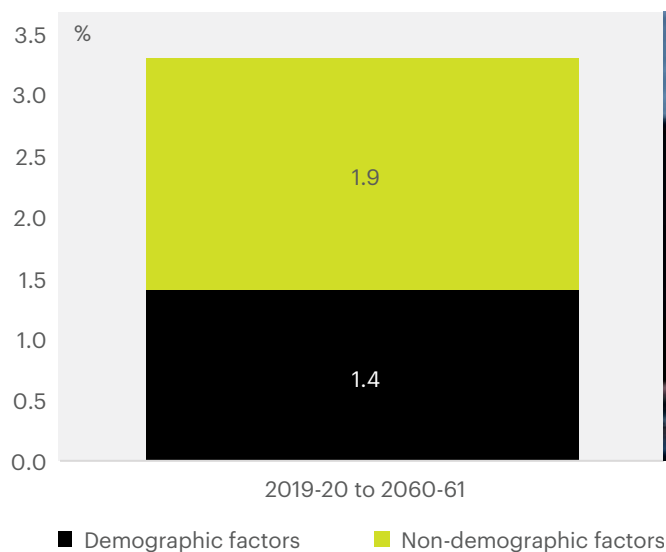
Non-demographic changes

As technology, therapies and treatments advance, so too does the community's expectation of improvements in areas such as health care. While such changes increase the quality and standard of care, they also increase the cost.

³ BCA analysis of ABS Population Projections

⁴ Productivity Commission, 2023, A case for an extended unpaid carer leave entitlement?, Position Paper, Canberra, February, p 14.

Lever 10 Figure 4: Drivers of real Australian Government health spending – average annual growth



Source: Intergenerational Report, 2021.

Service design

The way government services are designed and delivered can directly impact their sustainability and ability to achieve what they set out to do. The challenges around the National Disability Insurance Scheme (NDIS) highlight the difficulty of successfully designing a demand-driven program and the associated budgetary risk (an average annual growth rate over the next decade of 10.4 per cent is forecast for the NDIS).⁵

Size and complexity of government

As government has grown in size, it has become more difficult to coordinate. Australia's three levels of government are poorly integrated, resulting in duplication and burden-shifting that weakens accountability and discipline.

Federal-state financial relations are top heavy, with the Commonwealth doing the bulk of revenue collection, while the states do the majority of spending and service delivery.

Even during a national emergency such as the pandemic, state and federal governments struggled to coordinate.

The National Cabinet process is the latest in a series of attempts to better structure the Federation's governance. But it cannot be divorced from reforming federal-state financial relations which, in turn, goes hand-in-hand with the tax reform agenda.

Government must do the hard work to contain expenditure and ensure services are fit-for-purpose and deliver value for money. Value for money does not mean fewer services but making sure they are delivered efficiently and effectively, without duplication.

The community accepts that good-quality social services – across delivery portfolios including health, aged care, child care, support for the vulnerable and Indigenous Australians, among others – should be funded by taxpayers.

⁵ Commonwealth Treasury, Budget Paper 1, Budget 2023-24, p 99.

Health care, aged care and the NDIS are among the Commonwealth's fastest-growing expenses. Setting these critical services on a sustainable footing requires system-wide reform with a clear understanding of the drivers of demand and cost.

To curb spending growth, improve productivity in the public sector and manage funding pressures, we must prioritise reform of the government services sector, including health and the NDIS. Projected spending growth in these areas means the potential for savings through productivity increases is huge.

But improving services across education, health, climate and many other areas that involve all levels of government will be more challenging. Ensuring we have a well-functioning Federation will result in a nimble economy able to respond to change, not one that is fragmented and slow moving.

We should leverage our diversity, not be hamstrung by it.

The big idea

Government must return public finances to a sustainable footing, reforming their design and delivery so we get value for what we pay for.

There are two stages to this.

First, we need to stop spending beyond our means. Second, we must search for efficiencies to guarantee the best value from government spending.

How we get there

The BCA recommends that the government adopt a number of institutional reforms to fiscal and monetary policy and federal-state relations. It should better design and deliver public services to promote greater efficiency.

These reforms can help prioritise decision-making, put more discipline around spending and place the Commonwealth's finances on a sustainable long-term footing.

LEVER 10 EXHIBIT 1

Resetting our public finances and services in the long-term interest of Australians

Five goals go to the heart of competent and prudent fiscal management now and in the future:

1. Lay the groundwork for the private sector to help grow the economy. This includes improving the environment for business investment and hiring.
2. Ensure the sustainability of priority services, including an adequate safety net.
3. Ensure capacity for investments in infrastructure and workforce development, which are vital for innovation, productivity growth and higher incomes.
4. Progressively return the budget to surplus to build resilience and flexibility to deal with economic shocks and volatility, and to underpin business confidence and investment.
5. Preserve Australia's AAA credit rating to retain financial capacity, help control interest costs and maintain investor confidence.

Ultimately budget repair will require improvements in individual programs as well as sustainable growth in the economy, but fiscal rules and benchmarks can provide an overarching framework to guide and assess progress.

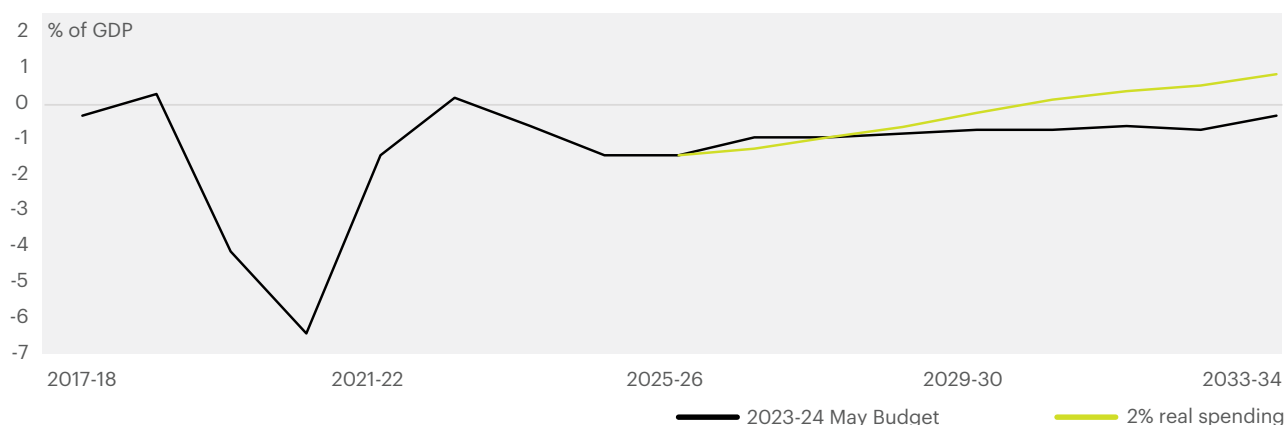
Fiscal and monetary policy

Fiscal rules to help control government spending

The BCA recommends the following fiscal rules to ensure spending does not increase to a higher share of GDP:

- A tax-to-GDP cap of 23.9 per cent of GDP.
 - This effectively reduces bracket creep, disciplines governments and stops spending increasing more rapidly than economic growth.
 - The 23.9 per cent level does not impose an overly restrictive constraint on tax collections by historic standards. It has been reached only in five of the past 50 years. It is critical to grow the economy at the same time and not let the tax ratio drift up.
 - This would maintain continuity in fiscal strategy with budgets going back to 2018-19. The 2017-18 budget had the same ratio as a technical assumption rather than a rule.
 - The tax cap has been argued by some to be unrealistic in the context of increasing spending pressures. But in the absence of broader tax reform, allowing bracket creep to continue unabated is both politically and economically unrealistic and damaging.
- Capping real expenditure growth at an annual rate of two per cent.
 - This would discipline the budget decision making process while allowing for growth in real spending per person. There are significant funding pressures in areas such as health, aged care, the NDIS and defence, but they must be funded in a sustainable and efficient way.
 - It is critical that governments improve performance in major areas of service delivery to improve community outcomes in a cost-effective way.
- Real spending is forecast to grow about three per cent a year beyond the forward estimates.
 - If, instead, real spending growth is limited to two per cent a year beyond the forward estimates period (still faster than population growth) it could return the budget to balance within a decade.
 - This should be accompanied by faster economic growth to deliver further budget improvements.

Lever 10 Figure 5: Underlying cash balance with lower real spending



Source: May Budget 2023-24. Note: analysis also assumes tax cap of 23.9 per cent of GDP.

- Setting a target for gross debt.
 - High levels of debt result in high interest servicing costs. Interest payments have become one of the government's biggest expenses. This will increase as interest rates rise and reduce funds for critical services.
 - To illustrate, the projected cost of servicing debt increases to nearly \$83 billion between 2022-23 and 2026-27. Governments need a plan to reduce gross debt.

A set of clear fiscal rules should be monitored by an independent authority, such as the Parliamentary Budget Office, and include reporting to assure the public that best practice is followed. Integrity of government processes is important to building trust in government. There must be transparency around the government's finances and how tax dollars are spent.

- These fiscal rules need not reduce the services available to Australians. In fact, they provide for an increase in spending per person after inflation.

The rules should be expressed as a share of GDP to take account of a growing economy.

Fiscal rules are about ensuring taxpayer dollars are not wasted and taxes are kept as low as possible, while still providing quality services and a social safety net. They act as guardrails to help bring debt under control and maintain spending discipline.

An analysis of fiscal rules from Commonwealth budgets over time reveals some common themes, including:

- A commitment/target for budget balance or surplus.
- A limit on the size of government through either a tax cap, limit on spending growth or commitment to reduce the size of government.
- A commitment/target for improving government net worth/debt over time.

The precise rules have changed over time, while others have been introduced and abandoned. For example, rules around automatic stabilisers have tended to come and go with downturns/economic shocks such as the Global Financial Crisis and COVID.



Lever 10 Figure 6: Key fiscal rules over time

Budget	Balance/ surplus target	Tax cap / spending limit / reduce government	Improving net worth / debt	Offset new spending	Bank revisions	Automatic stabilisers	Real spending cap	Tax recover naturally	Quality spend
1997-98									
1998-99									
1999-00									
2000-01									
2001-02									
2002-03									
2003-04									
2004-05									
2005-06									
2006-07									
2007-08									
2008-09									
2009-10									
2010-11									
2011-12									
2012-13									
2013-14									
2014-15									
2015-16									
2016-17									
2017-18									
2018-19									
2019-20									
2020-21									
2021-22									
2022-23									
2022-23 October									
2023-24									

Note: Grey shading denotes change in rule that year relative to previous year.

Functional efficiency review

- The government should implement a functional efficiency review across the full range of Commonwealth spending to achieve savings and make sure expenditure is appropriately prioritised.
 - This should be undertaken by an independent body and involve an honest discussion with the community about the inevitable trade-offs that government spending involves.
 - It must involve a strategy to promote stronger growth, better services and value from government spending and, ultimately, higher community living standards.

Monetary policy governance and inflation targeting framework

- The government should proceed with the bipartisan implementation of the recommendations of the *An RBA fit for the Future: Final Report*, including the establishment of two separate boards – one for monetary policy decision-making and the other for governance of the RBA.
 - Monetary policy has an important role to play in promoting macroeconomic stability and managing total demand. This allows fiscal policy to focus on structural and supply-side issues.
 - The statutory mandate for the RBA and the Statement on the Conduct of Monetary Policy should be amended as recommended by the review.
 - This will ensure more robust monetary policy decision-making and greater transparency and accountability by the RBA.
 - The government should follow the timetable laid out in the review's final report, putting in place a new Statement on the Conduct of Monetary Policy between the Treasurer and the RBA Board before the end of 2023 and legislating changes to the Reserve Bank Act 1959 by 1 July 2024. The new Statement and changes to the Act should implement a dual price stability and full employment mandate in line with the review's recommendations. This includes a 2-3 per cent inflation target with a focus on the midpoint of the target range. Given that measures of full employment will change over time, defining and implementing the full employment objective should be left to the Reserve Bank.

Ensure fit-for-purpose, better value design and delivery of public services

Evaluator-general to enhance program assessment

- The Evaluator General should embed a strategic approach to major program redesign through regular and disciplined evaluation.
 - Australia does not have an embedded culture of program evaluation. The BCA welcomes the proposal to introduce an Evaluator General to regularly and publicly examine the effectiveness of government spending.
 - This would be underpinned by more effective collection and analysis of performance data that could be achieved through:
 - requiring budget bids for new or continued funding to demonstrate that a thorough whole-of-program evaluation has been undertaken
 - requiring program evaluations to assess public and private-sector models of innovative service delivery and incorporate them into the program design where relevant.

Better integrate government planning

- There is a need to better integrate economic and national security decision-making to ensure we can respond to changes in the geo-strategic environment on a whole-of-government basis.
 - Defence planning and procurement must be better aligned with fiscal policy to ensure it is adequately resourced.

Elevate independent policy and program review

Public policy development and reform has benefitted considerably from specialist independent review institutions at both a federal and state level. The federal Productivity Commission is most well-known and its independence, expertise, and considered and evidence-based methodology have been essential to its success.

The Victorian Government abolished the Victorian Competition and Efficiency Commission in 2015⁶ and the Queensland Government absorbed the Queensland Productivity Commission into the Queensland Treasury in 2021.⁷

Jurisdictions without a wholly independent policy and economic review body should establish such a body and commit to obtaining independent advice and analysis on economic and policy reform to support best practice, evidence-based policies.

Better use of performance reviews by federal and state-based independent audit bodies can also drive more efficient public sector expenditure.

LEVER 10 EXHIBIT BOX 2

Opportunities to shift the dial

The Productivity Commission's 2017 productivity review, *Shifting the Dial*, made a series of recommendations to improve delivery of government services including:

- Focusing on future skills and work by improving educational outcomes, developing tools for proficiency-based assessments, and making it easier to access learning opportunities.
- Better functioning towns and cities through improved governance arrangements for public infrastructure, short-term reforms and funds to deliver new roads, best-practice development assessment, and removal of stamp duties with a transition to land taxes.
- Improving efficiency by fixing Australia's energy markets and creating an environment more conducive to innovation.

In its latest 5-Year Review, *Advancing Prosperity*, the Productivity Commission recommended better leveraging of government funding and procurement to deliver reform and better use of data and reporting on services to support a race to the top.

Comprehensive reform across the care economy

The federal budget highlighted the rapid growth in spending on medical benefits, aged care, hospitals and the NDIS. Without comprehensive review and reform of the care economy these services will become unsustainable.

It's a complex task. The needs of the consumer are often multi-faceted and require a range of services that are delivered in silos. Government funding and regulatory frameworks that support service delivery vary between services and jurisdictions.

The scale of the system transformation needed and the speed at which it must happen is confronting. Recent analysis by Deloitte found that a business-as-usual approach would require Australia's health workforce to shift from 11 per cent of the Australian workforce to 45 per cent by 2050 to meet expected demand.⁸

The Australian Government should devise a far-reaching reorientation of the care and support system to provide integrated consumer care and choice. At its most basic level, the consumer's journey through the system and their ability to choose should be the guiding principle for reform.

Key mechanisms to ambitiously reimagine the care and support economy include:

⁶ Department of Treasury and Finance (VIC) 2022, Victorian Competition and Efficiency Commission.

⁷ Queensland Treasury 2022, Former Queensland Productivity Commission.

⁸ Deloitte 2022, Australia's health reimagined: The journey to a connected and confident consumer, p 12.

- Workforce design – increasing productivity and job satisfaction by enabling more people to work at the top of their scope.
- Digital technology – better use of digital technology to boost efficiency, improve quality of care and increase job satisfaction by focusing on caring activities rather than administrative ones.
- Funding arrangements – consider co-contributions or private procurement of care and support services, reflecting increased consumer choice while providing a safety net and alleviating the tax burden on younger generations.

The urgency of achieving reform in the care and support economy means Australia must leverage the expertise and acumen of the whole economy. This includes the federal government and its agencies, state and territory governments who have significant experience delivering services directly, and the private sector who have led and contributed to service innovation and who, as a significant provider of services across the care economy, will be instrumental in driving innovation on the ground.

Choice, quality, and productivity are cornerstones for redesigning delivery standards.

Priorities include:

- Better information on the price and performance of providers so consumers can make better decisions and care providers have stronger incentives and accountability to improve their performance.
- Greater payment for quality rather than quantity of services, so providers are increasingly rewarded for high-quality, integrated care across different parts of the system.
- Digitally enabled care so Australia's care systems can take proper advantage of technologies such as eHealth records and telehealth to improve the convenience, efficiency and precision of care, while maintaining privacy and safety for consumers.
- Outcomes-focused market regulation to avoid suppressing gains in innovation and productivity by rigidly regulating areas such as labour while providing appropriate consumer-protections.
- Clarity and coherency around the spectrum of care and support services to maximise efficiency, simplify access and minimise arbitrage.

LEVER 10 EXHIBIT BOX 2

Consumer-centred care

Placing the consumer at the centre of the system's architecture is not new. The Productivity Commission's Shifting the Dial: 5 Year Productivity Review recommended that "all Australian governments should re-configure the health care system around the principles of patient-centred care". While the implementation path specifically focused on the health system, the recommendations relating to the following areas could be translated to all sectors of the care and support economy:

- Building evidence of and disseminating best practice.
- Measuring and publishing performance outcomes.
- Consulting consumers and building literacy around the services they use.
- Redesigning education and professional development around patient-centric care.
- Using data to trouble-shoot and optimise service delivery.

Not only do these recommendations improve the quality and integration of patient-centric care, they improve the productivity of the system more broadly.

Digital technology, including use of digital platforms and artificial intelligence, in conjunction with workforce redesign offers a significant opportunity to quickly upscale the care and support economy.

In the health system, the pandemic was the impetus for the rapid rollout of technology that has

augmented how patients receive care – notably the use of telehealth, electronic prescribing, virtual emergency departments and wider use of the Hospital in the Home service. These measures have not supplanted the health workforce but expanded the scale and reach of services.

To make these advances, the regulatory environment had to be modified and greater taxpayer funding and partnership with service providers was needed.

Not only did these measures allow consumers greater choice and flexibility in accessing health services but they provided more timely access to services and alternatives to bottlenecked areas such as emergency departments.

The Australian Government, in conjunction with state and territory governments, should prioritise the digital delivery of services and, where necessary, provide funding and incentives.



The Australian Government should explore a range of assistance models including private sector-led investment partnerships exemplified in the climate change area such as the Clean Energy Finance Corporation and the Australian Renewable Energy Agency model.


Federal-state relations

Reforming federal-state financial relations and National Cabinet

- The Commonwealth and state governments need to commit to a process of coordination that is more robust and responsive to changing circumstances (See Lever 3: A tax system for the future).
 - Distributing GST revenue on a per person basis instead of the current complex formula could help improve federal-state financial relations. National Cabinet is the latest iteration of attempts by successive government to coordinate policy between different levels of government.
 - National Agreements between the Australian Government and state and territory governments should be more ambitiously designed to achieve reform objectives across areas of joint responsibility including health, education and housing.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 10: Effective government and better services				
The big idea		N	5	10
Prevent a looming catastrophe of unaffordable government service delivery by resetting fiscal sustainability and providing fit-for-purpose services.		✓	✓	✓
Action items		N	5	10
New fiscal rules: re-instate a tax-to-GDP cap of 23.9 per cent of GDP; capping real expenditure growth at two per cent; setting a target for gross debt.		✓		
<p>Implement the recommendations of the RBA Review, including putting in place a new Statement on the Conduct of Monetary Policy and amending the Reserve Bank Act.</p> <p>The new statement and changes to the Act should implement a dual price stability and full employment mandate in line with the review's recommendations.</p> <p>This includes a 2-3 per cent inflation target with a focus on the midpoint of the target range.</p> <p>Given that measures of full employment will change over time, defining and implementing the full employment objective should be left to the Reserve Bank.</p>		✓		
Reform government service delivery: focus on fast-growing payments areas such as health, aged care and the NDIS.		✓	✓	✓
Functional efficiency review: independent review to formulate strategy for better value from government spending.			✓	✓
Evaluator-General: embedding regular and disciplined program evaluation of government services.			✓	✓
Elevate independent policy and program review by ensuring each state jurisdiction has a wholly independent policy and economic review body to support best practice and evidence-based policy.		✓		
Reform federal-state financial relations and National Cabinet: address vertical fiscal imbalance and move to per capita distribution of GST revenue.				✓
Better integrate economic and national security decision-making: whole of government approach, ensuring adequate resourcing of defence strategy and procurement.			✓	✓



PART 5 Timetable for change

5

Timetable for change

Australians do not have a second to waste.

Continuing the same path that we are currently on takes us down the low road of economic growth. This will not deliver higher wages, full employment and improved living standards.

As a country, we must urgently map out a timetable for change. This must be a two-pronged strategy where we act now on the immediate priorities within our control while simultaneously laying the groundwork for longer-term reforms.

The first step is to arrest the decline in business investment as a share of the economy and turn around our dismal productivity performance.

The fastest and simplest way to begin this work is by implementing the microeconomic reform ideas outlined in this document by the BCA. These will reduce the unnecessary red tape and duplicated layers of regulation that are a handbrake on our economy.

Making it easier to do business in this country means being able to attract the large-scale investment vital for:

- funding new innovations
- diversifying our industrial base, supply chains and export markets
- strengthening existing industries and creating new ones
- creating new and higher-paid jobs
- finding better ways of operating
- adopting new technologies.

Another priority action is to immediately address the pressure points in our migration system. We need to ensure we have the workers and highly skilled talent to keep the economy running, while at the same time reshaping it for the future.

Alongside this, the country must act quickly to give women greater opportunities to advance in the workforce and to ensure no group of Australians, including Aboriginal and Torres Strait Islander Peoples, is left behind.

We also need to reshape our skills system but it will take time to deliver huge benefits. We need to continue progressing the National Skills Agreement and the Australian Universities Accord reforms to make lasting impacts to our productivity and competitiveness.

Every single action the nation takes now and down the track must be seen through the lens of doing no harm. This includes rethinking workplace relations changes to ensure that one of the key drivers of productivity, which is the Enterprise Agreement system, is not eroded.

Reform cannot be done just for reform's sake. It must be undertaken with a clear and understood goal of making the nation more productive and competitive to drive stronger economic growth, higher incomes and improved living standards.

Importantly, change must be sequenced and pieced together carefully.

The next and most immediate cab off the rank must be to establish the institutions that will drive longer-term and lasting reforms. This begins with reinvigorating National Cabinet. A permanent, national body is needed to bring the federal, state and territory governments together in a more cohesive fashion.

Through this coordinating body, the nation can systematically tackle our most pressing challenges which include:

- Devising – and sticking to – a detailed 10-year national Net Zero Roadmap based on a whole-of-system approach to decarbonise the economy to 2050
- Modernising Australia's school and tertiary education systems
- Executing the skills agenda so Australians have access to the skills and training throughout their lives for the jobs they are doing now and for those in the future
- Setting up the structures to embark on a competitive tax reform agenda

This document is a plan to deliver higher wages, full employment and improved living standards now and into the future by reinvigorating our economic growth, our shared ambitions for the country and moving forward together.

None of the reforms the BCA has put forward are too hard or too complicated, but the payoff for Australians is life changing. It will mean more money in people's pockets, more opportunities and a better quality of life. Surely, these are outcomes we must all work to achieve.

Appendix

11

The background of the page is a dark blue field filled with a complex network of glowing orange and yellow lines, resembling a global communication or data network. A large, thin white arc curves from the left side of the page, passing behind the large number '11'.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 1: A frontier economy - the cutting edge of existing and new industries

The big idea

N

5

10

Introduce a reinvigorated and contemporary industry policy that strikes the balance between:

- getting the fundamentals right
- driving industries where we have a comparative advantage
- building the cross-economy capabilities needed to tap into the world's supply chains.

In practice, this begins with the investment mandate of the \$15 billion National Reconstruction Fund (NRF) having a sharpened focus on:

- fewer priorities and the development of a small number of key national capabilities and precincts of significance in priority industries
- alignment with other financing bodies including the Powering the Regions Fund and the Clean Energy Finance Corporation
- leveraging private and state government investment and encouraging tripartite investments from industry, academia and government
- building industries at scale.



Action items

N

5

10

Create an independent council, reporting to National Cabinet, comprising experts from industry and the research community on commercialisation, industry development, innovation and the long-term issues facing Australia in developing the industries needed for future prosperity.



One overarching national precinct model should replace the fragmented growth centres and innovation hubs across the Federation.



This model should establish a limited number of precincts in capabilities and industries that are critical to the economy.

- The model should focus on bringing industries to scale in collaboration with universities, government and industry and focus on co-investment.
- Defence should be one of those areas to capitalise on AUKUS and other projects.
- Additional focus areas should include sovereign capability and the existing and emerging supply chains in which Australia must have a foothold for our economic security.
- Each national precinct should have a coordinated and specific industry plan that removes regulatory burdens and other hurdles to investment, research and development, innovation, commercialisation, scaling up and export.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
Jobs and Skills Australia (JSA) should be tasked with developing workforce strategies for each priority precinct, involving extensive consultation with industry and education institutions and sitting alongside the co-investment plans being developed.		✓		
National precincts should have similar governance arrangements to those of the United Kingdom's Catapult Network and Germany's Fraunhofer Institutes.		✓	✓	
Adopt a place-based approach to infrastructure investment and planning, bringing together the three levels of government to deliver on the shared objectives of a precinct and maximise geographic benefit and industry clusters without spreading resources too thinly.		✓	✓	✓
Establish a Quantum Coordination Office in the Department of Prime Minister and Cabinet.		✓		
<p>The Prime Minister should appoint a Cabinet-level Minister for the Digital Economy.</p> <p>The new minister should work with their colleagues to develop a national digital economy strategy, setting out a plan for Australia to become a top-five digital economy by 2030.</p>		✓		
Enhance the Research and Development Tax Incentive by introducing a premium of up to 20 per cent to incentivise collaborations between industry and publicly funded research organisations and universities.			✓	✓
Increase resources for the Australian Research Council to ensure additional funding for basic research.		✓	✓	
Federal investment in public transport infrastructure must continue. This should include moving ahead with faster rail services between cities and regional hubs.		✓	✓	✓
The government should clearly lay out its strategic freight priorities for forward investment.			✓	✓

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation
timetable

Lever 2: Effective overseas trade and global integration

The big idea

N

5

10

Realise the full economic, trade and investment benefits from our proximity and deepening strategic ties, especially with India and Southeast Asia.

This can be achieved by making better use of FTAs already in place, finalising current FTA negotiations and updating existing agreements.

These agreements can help us deliver better market access with key partners and cover modern and increasingly important areas such as digital trade, standards, and the green economy.

We also need to fully engage with the economic opportunities offered by our regional networks and security partnerships, such as the Quad and AUKUS, and promote free and open trade which is supported by a rules-based multilateral trading system.



Action items

N

5

10

Deliver new opportunities for trade by finalising an FTA with the EU, upgrading our FTA with India, negotiating a commercially meaningful Indo-Pacific Economic Framework (IPEF), and expanding digital trade agreements.



Leverage our strategic relationships by focusing investment on priority areas such as clean energy and critical minerals and securing access to the best technologies and production methods so we can create the products and services our partners want and step up our efforts to integrate into global supply chains.



Work closely with business to develop and implement a strategy to leverage the AUKUS agreement and deliver broad economic benefits beyond the defence sector.



Give business a greater role within the Quad to shape and deliver objectives to help maximise strategic and economic benefits and deepen our economic cooperation in strategic sectors such as digital technology, space, infrastructure, and medical technology.



Resourcing and mandates for Austrade and Export Finance Australia should be expanded so they can work more proactively with leading businesses to strengthen our economic partnerships with India, Indonesia, and other key regional economies.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
Government should support the revitalised Australia-India CEO Forum and work with business leaders to implement reform suggestions to overcome barriers to two-way investment, focussing on priority areas such as clean energy, critical minerals, digital transformation, and education and training.		✓	✓	
Utilise the Economic Strategy for Southeast Asia to 2040 to identify ways to overcome barriers to growing trade and investment with ASEAN countries, and allocate adequate resources for initiatives that derive from the strategy.		✓	✓	
Ensure the concerted effort to stabilise our relationship with China continues and remove all remaining trade impediments as quickly as possible, without compromising Australia's national interests.		✓		
Make Australia a more attractive destination for foreign investors by reforming the FIRB system to reduce fees and compliance costs and streamline processes, particularly for trusted investors.		✓	✓	
Fully support and implement the Simplified Trade System agenda and prioritise creating a Trade Single Window. The Simplified Trade System should be designated a national priority and expedited.		✓	✓	
Make greater use of product standards from leading international jurisdictions such as the EU and US, to enable faster and cheaper deployment of new technologies.		✓	✓	
Eliminate remaining 'nuisance tariffs' to reduce inflation and red tape, and facilitate easier cross-border trade.			✓	
Given the growing importance of e-commerce, the digital economy and cross-border data flows, there are opportunities to build on the Australia-Singapore Digital Economy Agreement and extend it to other countries in the region, including New Zealand.		✓	✓	
Step up efforts to strengthen the multilateral rules that support trade and investment globally, including seeking additional leadership roles in key multilateral institutions.		✓	✓	
Australia must step up its leadership role in international institutions and better use agreements with partner countries. We must commit to remaining an open trading country and a reliable trade partner, particularly with regard to energy exports.		✓	✓	

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 3: A tax system for the future

The big idea

N

5

10

Undertake broad-based reform of the tax system to minimise distortions and sharpen incentives to invest, innovate and hire.



Action items

N

5

10

Begin a national conversation about a tax system that is fit for the future, with all options on the table.



Proceed with the three-stage Personal Income Tax Plan, and consider further reforms to improve work incentives, simplify personal taxes and improve the integrity of the personal tax base.



Lower the company tax rate over time to 25 per cent.
Implement tax integrity measures in a manner consistent with the OECD's Two-Pillar solution.



Increase the reliance on indirect taxes such as the GST to reduce taxes that are more harmful to growth.



Review the concessional treatment of different forms of saving to promote more neutral concessional treatment, taking into account implications for other taxes and income distribution.



Consolidate the eight separate payroll tax online platforms into a single national platform to simplify compliance for businesses that operate across multiple jurisdictions.



Work with states and territories to help replace stamp duty with a land tax, to remove the disincentive to people relocating, including for new work opportunities.

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 4: An agenda for microeconomic reform

The big idea

N

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Establish a five-year 'ease of doing business' agenda, including incremental reforms that together can make a big difference.

Action items

N

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Provide ongoing productivity payments to states and territories that implement beneficial reforms, including tax and regulatory changes. Payments should be available only to jurisdictions that fully meet their reform commitments.

✓

✓

✓

The Productivity Commission should investigate how to reduce the regulatory burden on both a state and industry basis. A measure for ease of doing business should be developed to compare each state and territory.

✓

✓

Funding infrastructure tied to housing will help unlock new supply, improve housing affordability and allow more people to own a home. Leverage the \$120 billion federal infrastructure pipeline for projects that have an explicit housing supply outcome. This will open up opportunities beyond what is possible from the National Housing Infrastructure Facility's Critical Infrastructure fund.

✓

✓

Governments must have efficient planning systems that enable new homes to be built in areas where they are needed.

✓

✓

NSW has extended opening hours for businesses, including supermarkets, following a review of temporary COVID changes. The NSW approach should be adopted nationally.

✓

- The Australian Government should raise the broad issue of retail trading hours at National Cabinet as part of a deregulation agenda.

NSW has lifted restrictions for deliveries and non-trading activities in industrial and business zones. This approach should be adopted nationwide by states with more restrictive settings.

✓

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 5: Energy and the road to net zero

The big idea

N

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The Australian Government and state and territory governments should commit to a detailed 10-year national Net Zero Roadmap based on a whole-of-system approach to decarbonising the economy to 2050.



This approach would recognise that the electricity sector, the gas sector, the industrial sector and major infrastructure need to work together.

It would also recognise the importance of:

- focussing on reducing emissions as the underlying goal of the Net Zero Roadmap and being agnostic to the range of technologies that can best achieve this goal
- getting the policy and regulatory settings right and creating the right environment for investment to attract the vast amounts of private capital needed to decarbonise the economy
- the need to ensure bipartisanship so we can stay the course on the decarbonisation journey, given that making progress is likely to get harder before it gets easier.

The Net Zero Roadmap should assist in navigating the key policy and investment challenges associated with:

- achieving Australia's 2030 emission reduction target
- setting ambitious but pragmatic emission-reduction targets beyond 2030
- putting in place transition stabilisers to 2050.

Action items

N

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Continue to implement critical policies such as the Capacity Investment Scheme, Rewiring the Nation, Powering the Regions Fund and the National Reconstruction Fund.



Establish a national review to consider factors that influence community acceptance of energy infrastructure and work with regional communities to attain social licence and ease resistance to projects and construction.



Leverage the National Energy Transition Partnership (NETP) to coordinate private and public-sector development of a pipeline of projects across different energy storage technologies.



Leverage the NETP to manage the retirement of baseload generation plants across all regions, taking into consideration reliability, sustainability and affordability.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation
timetable

Action items

N

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Ensure that regulatory frameworks governing project approvals, including the EPBC Act, can fast-track consideration in the case of critical energy infrastructure projects.



Maintain a clear line of sight to 2050 by providing an indication of Australia's next three NDCs and the 2050 target (net zero or net negative).

Determine the best decarbonisation pathways for all sectors so the electricity and large industry sectors are not inefficiently and unfairly burdened with meeting Australia's NDCs.

Outline the detailed sector plans, policies and targets required to drive the pathways above.

Include an effectiveness and efficiency audit of existing and announced policies and regulations (across all jurisdictions) and recommend improvements from an integrated, whole-of-economy perspective.



It is vital that the process for determining future safeguard emission baseline reductions to 2050 considers new technology scaling timeframes and progress in closing technology gaps.

There needs to be adequate government support for harder-to-abate industries where emission baseline reductions move ahead of what available and economically viable technologies make possible.

As recommended in the BCA's *Achieving a net zero economy* report, the eligibility threshold for entities covered by the Safeguard Mechanism should be reduced from 100,000 tCO₂ per year, down to 25,000 tCO₂ per year — to increase the scheme's coverage of emission point sources across the economy.



Expedite a fuel efficiency (or emission) standard for light vehicles, coupled with a compliance and testing regime.

Leverage the advantages of low-carbon fuels in reducing emissions from the existing vehicles fleet.

Look at the best ways to introduce electric trucks, including the adoption of internationally aligned vehicle width and weight allowances to enable import opportunities.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Action items

N

5

10

Task the nation's infrastructure bodies with identifying a pathway to minimal whole of life carbon from public projects, including carbon embedded in materials, used during construction, generated during use and through end-of-life deconstruction.

Cost premiums for low-carbon materials should be evaluated against their effectiveness in reducing emissions, so the most efficient solutions are supported.

Government treasuries should develop a consistent approach to presenting life cycle emissions and reviewing procurement processes as part of business case development.



The sector needs a roadmap of effective, equitable and efficient policies to support on-the-ground programs that enable producers to address emissions — mainly methane and nitrous oxide — while boosting their other agricultural interests.



The Net Zero Roadmap must include energy systems across the country and be agnostic towards the full range of potential technologies needed to transition these systems, such as large and small-scale renewables, all storage options, all hydrogen options, natural gas, biofuels, carbon capture use and storage options, and nuclear power.



The National Climate Resilience and Adaptation Strategy needs a much longer planning horizon (preferably 20 years) to better inform the community and investors about the physical climate risks.







Expedite establishment of the legislated national Net Zero Authority and ensure it is adequately funded to perform its remit.



Government needs to assess the full potential for domestic and international carbon offsets to contribute to achieving Australia's NDCs. A National Carbon Market Strategy should be established to clarify the role of offsets in the transition to net zero 2050. This strategy needs to look at expanding the approved methods to ensure an adequate supply of high-integrity credits into the future.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
<p>The commencement date should give all covered entities a minimum of 12 months from the date legislation is proclaimed and climate disclosure standards have been finalised to develop internal capabilities and capacity to meet the disclosure requirements.</p> <p>A policy review cycle of two to three years should monitor roll-out of the coverage timetable, including an assessment of reporting entities' system readiness, coverage in other jurisdictions, and scope for adjustment.</p> <p>The judicious use of liability protections for some disclosures is crucial to promoting good faith and fulsome disclosures on a best endeavours basis, without removing accountability.</p>				
<p>Clarity about the broader policy framework – it's important to understand how the broader policy framework will evolve in the context of Australia's environmental legislation if we are to attract investors to nature repair markets.</p> <p>Learnings from carbon markets — avoiding the potentially disruptive and confidence-destroying impacts of changes and challenges to policy frameworks will help attract investors to nature repair markets.</p> <p>Convergence of ecosystem markets — investment in projects that deliver both carbon and biodiversity benefits may be easier to monetise due to the maturity of carbon markets.</p> <p>Minimising risks for investors — developing supporting regulations and rules that minimise project risk is vital to stimulate supply and demand side participation.</p>				
<p>Residential users of energy — improving energy performance in low-income households, which are hardest hit by an energy crisis and typically represent the most vulnerable in society.</p> <p>Commercial users of energy — improving energy performance in small businesses, which face the biggest financial barriers to doing so and are the 'engine room' of the economy.</p> <p>Industrial users of energy — improving energy performance in large businesses that could benefit from electrification and fuel switching and where government support has a role to play.</p> <p>Supply chains — development of the proposed National Energy Workforce Strategy to ensure a pipeline of highly skilled and diverse workers to support improved energy performance.</p>				
<p>The government should immediately begin work with industry on a gas master plan to define a long-term gas market strategy for Australia.</p>				

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
<p>A formal trigger for removal of the mandatory gas code should be included to minimise the impact on incentives to invest in Australia's energy future.</p> <p>The trigger should explicitly reflect the circumstances of the current energy crisis, and other temporary factors contributing to the tightness in east coast energy markets.</p> <p>There must be consultation with industry to ensure the trigger is practical and removes regulatory disincentives to invest in Australia.</p>				
<p>Expedite broader macroeconomic reforms to improve Australia's attractiveness as an investment destination in areas including environmental and planning legislation, the workplace relations framework, and the taxation system, with a view to boosting Australia's longer-term productivity performance.</p> <p>Introduce a green tax credits system for investments in low-emission technology to help attract international capital to support the transition.</p> <p>Commit government funds to developing a National Renewable Exports Strategy.</p>				

Lever 6A: People and Skills

The big idea		N	5	10
<p>Australia needs to move away from its fragmented system of education, skills and training and move towards a coherent system of lifelong learning that is flexible and responsive to a changing economy.</p> <p>Consideration should be given to how we can more effectively manage roles, responsibilities and accountability across the Federation to support lifelong learning and deliver improved educational outcomes.</p> <p>One option could be that the Commonwealth progressively takes responsibility for the tertiary education system and the states take more responsibility for early childhood education and care and schooling.</p> <p>This will also help remove funding distortions and enable the reforms that give Australians access to lifelong learning through various parts of the education system.</p>				

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Action items

N

5

10

Australia must move towards an early childhood education guarantee based on uniform, universal access to early childhood education and care across all states and territories. It should guarantee services for families with children aged up to five years.

In designing the guarantee, an examination of key elements including cost, demand, access, subsidy design, the interface with the school system, trained workforce and the role of the Commonwealth and the states will be needed.

The early childhood education guarantee should be based on the following principles:

- A world leading, integrated early childhood service delivery from birth to school.
- An accessible and affordable system.
- A system that invests in a skilled early childhood workforce that elevates the profession and attracts talent.
- A focus on putting early childhood education firmly on the national agenda and creating arrangements across jurisdictions that are cohesive, evidenced based and family centric.



Governments should recommit to implementing the Shergold Review of Senior Secondary Pathways to ensure students leave school with strong foundational skills, a clear view of career opportunities, and a learner profile that outlines their capabilities and experience, not just their Australian Tertiary Admission Rank (ATAR).

The reset should include:

- Setting ambitious proficiency standards for the basics (literacy, numeracy and digital capabilities) and providing extra help for students who are falling behind.
- Improving career advice through best-practice resources (including digital resources) for students, parents and teachers, delivered by the National Careers Institute with strong backing from state and territory governments, and leveraging jobs and skills councils and career hubs.
- Equipping all students with a learner profile that they can build on over their career, made up of evidenced work experience, employability skills (for example team building and volunteering) and academic results.
- Introduce a digital system (beginning with the secondary system pathway) that allows comprehensive tracking of skills attainment, such as a digital skills passport.
- Accelerated development of nationally consistent teacher standards and workforce development program.



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation
timetable

Action items

N

5

10

Australia's tertiary funding system should evolve into a tertiary guarantee that puts the learner in control of their education and is funded by a variety of sources. The guarantee should be guided by these principles:

- Universal tertiary funding made up of either:
 - an income-contingent loan
 - individual contribution
 - employer contribution
 - subsidy.
- The mix of the guarantee (for example the level of subsidy) is based on equity and depends on:
 - whether it is a first foundation qualification
 - public need
 - the benefit to industry.
- Digital recognition via a portable skills sharing system
 - The courses funded by the guarantee would lead to a qualification that can be included in a portable skills sharing system (digital skills passport) that potential employers can access. The courses should be recognised nationally.
- Flexibility is paramount and the guarantee would allow access to:
 - University
 - TAFE
 - private providers.
 - work-based learning.




Ensure there is a nationally consistent pathway for short courses and microcredentials to be properly recognised, recorded and rewarded. This would include the ability to 'stack' microcredentials within the Australian Qualifications Framework (AQF), including by recognising microcredentials in both VET and higher education.




A nationally consistent approach to Work-Integrated Learning (WIL) must be established as part of the tertiary guarantee.



Implementation timetable:
 Now

 Soon within five years

 Later within 10 years

Reform starts now

Implementation timetable

Action items





Federal and state governments should recommit to sign an ambitious new National Skills Agreement that combines ongoing additional investment in skills and training with substantial reform.

Key priorities to be included in a new agreement include:

- Guaranteed foundational skills for all Australians who need to catch up on basics, including digital literacy.
- Better aligned support for apprenticeships, traineeships and cadetships to boost on-the-job training, including expanded options in high-demand emerging fields (e.g. digital cadetships/traineeships).
- Support for lifelong learning, including accredited and/or industry-recognised microcredentials. As part of this, the training system needs to strike a better balance between regulation and responsiveness to industry.
- Fast track measures to tackle skills gaps including reforms under way to streamline VET qualifications and improve industry engagement will help, and it's important momentum is not lost.
- Improved transparency over expenditure and accountability for improving learner outcomes.
- Increasing funding parity with higher education, via expansion of loan support for higher-level VET courses.
- The government should increase the number of Commonwealth Supported Places (CSPs) to meet the demand for future skills.
 - These additional resources must be prioritised toward fields in high demand that will drive Australia's future industries and innovation, and lead to high-skill, high-wage careers.
 - Places should be targeted at areas of skills need that have been identified by JSA.
 - Consideration should be given to ensuring the increase in places benefits disadvantaged groups.
- The government should expand eligibility for demand-driven university funding to all Indigenous Australians.



- The Australian Universities Accord should reset the fundamental goals of universities, their role in the economy and key aspects of their business model.
- The government should establish a permanent forum between industry peak bodies, representatives of the higher-education sector, and state and territory governments (including agencies such as Jobs and Skills Australia).



Implementation timetable:  Now  Soon within five years  Later within 10 years

Reform starts now		Implementation timetable		
Lever 6b: Migration				
The big idea		N	5	10
Move to a three-tier temporary labour migration approach. This revised approach would allow Australia to better attract and compete for talent in highly paid and highly skilled occupations above a salary threshold. The streamlined approach would potentially remove the need for occupation lists, which often do not reflect occupations at the cutting edge of technology and innovation, facilitating faster and less-complex migration applications.		✓		
Action items		N	5	10
Support the concept of workplace mobility for sponsored visa holders to tackle migrant exploitation, coupled with refund provisions for government costs and appropriate protections to prevent gaming of the system.		✓		
Universal four-year visas should replace the existing short-term visas and short and medium-term occupation lists that make it hard to attract and retain talented people, create uncertainty and increase costs for employers.		✓		
Improve the efficiency of the overall skills recognition system, including improved mutual recognition of occupational licensing and qualifications.		✓	✓	
Changes to the migration system need to be coupled with a determined push to improve planning systems nationwide to facilitate greater housing supply, and active planning and investment in infrastructure that supports Australia's growth.		✓	✓	
Jobs and Skills Australia should map out Australia's current and future workforce needs, and ensure our skills, education and migration systems can meet the challenge and provide employment opportunities for all Australians. This will require better alignment across and between governments, close industry engagement, and sophisticated use of data. As noted above, an ongoing Accord Forum, with representatives from government, universities and industry, should include JSA to inform them of the most up-to-date developments in higher education.		✓		

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 7: Advancing the economic interests of women				
The big idea		N	5	10
The BCA has mapped out a 10-year pathway detailing the key actions government, business and others such as unions, not-for-profits and community groups can take to remove barriers in the system and increase the economic participation of women.		✓	✓	✓
Action items		N	5	10
<p>Consider how further changes to the Child Care Subsidy (CCS) could reduce financial disincentives for families.</p> <ul style="list-style-type: none"> – These changes could build on the government’s recent reforms and help eliminate high workforce disincentive rates. – Review workforce disincentives and gender inequity embedded in the tax and social security system as it relates to child care. <p>The Productivity Commission’s final report into the child care and early childhood systems should support the concept of an early years guarantee for children and their families.</p>			✓	
Adopt the BCA’s PPL model which enshrines equal sharing of leave between parents.		✓		
Develop a best-practice guide on career development and talent identification strategies that keep women connected to their employers, particularly when on PPL or other forms of extended leave.		✓		
Ensure Priority Wage Subsidy incentives include women taking up apprenticeships in occupations with skills shortages and low female participation (including construction). The government could set a goal of supporting 10,000 apprenticeships for women.		✓		
Business and industry want to work with the government to significantly increase the number of women in male-dominated industries. Strategies include targeted campaigns, career pathway information, mentoring, use of ambassadors and female-led industries/businesses.		✓		

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
The government should introduce a non-refundable progressive Carers' Income Tax Offset for unpaid caring work performed by men and women, paid upon their return to the workforce. This could be directed to carers who are supporting family members who are aged, have disabilities, or are chronically ill.			✓	
Government and industry should develop a national carer workforce strategy with scope to elevate traditional care roles.		✓		
The government should examine support for superannuation paid on PPL and how it can benefit the long-term financial security of women. It should also consider catch-up super to mitigate loss of time in the workforce due to care responsibilities.		✓		
Government and business should work together to establish a procurement program that promotes buying from female-led and female-owned businesses.			✓	
The BCA proposes that a portion of federal infrastructure funding be specifically targeted to infrastructure that supports new housing supply as many women are priced out of the market, particularly in their later years.		✓		
There should be state and territory net additional dwelling targets linked to population and backed by incentives and penalties.			✓	
Treasury should urgently analyse the impact of an increase to Commonwealth Rent Assistance (CRA) on recipients and the broader housing market (including rents). It is critical this is better understood in order to deliver targeted and tailored support.		✓		
Scale up financial literacy programs in schools.		✓		
The BCA recommends that the government work with the banking industry to develop and refine financial literacy toolkits to strengthen women's financial capabilities.			✓	

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now

Implementation timetable

Lever 8: Social inclusion

The big idea

N

5

10

Overhaul the employment and training system and replace it with a 21st century framework that focuses on:

- ensuring jobseekers have access to education and training opportunities, including foundation and digital skills, reskilling options, career information and advice to maximise their job readiness
 - For those who face significant barriers, the employment services system must be the front door to the broader human services system that is better equipped to provide support.
- providing employers and industry with the ability to match candidates to jobs, bridging the gap between supply and demand and providing access to job-ready employees
 - Employers are committed to supporting the workforce participation of those who are under-represented in the labour market.
- ensuring the government delivers a service system geared to lifting workforce participation.
 - This should be a demand-led model, underpinned by value for money, that can rapidly adapt and respond to changes the labour market.

Establish Indigenous service delivery arms of Aboriginal community-controlled organisations that operate as a business and provide services to a local area or region.

The BCA will work with government and organisations representing people with disability to develop and support procurement programs for the sector. These could be similar to the Raising the Bar program, which is a joint BCA and Supply Nation project aimed at growing the number of Indigenous suppliers.



Action items

N

5

10

The government should hand over large parts of the Workforce Australia jobs marketplace to specialist private-sector job advertisers to ensure jobseekers can see available jobs across all existing digital platforms.



The government should prioritise jobseekers who face significant barriers. This group must be provided with targeted wrap-around support and co development and delivery of employment programs by employers, employment services providers and training providers



Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Action items		N	5	10
The digital jobseeker service must include links for training and support to help all job seekers, including investment in foundation and digital skills.			✓	
Greater and more personalised support should be available to help the most disadvantaged people use the jobseeker system as an additional entry point to a broader human services response.			✓	
Increase the use of data and technology to control service delivery costs, and implement a systematic approach to improving program outcomes.		✓		
Recalibrate government payments to employment services to encourage long-term employment.			✓	
Ensure all levels of government implement an Indigenous business strategy that incorporates procurement targets.		✓		
Focus on the synergies between the BCA's Raising the Bar program and the Commonwealth Indigenous Procurement Program to determine the best ways of establishing Indigenous business panels.		✓		
Provide Commonwealth funding for proven Indigenous business incubator and accelerator programs as well as training for procurement teams in non-Indigenous businesses.		✓		
Continue funding for longitudinal data collection and measurement of the Indigenous business sector.		✓		
Undertake a comprehensive analysis of workforce needs in the Indigenous community sector.			✓	
Universities and businesses should provide outreach, mentoring and educational support programs to ensure Indigenous students are set up to succeed in tertiary study and future employment.		✓		
Focus on demand-led employment for people with disability, which offers the best avenues for successful employment.			✓	
Establish a procurement program for people with disability.			✓	

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 9: Efficient workplaces				
The big idea		N	5	10
A workplace relations system that lifts performance, encourages flexibility, and allows wages to rise with productivity.		✓	✓	✓
Action items		N	5	10
Substantially simplify modern awards and consolidate into fewer instruments as a genuine safety net.		✓	✓	
Start the process with the most complex awards which have led to payment issues, and those covering large numbers of workers such as retail and hospitality, making them simpler and in plain English so they can be understood and more reliably applied by employers and employees.				
National Employment Standards (NES) should be the starting point for the workplace relations system.		✓		
The NES would underpin the entire system and provide minimum workplace entitlements for all employees.				
Standards should be clear and simple, so all employees and businesses can understand them.				
The workplace relations regulator should administer the standards, with a system to ensure minimum standards are met. The regulator should provide guidance for business on the application and interpretation of employment obligations so correct payments are made.				
Continue to promote single enterprise bargaining by using the reforms to the Better Off Overall Test (BOOT) and seek to further extend the reforms to lift productivity and achieve sustainable wage increases and improved working conditions.		✓		
Continue to support those in the low-wage sector but remove the across-the-board changes under the late 2022 amendments to the Fair Work Act. Multi-employer bargaining to become strictly voluntary.		✓		
Workplace regulator to provide a guidance role, similar to the Australian Taxation Office, to support business and ensure they are meeting their legal requirements for payments. Extra support for small business.		✓		

Implementation timetable: **N** Now **5** Soon within five years **10** Later within 10 years

Reform starts now		Implementation timetable		
Lever 10: Effective government and better services				
The big idea		N	5	10
Prevent a looming catastrophe of unaffordable government service delivery by resetting fiscal sustainability and providing fit-for-purpose services.		✓	✓	✓
Action items		N	5	10
New fiscal rules: re-instate a tax-to-GDP cap of 23.9 per cent of GDP; capping real expenditure growth at two per cent; setting a target for gross debt.		✓		
<p>Implement the recommendations of the RBA Review, including putting in place a new Statement on the Conduct of Monetary Policy and amending the Reserve Bank Act.</p> <p>The new statement and changes to the Act should implement a dual price stability and full employment mandate in line with the review's recommendations.</p> <p>This includes a 2-3 per cent inflation target with a focus on the midpoint of the target range.</p> <p>Given that measures of full employment will change over time, defining and implementing the full employment objective should be left to the Reserve Bank.</p>		✓		
Reform government service delivery: focus on fast-growing payments areas such as health, aged care and the NDIS.		✓	✓	✓
Functional efficiency review: independent review to formulate strategy for better value from government spending.			✓	✓
Evaluator-General: embedding regular and disciplined program evaluation of government services.			✓	✓
Elevate independent policy and program review by ensuring each state jurisdiction has a wholly independent policy and economic review body to support best practice and evidence-based policy.		✓		
Reform federal-state financial relations and National Cabinet: address vertical fiscal imbalance and move to per capita distribution of GST revenue.				✓
Better integrate economic and national security decision-making: whole of government approach, ensuring adequate resourcing of defence strategy and procurement.			✓	✓



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