



A plan for a stronger Australia

Volume one



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The contribution of business - the facts

- ▶ A business is a group of people. It is the customers, the mums and dads who own a small business, the Australians working in a business, the shareholders, the suppliers, and the communities in which they operate.
- ▶ Business employs 11 million of the 13 million working Australians.
- ▶ Eighty-six per cent of all jobs are in a business, big and small.
- ▶ Business is forecast to pay \$96 billion of company tax this year, up from \$86 billion the year before – one in every five dollars of total federal government revenue.
- ▶ Company tax revenue is expected to be more than \$106 billion by 2022-23, and a cumulative \$1 trillion over the decade – more than enough tax to pay for the entire federal health budget.
- ▶ Ten companies paid 30 per cent of all company tax in 2016-17.
- ▶ Around 880,000 small businesses with a turnover below \$2 million paid \$9 billion, or 12 per cent of all company tax in 2016-17.
- ▶ Business pays the wages that will contribute to the collection of more than \$270 billion in personal income tax in 2022-23.
- ▶ Personal and company tax collections are estimated to be \$324 billion in 2017-18, or 70 per cent of all federal government tax revenue for the year.
- ▶ Almost six million Australians own shares in Australian companies, which they rely on to improve their standard of living, and in the case of self-funded retirees, for their income.
- ▶ Around \$360 billion in Australians' superannuation investments are in Australian-listed companies.

2019 - a year of choices

Australia is a wonderful place to live.

Australians have enjoyed almost three decades of economic growth, which has delivered high living standards.

The nation's good times are not just down to luck, but to successive governments, businesses and communities making the right decisions.

In this election year, Australians face a series of critical choices on policies that will determine the nation's direction.

The Business Council is listening to Australians across the country as part of our Strong Australia initiative. This is where chief executives from our top companies join local employers and community leaders in the regions to hear about the issues that matter most to them.

Over the past 12 months we've travelled to Adelaide, Broadmeadows, Penrith, Gladstone, Busselton, Toowoomba, Geelong, Townsville, Cairns and Hobart. More trips are planned this year.

We've also commissioned in-depth research, hearing from more than 2,350 Australians nationwide.

Increasingly, Australians are worried about the future. They want a forward-looking plan that will allow them to get ahead.

They've told us they want action to:

- ▶ increase their wages
- ▶ lower electricity bills and living costs
- ▶ increase their skills and training to keep working as technology changes workplaces
- ▶ reduce congestion in the cities.

To solve these problems and realise the ambitions of Australians, the economy must grow faster and the budget must be strong.

Keeping the budget in order and accelerating economic growth must be achieved in tandem because they are the foundations to deliver better living standards and higher wages.

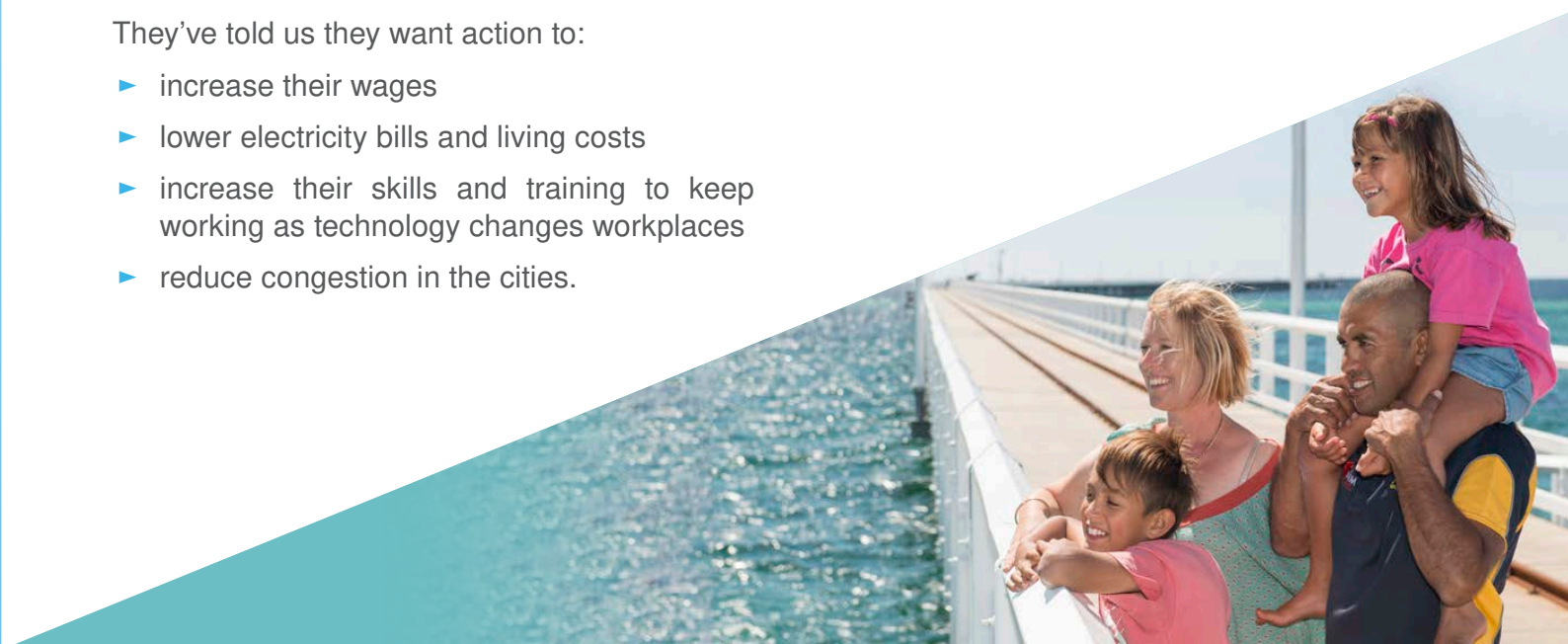
Australia must work hard to lock in the next wave of growth, against the backdrop of a rapidly changing world.

One of the best ways to drive faster economic growth is to increase productivity. This means attracting more investment and innovation, so businesses can improve the way they operate; working smarter and more efficiently to lift productivity.

This has always been, is currently, and will always be the central plank to delivering lasting increases to wages and living standards, outside of a commodity prices boom.

There is no point arguing about how the economic pie is divided up if it is shrinking. The pie needs to be bigger to deliver more for all Australians.

This means more choices, more services and more opportunities.



Growth matters

To meet the aspirations of Australians and confront the challenges the nation faces, the economy needs to grow at a faster rate.

Over the past 55 years the Australian economy has grown at an average of 3.5 per cent, and experienced five recessions.

But right now, the economy is growing at just 2.3 per cent.

To put this in context and what it means for Australians, consider this:

- ▶ If economic growth averages 3.5 per cent over the next 36 years, the average real income for an Australian would grow from around \$75,000 today to around \$160,000 a year in today's dollars.
- ▶ This is about \$40,000 higher than the average income per person of \$122,000 predicted in the last Intergenerational Report (IGR).
- ▶ It would also mean an extra \$290 billion-plus of tax revenues in today's dollars – more money to spend on schools, hospitals and infrastructure.

Now, here's the flip side:

- ▶ If economic growth runs at just 2.5 per cent a year, then by 2055 each Australian would have an income around \$108,000.

- ▶ Tax revenues would also be more than \$100 billion lower than the IGR projection in today's dollars.

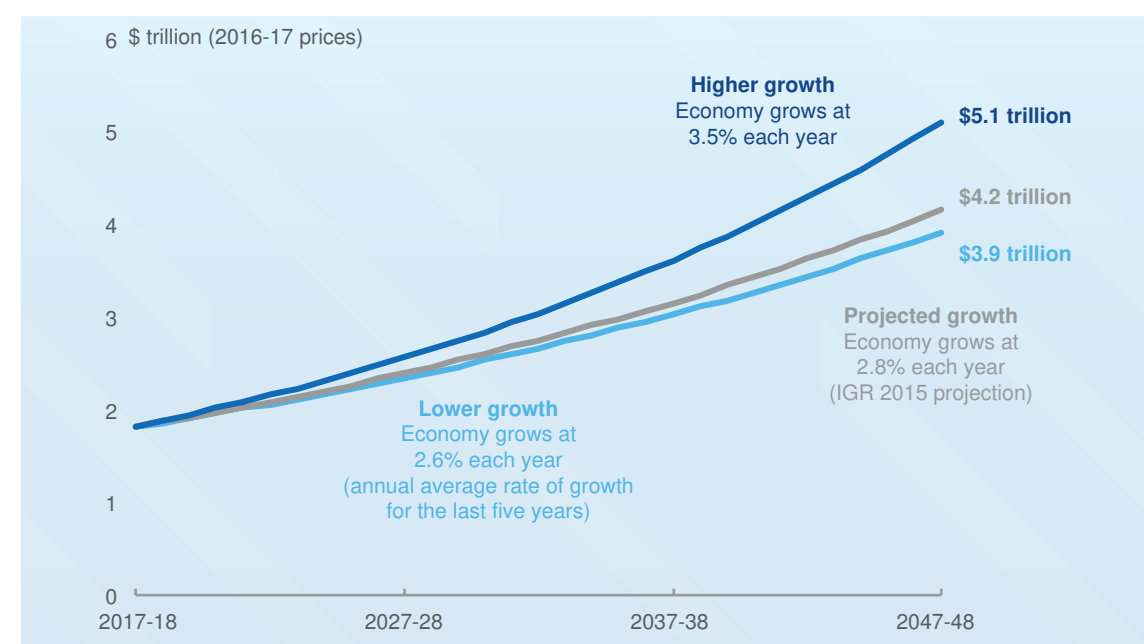
This shows how growing the economy faster matters, because the value of what Australians produce and earn impacts directly on living standards.

Without a growing economy and a strong budget, there would be less money to spend on the vital services Australians need and want. There would be less to spend on education, health and infrastructure. The population is ageing and the demand for health and other services is increasing.

To achieve faster economic growth and strong budgets, Australia needs the pro-growth policies that will:

- ▶ increase investment to drive productivity and innovation
- ▶ improve planning in the cities and regions, with targeted infrastructure to reduce city congestion and open up opportunities in the regions
- ▶ make it easier to do business by cutting red tape and unnecessary regulation
- ▶ deliver more jobs, better jobs and higher wages

Faster economic growth matters



Source: ABS cat. no. 5206.0, 2015 IGR and BCA calculation

- ▶ improve the skills of Australians to keep pace with technology change in workplaces
- ▶ deliver reliable, affordable and secure energy to put downward pressure on electricity bills
- ▶ drive investment and innovation in the type of technologies that produce lower emissions to tackle climate change.

Budgets matter

If Australia's budget is in order, the nation can do more to look after Australians who need a hand, and tackle entrenched disadvantage.

If Australia's budget lacks discipline, all Australians are affected.

When budgets can't be brought under control, we face the prospect of increased taxes and costs to raise the money to pay down debt.

It also means Australia has reduced policy ammunition to deal with any potential slowing down in the economy at home, or the challenges of China's economy coming off the boil, or a debt crisis in Europe, or a future recession in the United States.

Business matters

Strong and growing businesses underpin the budget. Business is forecast to pay \$96 billion of company tax this year, up from \$86 billion the year before. This represents one in every five dollars of total federal government revenue.

Company tax revenue is expected to be more than \$106 billion by 2022-23, and a cumulative \$1 trillion over the decade – more than enough tax to pay for the entire federal health budget.

And, business pays the wages that will contribute to the collection of more than \$270 billion in personal income tax in 2022-23.

“What happens if interest rates go up or there is an economic downturn? We could have the next US housing market crash here.”

31-year-old woman, Gosford, focus group November 2018.

So, every policy and decision for the country must be focused on one simple principle – more for all. This means more jobs and more revenue for the services Australians need, and that can't be achieved without strong and growing businesses.

While Australians tell us they feel let down by some parts of the business community, they also understand the role of business and its contribution to their lives.

Businesses – big and small – are made up of working people, customers, suppliers, shareholders and the communities in which they operate.

Businesses don't sit on the sidelines of the economy – they are at its centre. Businesses support and create most of the jobs in Australia.

Businesses employ 11 million of the 13 million working Australians, and are responsible for 80 per cent of all economic activity in Australia.

The Business Council has a stake and investment in the success of Australians. We believe we have a responsibility to outline the actions that will improve their lives.

This requires creating the environment where Australians can succeed because employers are doing well, delivering more and higher-paying jobs while offering attractive returns to almost six million Australians who own shares directly in Australian companies.

In talking with Australians, we understand the business community must act on the message that Australians feel let down.

Business is taking steps to learn the lessons, fix problems, and earn back the trust of Australians.

All major institutions in Australia are dealing with a decline in community confidence.

The 2019 Edelman Trust Barometer shows the community's most trusted relationship is with

their own employers – more than governments and other institutions. This underlines that Australians believe in the strength and integrity of the companies for which they work.

Serving customers and the community well is ultimately the best way to generate the profits needed to expand, innovate, invest, employ more workers and deliver returns to shareholders who put their money at risk.

Leadership matters

We've also heard how Australians want to be optimistic, but are frustrated by the lack of national leadership.

Leadership is a collective responsibility; it is up to all of us.

We want to join with all sections of Australian society to make Australia stronger; politicians, unions, the broader business community, education institutions, and non-government organisations including those in the social and environment sectors.

We want to solve problems.

In 2019, the Business Council will promote the measures we believe will make Australia more resilient and better able to respond to challenges. We will call out the policies that threaten to hold Australia back.

The Business Council stands for policies that:

- ▶ lift the living standards of Australians
- ▶ give everyone the chance to realise their full potential and achieve their ambitions
- ▶ strengthen the nation.

The world we live in

In responding to the concerns Australians have raised, we must remember that Australia operates in a constantly evolving global environment where some elements can be managed but others are beyond the nation's control.

Against this backdrop, every single thing done at a national, community and business level must be to make Australia stronger and build up its resilience.

Australia faces a number of global forces:

- ▶ The continued shift in the centre of the global economy to Asia, which means Australia needs to chase new markets and further orientate towards Asia.
- ▶ Technology is changing the way consumers buy and demand services and products, how products are made, and the nature of jobs. Australians need the skills and training to adapt to changes in the workplace.
- ▶ Manufacturing a product can now take place in multiple locations around the world instead of at one factory, and everything is now tradeable.
- ▶ China's shift to a consumption economy. In the 1990s, Australia's economic reforms meant increased productivity delivered higher wages. In the 2000s, productivity growth slowed - with wages growing more off the back of China's rapid expansion and increased appetite for Australia's resources. The rise of the Chinese consumer is dictating new products, services and trends, and means Australia must now position its economy to benefit from the emerging trade opportunities with China and other Asian economies.

- ▶ Long-accepted political norms are being up-ended in the wake of seismic global political shifts, such as Brexit in the United Kingdom.

All of this means, Australia needs to be much more competitive than in the past, find its niche, and be highly innovative.

Australia itself is changing. People live longer and healthier lives. About 400 baby boomers turn 75 every day in Australia, and that number is rising. Australia needs to keep its population strong and plan better for the demands of an ageing population.

More people are undertaking higher education, more women are working, and family structures are changing. This means jobs will need to work with the lifestyles of Australians.

Australia has a relatively small population, with a strong but medium-sized economy, in the middle of enormous technological change and a huge shift to Asia.

The challenge is to position our nation to take advantage of opportunities. Australia has great people, great endowments, and great institutions – let's get on with it.

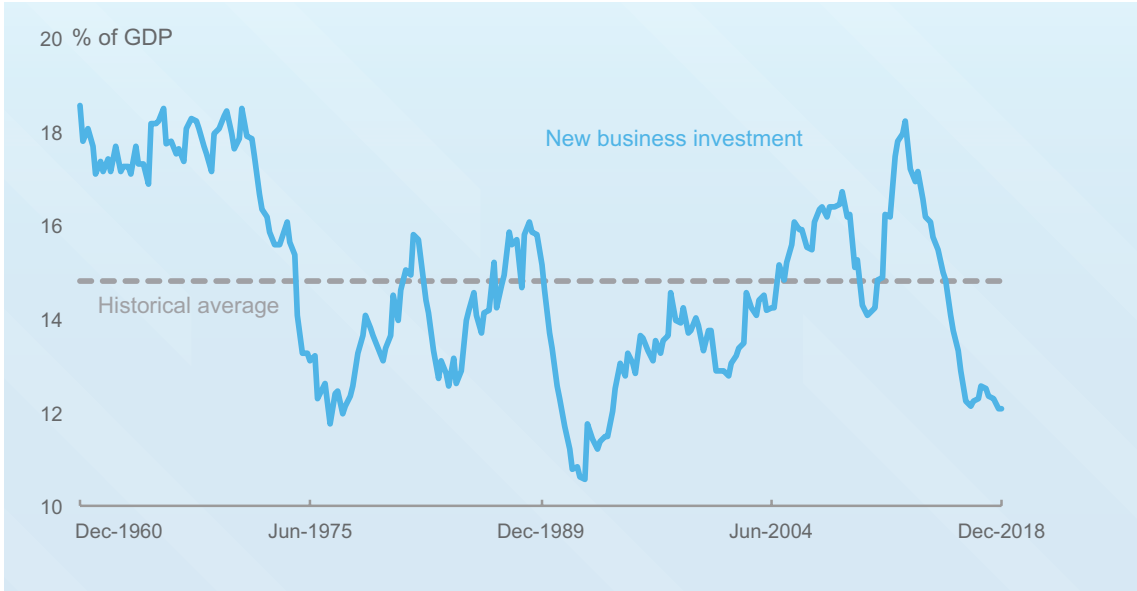


Grow the economy faster

Australians, and the businesses they work in, do the heavy lifting in the Australian economy and need the right environment to succeed. Businesses need the settings that allow them to be more productive and competitive, to accelerate economic growth and keep the budget strong.

One of the central ways to grow the economy faster is to lift productivity. The way to improve productivity is to increase investment. This starts by encouraging investment, so businesses can expand, hire more workers, pay higher wages, and grow their supply chains. Business investment is currently in the doldrums,

New business investment

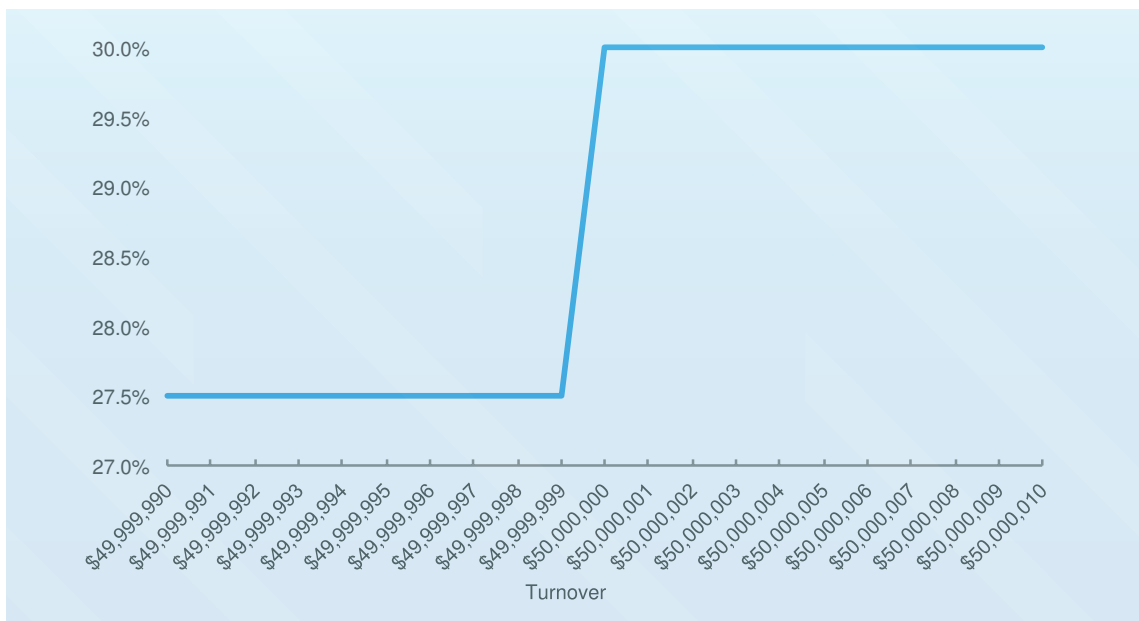


Source: ABS cat. no. 5206.0

and as a share of the economy is as low as it was coming out of the 1990s recession. Australia's company tax rate (the tax paid on profits) is one of the highest in the world. This makes it harder to attract business investment. Global investment decisions hinge on several factors, including a competitive company tax rate. It can be the difference between whether global capital is invested in Australia and a jobs-generating project gets off the ground here, or is set up overseas. It can determine if a company invests in new machinery, equipment or services to improve its productivity, and whether a company can expand and hire more workers. It can determine whether companies have the cash flow to reinvest in their operations and pay higher wages. The US has lowered its federal company tax rate from 35 per cent to 21 per cent, made it easier to invest, and cut regulation.

While there are many moving parts and drivers, the economy and wages in the US are growing faster than in Australia. In the US, average wages in the private non-farm sector increased 3.4 per cent over the year to February 2019. Australia has the third-highest effective marginal company tax rate in the world. Not only is it uncompetitive, it's made worse by a complex two-tiered system for companies. Businesses with a turnover under \$50 million a year have a lower tax rate than larger companies. This discourages smaller businesses from expanding. The system has also created a tax cliff between small and large businesses. If a small company with a \$5 million profit earns one extra dollar of revenue to be \$50 million, it could be hit with an extra \$125,000 in company tax.

Australia's company tax cliff



Source: BCA calculations



When businesses invest and innovate, they can deliver productivity improvements.

The key to growing the economy and driving higher wages is improving the way products are made and services delivered; operating more efficiently and smarter.

The centre of economic growth is shifting to Asia. Consumers across the globe are pushing for greater digitalisation and new products.

Australia cannot afford to skip a beat in delivering high-quality and high-value products, including for agriculture, to keep pace with evolving consumer tastes and demands.

Our nation needs to work harder to embrace innovation, and needs an industry policy that removes barriers to new sectors developing new and improved capabilities. The world is changing, and Australia's industries need to keep pace.

It is simplistic to seek to divide Australia into new and old industries; this fails to capture the world-leading innovation of Australia's mining companies. Innovation reaches all the way through a modern economy, and touches all industries.

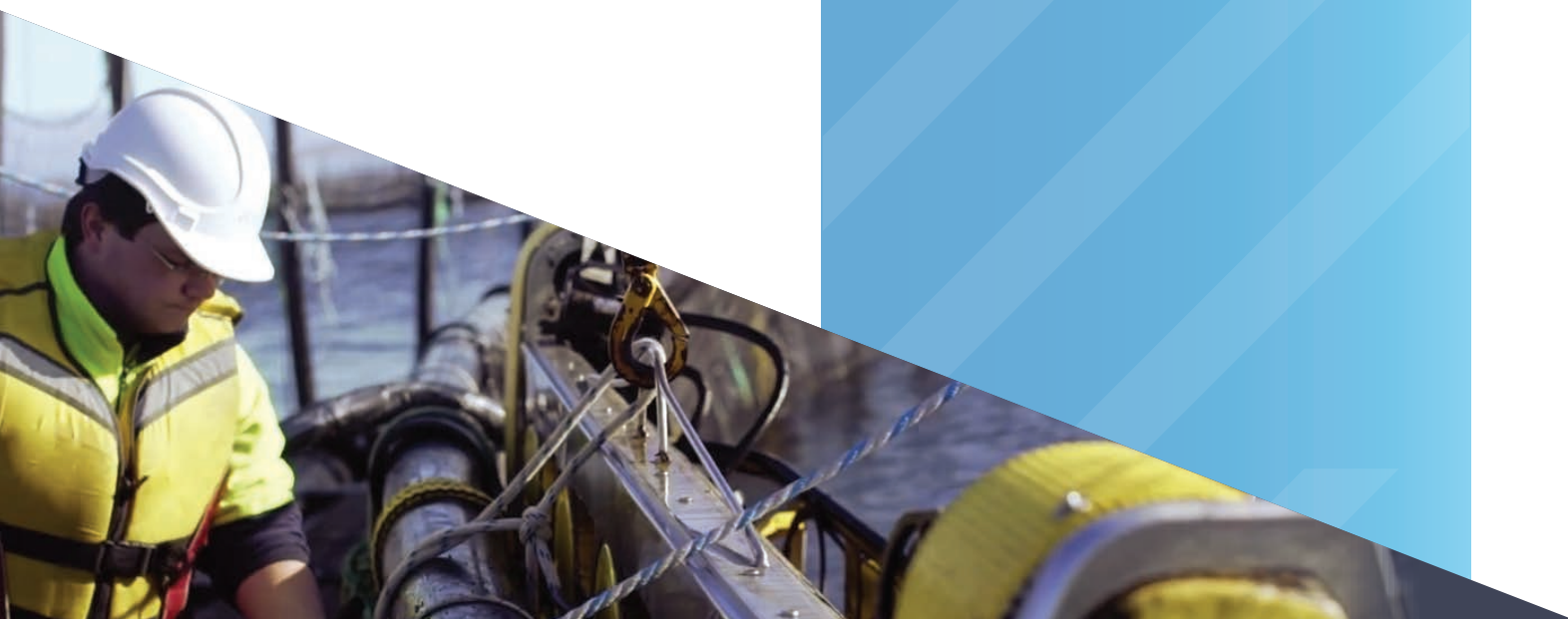
Innovation, which relies on investment, is critical to driving competitiveness and productivity.

“Where will all the future jobs come from? We're sending everything offshore and we're not ready for the industries that don't even exist yet.”

47-year-old man,
Western Sydney, focus group
November 2018.

To do list

- ☐ To encourage investment, lower the rate of company tax (in stages) from 30 per cent to 25 per cent for all companies. Robust integrity measures are a key complement to more competitive company tax arrangements.
- ☐ Make sure tax policies do not discourage research and development from taking place in Australia.
- ☐ Introduce a broad-based investment allowance that would stay in place until Australia tackles its uncompetitive tax rate for larger companies.
 - The allowance would apply to all investments that are depreciable under current tax law, such as machinery, equipment, intangible assets and buildings.
- ☐ Replace inefficient taxes, such as stamp duty on housing, with a broad-based land tax over the long term.
- ☐ Harmonise payroll tax around the country and broaden the base.



Better planning for cities and regions

Australians are having a legitimate debate about immigration and population numbers.

Many Australians tell us they are incredibly frustrated about the congestion in Sydney and Melbourne, while regional Australians want more people, jobs and investment to keep their communities alive.

Australians are feeling the pain of congestion from governments trying to play catch-up on infrastructure, particularly in Sydney and Melbourne.

Locals in Adelaide, Townsville, Toowoomba and other regional centres want to attract people to their communities. They know that activity from existing employers expanding or new businesses opening their doors creates jobs and brings people. Investing in infrastructure supports these communities to grow.

The private sector is willing and capable, and has the capital to invest in major infrastructure projects. But it needs an end to ad-hoc planning and uncertainty; the private sector needs confidence to invest in big projects without major risk.

As Australia's population base becomes older, the nation will need to attract more people of working age with skills and talent, to maintain strong levels of economic growth.

Migration to Australia has been an incredible success.

The nation hasn't experienced the social cohesion problems that many other countries face. Migration has brought people to the regions, the capacity to deliver on huge projects, and diversity has enriched Australian society and culture.

“We're constantly playing catch up on things that should've been done decades ago.”

30-year-old man,
Auburn, focus group
November 2018.

To do list

Infrastructure

- ☐ Introduce a forward-looking, population-based infrastructure planning trigger. Population projections would be used to better inform public infrastructure planning and investment priorities to meet demand in growing communities, instead of playing catch-up.
 - Opportunities for private investment in public infrastructure should be exhausted before committing public funding.
 - Infrastructure Australia should be involved in developing the trigger.
- ☐ Maintain 15-year national and state plans, developed through independent and expert advice, for both federal and state infrastructure projects. NSW and Victoria are role model states.
 - Fifteen-year infrastructure plans would end the boom and bust cycle of development which can lead to higher costs and unnecessary disruptions over the long term.
 - Building roads, bus and rail links, airports and ports means Australians can get around their cities and regions with less stress and makes it easier for employers to operate and attract much-needed investment.
 - Well-planned infrastructure opens up a range of employment opportunities for people to secure good jobs with reduced travel times.
- ☐ Strengthen the role of Infrastructure Australia so projects of national importance are prioritised.
 - Give the body more independence and more teeth, encouraging it to assess projects from a ground-up approach. It needs to make sure the right projects are being built in the right places at the right time.
- ☐ Implement a single application and assessment approach for major projects, to speed up approval processes so they are completed within 12 months.
- ☐ Assess carefully the cost and benefits of projects, including impact on the environment and communities.
 - Cost-benefit analysis should be holistic and take a long-term approach. Assessments of benefits and costs of a project should consider population growth, long-term pressures on existing infrastructure, wider economic benefits, and the impact of possible technological changes.
- ☐ Take the burden off taxpayers by encouraging the private sector to play a bigger role in financing infrastructure.
 - This requires governments to create the conditions for the private sector to be confident about investing in big projects without major risk.

To do list

- ☐ Make better use of existing infrastructure.
 - For example, delays at Sydney Airport could be reduced if there was more flexibility around the number of planes permitted to take off and land each hour, as well as noise restrictions that recognise the development of newer and quieter aircraft.

Population

- ☐ Manage population growth strategically, so Australia gets the skills it needs and people to live in regions that need more people.
 - This approach would address overcrowding in Sydney and Melbourne.
 - Examine the best ways to attract people to the regions.
 - Consider fast tracking permanent residency approvals for migrants who agree to settle in nominated regional centres.
- ☐ Strengthen population planning coordination between all levels of government.
- ☐ Set the permanent migration intake to maintain Australia's long-term population growth rate, with two-thirds of the program filled by skilled migrants.
 - Examine the best ways to attract people to the regions.
 - Target skills requirements better to fix skills shortages.
 - Well-targeted temporary and permanent skilled migration is a job creator, not a job stealer. Migrants with highly sought-after skills bring ideas and innovation, and they help train and skill Australians.
 - Australian employers overwhelmingly prefer to hire locally, but need to be able to access the best and brightest foreign workers when skills shortages exist.
- ☐ Make the Global Talent Scheme pilot a permanent program.
 - The scheme is for filling highly skilled and specialised positions that can't be filled by Australian workers or through other standard visa programs.

Regions

- ☐ Audit the strengths and weaknesses of key regional areas.
- ☐ Prioritise and target infrastructure spending to the regional centres which have been identified as having the best potential to grow.
 - New spending in the right areas would maximise the ability of regional centres to attract employers, jobs, services and workers.

To do list

- ☐ Provide incentives to employers, such as fast-tracking planning approvals, to encourage regional development.
- ☐ Ensure regional centres with the potential to grow have good transport links to other cities.
- ☐ Ensure regional centres have good connection to telecommunications, including the National Broadband Network.
- ☐ Encourage migrants to settle in regional growth areas by fast-tracking permanent residency.
 - Designated Area Migration Agreements allow employers in regions experiencing skill shortages to sponsor skilled and semi-skilled overseas workers. These agreements should be applied more widely and provide a pathway to permanent residency.

Cities

- ☐ Make cities work by maintaining a regular and continuous supply of land for development through planning and rezoning.
- ☐ Planning cities better includes reserving corridors, such as for future transport needs.
- ☐ Drive integrated land use, employment and transport planning.
- ☐ Retain and strengthen the 'city deals' to encourage cooperation in major centres between all levels of government and long term investment.
- ☐ Improve the efficiency of gateway infrastructure capacity, for example highly restrictive aircraft movement regulations at Sydney Airport.
- ☐ Implement a single application and assessment approach for major projects, to speed up approval processes so they are completed within 12 months.
- ☐ Replace inefficient taxes, such as stamp duty on housing, with a broad-based land tax over the long term.
- ☐ Avoid excessive developer charges that harm affordability, discourage moving and contribute to longer commute times.

Make it easier to do business

Excessive, unnecessary and out-of-date regulation saps enterprise and works against the creation of new jobs and businesses. More needs to be done to:

- ▶ improve Australia's competitiveness as a destination for investment, and
- ▶ tackle badly-designed regulation.

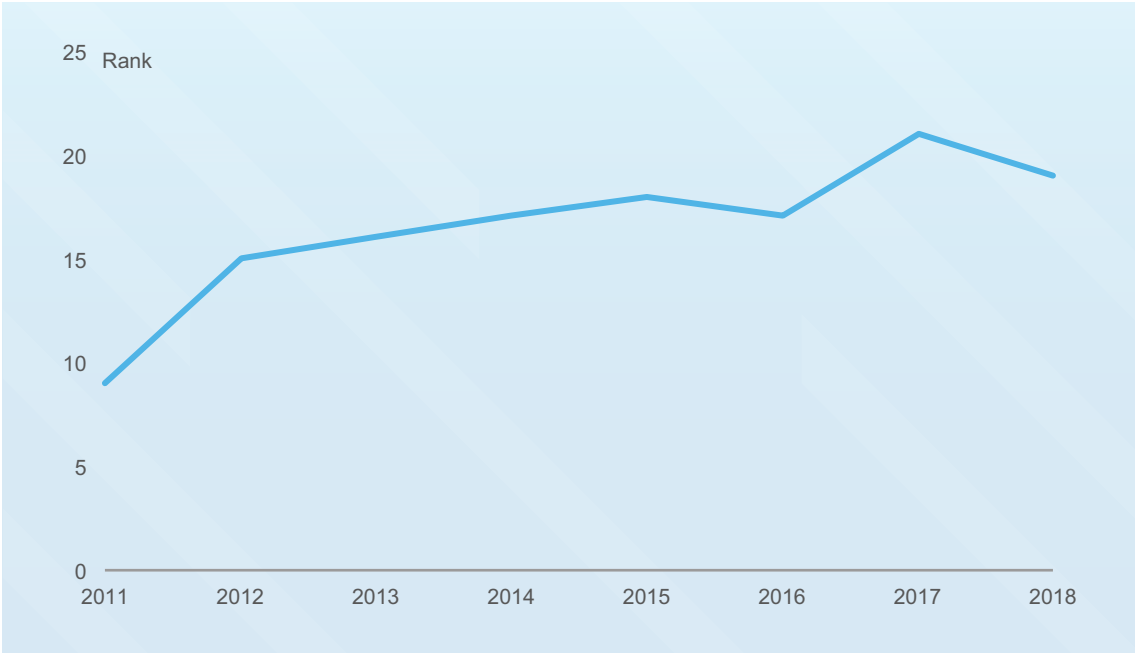
Excessive regulation can be a hidden cost to both consumers and communities. Red tape and ineffective regulation slow the way businesses and services operate. The cost to consumers

and communities can be reduced services, higher prices and less choice.

For example, in South Australia shoppers can buy products online 24 hours a day, but they can't buy groceries from their local supermarket until after 11am on Sunday. In Western Australia, some shops can sell light bulbs on weekends, but not light fittings.

Effective regulation – rather than excessive regulation – can protect legitimate interests, encourage competition, and create opportunities.

Australia's international competitiveness ranking



Source: IMD World Competitiveness Yearbook, archived by CEDA

To do list

- ☐ Create more jobs and more choices for consumers by unwinding old-fashioned retail restrictions, especially in South Australia, Western Australia and Queensland.
- ☐ Recognise trusted international regulatory standards to give Australians faster access to approved overseas products at lower prices, and create bigger markets for Australian producers.
- ☐ Identify opportunities to increase mutual regulation of different state-based licences and permits for qualified tradespeople.
- ☐ Eliminate the complex web of different state-based calculations on payroll tax obligations for employers that operate across state borders.
- ☐ Implement a single application and assessment approach for major projects, to speed up approval processes so they are completed within 12 months.
- ☐ Have the Productivity Commission regularly review the regulatory burden on sectors where it reduces their ability to compete.
- ☐ Phase out unnecessary, out-of-step and out-of-date rules that often end up costing consumers more.
 - For example, Sydney Airport's operating restrictions rely on a prescribed list of allowed aircraft from 1995, and do not account for the development of newer and quieter aircraft.



Deliver more jobs, better jobs, higher wages

More must be done to get the settings right for employers to grow their businesses and hire more workers, and for new businesses to open.

The focus must be on creating more jobs and better jobs.

It is crucial to keep unemployment low, because this drives competition for workers. Employers pay more to attract the people they need when there is increased demand for workers.

The good news is that more Australians are in work. The nation's unemployment rate in February 2019 stood at 4.9 per cent, its lowest level for more than seven years.

To drive further job creation now and in future, the barriers to adopting the innovation of others need to be lowered. Australia also needs to be better at commercialising its own research and development.

Industry policy needs to help remove the hurdles that prevent new and emerging industries – and the jobs they create – from locating or staying in Australia. The tax system also needs to drive greater investment in research and development.

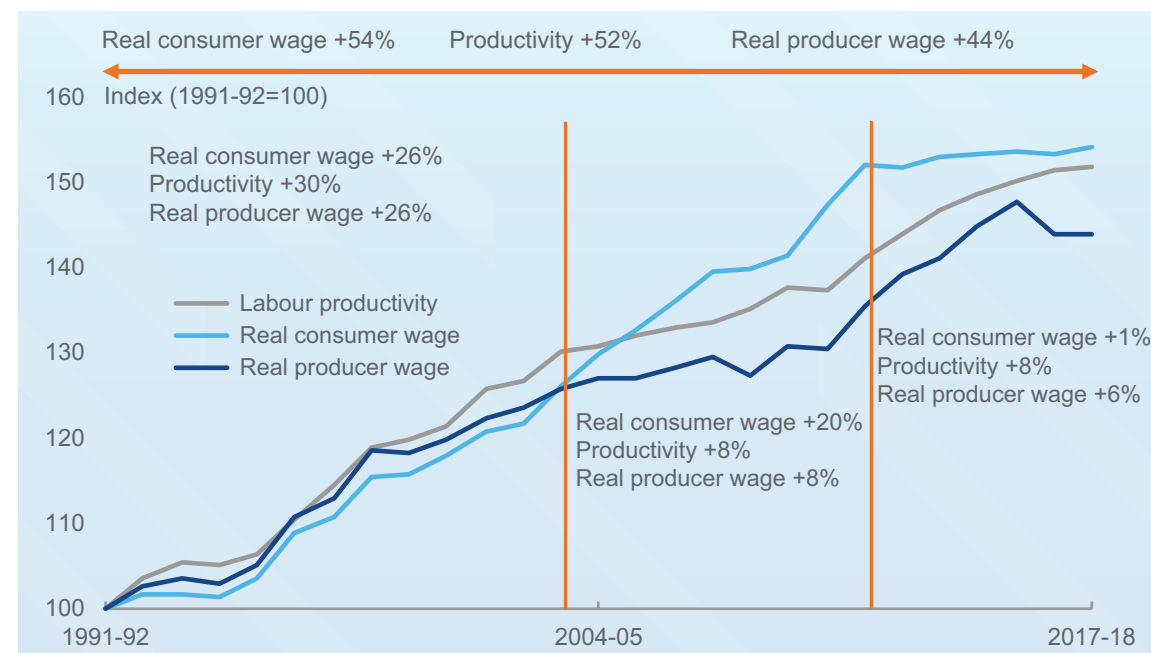
To have faster wages growth, Australia must drive investment, competitiveness and productivity. This will keep unemployment low and create more jobs, better jobs, and higher skills.

More women are working than ever before, and many workers are choosing part-time work to balance their lives. Casualisation has not increased since the mid-1990s.

But there is no doubt that wages are not growing as fast as they should be.

Wages growth is not keeping pace with day-to-day living costs of many Australians, and taxes are still taking too much of what they earn.

Real wages and labour productivity



Source: ABS cat. no. 5206.0

To do list

Create more, and better jobs

- ☐ Create the right environment for employers to grow their operations, with investment and innovations that drive productivity improvements.
- ☐ Lock in enterprise bargaining agreements between workers and employers at the workplace level as the centrepiece of the workplace relations system.
 - Improve the enterprise bargaining system. Get the balance right between employers having the ability to adjust and change their operations quickly, and ensuring the benefits of improved productivity are passed through to workers with higher wages and better conditions.
 - Make sure workplace agreements mean employees are on the whole better off.
- ☐ Examine the enterprise bargaining process for very low-paid workers, particularly in the non-government sector.
- ☐ Resist rewriting workplace rules to allow blanket agreements that would cover an entire industry and different employers, instead of being tailored to workers in an individual workplace.
 - One-size-fits-all agreements that force the conditions of one industry in one state on to all employers in that industry across the nation prevents workers and their employer negotiating what works best for their individual workplace.
 - One-size-fits-all agreements are a recipe for job losses and strikes.
 - One-size-fits-all agreements ignore that workers have different needs. They ignore that businesses have different customers, different suppliers, different rostering and different training needs.
 - One-size-fits-all agreements ignore that in some workplaces, workers and their employer may need to adjust quickly to changing circumstances, such as new competition or technological change.

To do list

Wages

- ☐ Grow the economy faster and encourage investment and innovation to drive productivity.
 - Increasing wages cannot be a quick fix and cost someone else a job or force consumers to pay higher prices.
 - Wage rises need to be across the economy.
 - Lifting productivity is not about working harder for less. It's about creating the environment where employers can invest in their businesses to improve it, and operate more efficiently and smarter.
 - Driving innovation and embracing technology in workplaces lifts productivity, allowing businesses to develop new products and services, sell more, and export into new markets.
 - Lifting productivity also requires a renewed focus on ensuring workers are trained and have the right skills to work with innovations and new technology.
- ☐ Maintain the enterprise bargaining system, where workers and their employers agree on pay and conditions to suit the individual circumstances of their workplace.
 - For the past six years, workers covered by workplace or enterprise agreements have received larger wage increases than the whole of the economy.
 - In the December 2018 quarter, workers on enterprise agreements received 2.7 per cent wage increases, while workers in the broader economy received 2.3 per cent.
- ☐ Keep personal income taxes as low as possible, and reduce the impact of bracket creep.
- ☐ Reduce living costs, starting by bringing down electricity bills, so workers have more left in their pockets after paying taxes and covering the essentials their families need.

Give Australians the skills they need

The best way to ensure Australians have the right jobs at the right time is giving them the skills and training they need over their working lives.

This starts at school, with improving Australia's flagging literacy, numeracy and digital skills.

It continues into post-secondary education by fixing up the apprenticeship system, funding TAFE properly, and removing the cultural and funding bias against vocational education and training (VET).

VET shouldn't continue to be a second-class system to universities.

Australian students are continuing to make poor choices and undertake degrees that do not always get them into the jobs they want.

There is a lack of basic information available for students.

Australia's skills and training system remains clunky. People in the mid-part of their career find it extremely difficult to re-skill and retrain.

As technology changes, access to skills and training has never been more important.

Research for the Business Council by economic advisors AlphaBeta shows that over the past five years the impact of technology has been greatest on the individual tasks that make up jobs.

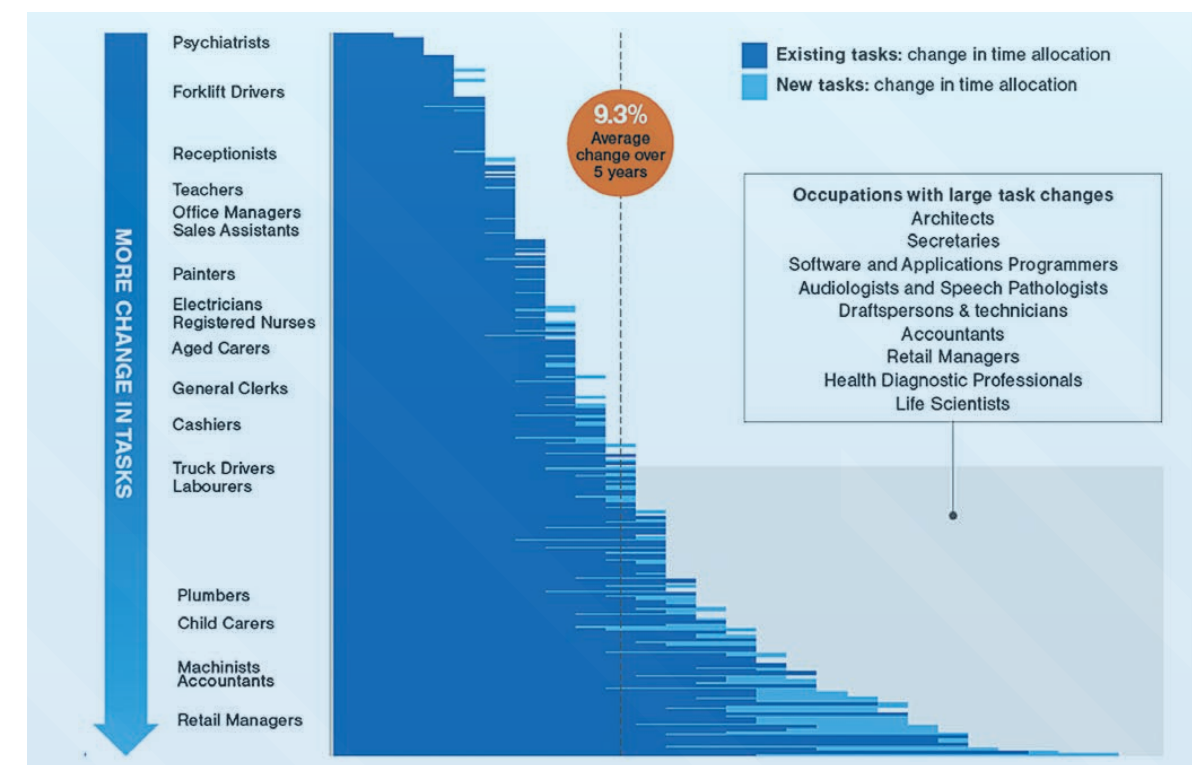
The average level of task-change within an occupation has been 10 per cent.

This means Australian workers now spend about half a day a week doing different tasks than someone with the same job did just five years ago.

The greatest insurance for Australians to stay in work as their jobs change is gaining new skills and training.

But workers shouldn't be asked to drop out of the workforce to learn new skills. They must have a system where they can dip in and out of courses that give them the training they need, when they need it.

Task change by job over 5 years



Source: O*Net, AlphaBeta analysis

To do list

Schools

- ☐ Ensure students leave secondary school with literacy, numeracy and technology skills that are fit for the future.
- ☐ Adopt new teaching methods like inquiry-based learning, particularly in areas students find difficult (such as maths).
- ☐ Ensure students are learning digital skills as well as focusing on the basics. Students must learn to read and write, including where appropriate an emphasis on phonics.
- ☐ Require maths and science teachers to have degrees in the subjects they teach.
- ☐ Empower principals to make decisions about staffing and resources in their schools.
- ☐ Make career counselling more relevant to today's jobs and careers.
- ☐ Improve the work readiness of students.
- ☐ Create a national index for teaching quality, to support improved performance.

Post-secondary education and skills

- ☐ Have one single information platform for VET and higher education so students can find out about jobs in demand, potential earnings from those jobs, what to study, how long the course will take and what it will cost.
- ☐ Remove the cultural and funding bias against vocational education and training by moving to a single funding model for both VET and higher education, but retain the character of each sector.
 - VET would continue as an industry-led sector based around competency-based training and applied learning, and higher education would continue to provide advanced qualifications, learning for the sake of learning, academic inquiry, and world-class research.

To do list

- ☐ Give every Australian an account (a 'lifelong skills account') for their training and education needs through their working lives, allowing them to choose where, what and when they study.
 - The account would be funded in the same way as courses are now – through a mix of government subsidies and student loans that only have to be paid back once income reaches a certain level.
 - Australians would use the account to pay for their first qualification, and then choose modules or short courses to keep their skills up-to-date.

Apprenticeships

- ☐ Move to a national apprenticeship system and remove inconsistencies and unnecessary regulations that are a disincentive to employers taking on an apprentice or trainee.
- ☐ Introduce a pre-intake process for all potential apprentices and trainees that includes appropriate literacy and numeracy testing, aptitude testing, personality testing and career guidance.
- ☐ Develop improved information for employers that outlines the business case for taking on an apprentice and provide professional development and ongoing support for employers taking on apprentices and trainees.
- ☐ Conduct a review of the full costs associated with apprenticeships and traineeships (for employers, students, and government) and develop recommendations to ensure funding is targeted at improving commencements and completions.

Deliver reliable, affordable and secure energy

Australians are angry about high electricity bills. The price of electricity has jumped 56 per cent in the past decade.

A decade of policy dysfunction means Australia does not have a coherent energy policy agreed to by all political sides, to deliver reliable, affordable and secure energy that also reduces emissions.

To put downward pressure on electricity bills, a set of actions to increase the supply of energy is needed.

The absence of a long-term energy plan means investors are nervous about spending billions of dollars on new power generation projects to increase supply.

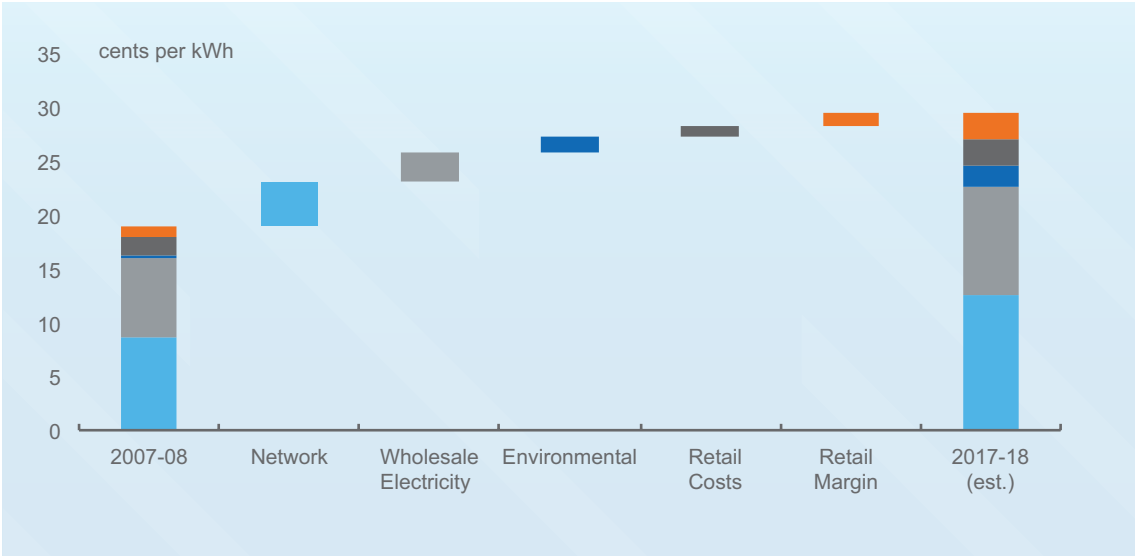
As Australia transitions to lower-emissions power generation, the nation needs investment in dispatchable power to:

- ▶ smoothly manage this transition, and
- ▶ meet the electricity demands of households and businesses.

State government demands for networks to be made more reliable have forced over-spending on networks, and consumers are having to take on the costs.

Bans on exploring and developing gas supplies have reduced the available supply of energy. Gas is more efficient and produces less emissions, and is a transition fuel to lower carbon use.

Breaking down electricity prices



Source: ACCC, Restoring electricity affordability and Australia's competitive advantage - Retail Electricity Pricing Inquiry - Final Report.

Note: Prices in real 2016-17 dollars and exclude GST.

To do list

- ☐ Deliver and stick to a long-term national energy policy. Giving businesses the confidence to invest in existing and new power generation supplies is the best way to put downward pressure on electricity prices.

Reduce electricity bills

- ☐ The consumer watchdog, the Australian Competition and Consumer Commission says electricity bills could be reduced by between \$291 and \$419 a year for consumers.
 - Encourage governments to take on the cost of the past over-investment in electricity networks, particularly in NSW, Queensland and Tasmania. This could save consumers at least \$100 a year on their bills in these states.
 - Scrap unnecessary subsidies for taxpayer-funded green schemes. The cost of installing solar panels, for example, has dramatically decreased since subsidies were introduced. This could shave \$30 a year off bills in some states.
 - Drive investment in new power generation supply, to address the rise in wholesale prices. This could shave about \$150 off a bill in some states.
- ☐ Give consumers a common point of comparison for all energy offers and discounts by issuing a 'reference bill'. This will make it easier to compare offers from electricity retailers.

Increase the supply of energy

- ☐ Introduce an investment allowance to encourage power generators to increase the amount of power they produce, and encourage investments in new supply.
- ☐ Increase access to gas supplies for Australian consumers and export markets.
- ☐ Streamline approval processes, remove green tape and stop continuous appeals from third-party activist groups delaying access to much-needed fuel supplies.
- ☐ Introduce a mechanism to guarantee the reliability of electricity supply.

Tackle climate change and reduce emissions

The Business Council supports action on climate change.

We support meeting Australia's commitment to the Paris Agreement. Under this international climate pact, Australia has agreed to reduce the amount of emissions it produces by between 26 and 28 per cent compared to 2005 emissions levels. This reduction needs to be achieved by 2030.

The best way to tackle climate change is to ensure Australia's economy remains strong, so money flows into innovation, new technologies and energy sources.

Without a strong and growing economy, it is impossible to reinvest in the environment and unleash the innovations that will drive a change in the way Australians use energy.

The objective of climate change policies should be to reduce Australia's emissions and to contribute to the international effort of reducing them around the globe.

This must be done while making sure the Australian economy keeps growing.

The transition to Australia producing less carbon emissions must also deliver meaningful jobs for Australians and ensure businesses can remain internationally competitive.

Australia cannot lose highly skilled and high-paying jobs, and hollow out the nation's industrial capacity.

Moving to a lower carbon economy will come with costs, and these need to be honestly and clearly explained to Australians.



To do list

- ☐ Have a price signal that places a value on the type of technologies that produce lower emissions.
 - This is the simplest, most efficient way to drive the investment and innovation needed to move to a lower-carbon economy.
- ☐ Conduct a review every five years of Australia's progress towards meeting its international emissions reduction targets. A review allows Australia to take stock of change action and policy frameworks at home and overseas to determine the best ways to continue meeting the nation's future commitments.
- ☐ Adopt a scheme that reduces Australia's emissions, ensures businesses are competitive, and leads to a more efficient economy.
- ☐ Any scheme to tackle Australia's carbon emissions and meet our international commitments needs to:
 - ensure the supply of reliable, secure and affordable energy
 - be at the lowest cost possible for all Australians
 - be durable, national and for the long term
 - be technology-neutral, not discriminating against fuel sources or picking winners
 - allow for existing energy sources to be improved and upgraded
 - in the long-term, transition to an economy-wide approach, with no one sector required to do all the work
 - be flexible in the face of changing technology costs and consumer preferences
 - regain Australia's position of competitive advantage regarding energy, and
 - acknowledge that some industries are exposed to international competition and need measures to address this.

Adaptation

- ☐ We need greater national leadership and focus on ways to improve Australia's resilience to extreme weather events.
 - Climate change adaptation involves practical actions to manage the risks from climate impacts, including protecting communities and the environment.
- ☐ Introduce a scorecard and national strategy over five years to identify the major risks to infrastructure, highlight information gaps, report on the best measures being undertaken at a state and local level, and estimate the economic cost to Australia of adaptation.
- ☐ Ask Infrastructure Australia as part of its infrastructure audit and plan to assess Australia's most vulnerable infrastructure.

Get Australia's budget in order

Getting Australia's budget in order really matters to the lives of all Australians.

As every family and household knows, if you spend more than you have, you end up with a credit card debt you may struggle to pay off.

You have fewer choices, and face hard decisions to bring your finances under control.

To get Australia's budget in order, a series of fiscal rules to hold the government to account and deliver programs and services more efficiently is needed. These rules include a tax to gross domestic product (GDP) cap, and a real spending cap.

Following these rules will not reduce services for Australians, but will provide for an increase in spending per person after inflation.

They are designed to ensure the federal government does not tax and spend first, but instead focuses on achieving value for taxpayers' money.

These targets also work to limit the risk of an ever-expanding and bloated government, which can lead to less effective spending.

We support a responsible tax to GDP cap. We also support a real spending growth cap of two per cent.

To improve the effectiveness of the federation, the Council of Australian Governments (COAG) also needs to continue to review the efficiency of different levels of government working together to

deliver programs, services and infrastructure for Australians.

As part of this, reforming the federation can no longer be put off. It is an essential first step to improving the delivery of essential government services, such as health and education.

The taxation of savings and the retirement incomes system in Australia is complex. A comprehensive review should be undertaken to ensure the system is less complex, and provides for comfortable living standards in retirement while taking the pressure off the budget from the costs of an ageing population.

The last Intergenerational Report forecast the number of Australians aged over 65 will more than double by 2055.

The stronger Australia's financial position is, the more flexibility the nation has to deal with economic shocks. Getting the budget into surplus and keeping it there to reduce government debt is the best path to take to achieve this.

Strong budgets give the nation a buffer to cope with domestic and overseas challenges, pay for the services Australians want and need, and provide the resources to help those who most need a hand.

National prosperity (which comes from growth) and fairness are like two sides of the same coin. One cannot be achieved without the other.

Australia's net debt



Source: Budget 2019-20

To do list

- ☐ Get the budget back into surplus and keep the budget in surplus.
- ☐ Keep the budget in order. Introduce fiscal rules that would help keep federal government spending within Australia's capacity to pay. These rules would include a tax to GDP cap and a real spending cap.
 - The federal, state and local governments together spend more than half a trillion dollars a year on providing services for Australians. But there is too much waste, duplication and poor results.
 - Spending needs to be directed to the services and programs that really matter.
 - All levels of government need to work together better to deliver services, such as in health and education.
 - Let's stop the doubling up on some services while others slip through the cracks.
 - Taxpayers' money needs to be spent carefully, and services need to be delivered on time and on budget.
- ☐ Pay down government debt.
 - Since the federal budget dived into deficit a decade ago, taxpayers have spent \$95 billion paying the interest on Australia's debt bill.
 - Net debt at the federal level is at its highest as a share of GDP in 50 years. A lower level of debt (net debt is currently around \$370 billion, while gross debt is around \$550 billion) would give Australia more capacity to deal with negative economic shocks.
- ☐ Reform the Intergenerational Report, which helps to build our understanding of the long-term economic changes and pressures Australia faces, paying particular attention to the number of working-aged Australians in the future compared to the number of older Australians.
 - The report should be produced by the Parliamentary Budget Office and bring federal and state outlooks into one national Intergenerational Report.
- ☐ Adopt the Productivity Commission's recommendation that an independent and full inquiry into the retirement incomes system be completed in advance of any increase in the Superannuation Guarantee rate.
- ☐ Strengthen the role of COAG to deal with duplication and inefficiency to improve outcomes for Australians.

Look after Australians who need a hand

We know many Australians are not getting ahead.

Some people are doing it extremely tough. We're concerned that it's often the same families trapped in a cycle of poverty, welfare and dependence.

Let's finally act to understand why generations of the same family are locked in deep-rooted and entrenched disadvantage. And let's work to end the tragedy where some children grow up in a household where they have never seen anyone go to work.

It is unacceptable to keep sweeping these problems under the carpet. Addressing these issues must be made a first order priority.

Let's address long-term unemployment. About half of the almost 725,000 people receiving Newstart have been on the payment for more than two years, and almost 28,000 Australians have been on Newstart for 10 years or more.

Let's act on poor literacy skills. An OECD survey found one in five working-aged Australians have low levels of literacy or numeracy, or both. Australians without a strong foundation in reading, writing, maths and digital skills are at risk of being left behind.

Let's act to properly address Indigenous disadvantage, creating the economic opportunities that will empower Indigenous communities.

“The cost of living is always rising but wages are stuck at the same level.”

48-year-old woman,
Western Sydney, focus group
November 2018.



To do list

- ☐ Hold a Productivity Commission inquiry into entrenched disadvantage, examining its causes and how to improve coordination across all levels of government.
- ☐ Encourage the Fair Work Commission to adopt the Productivity Commission's recommendation on the minimum wage. It should broaden its analysis to consider economic circumstances on employment and on the living standards of low-paid workers.
- ☐ Where block grants fund aged care and disability services, where many low-paid and female workers are employed, consider longer-term government funding contracts to provide certainty for providers.
- ☐ Lift the single rate of Newstart for those who remain on Newstart for a long period of time and who are unlikely to return to sustained work. We have supported increasing Newstart since 2011 because it is the right thing to do.
- ☐ The Productivity Commission should also be given the task of examining why such a large number of people remain on Newstart long term, and provide recommendations on how to improve their situation in the short term.
- ☐ Moving beyond Newstart (which is only one element of the welfare system), Australia needs to transform the welfare system to better reflect people's capacity to work, apply consistent principles across the system, and balance providing adequate support with ensuring that people are not discouraged from working.
- ☐ Ensure employment services are giving disadvantaged and long-term job seekers the best chance of finding and staying in work.
 - Steady work, along with the skills to stay in work, is the best way out of hardship and disadvantage.
 - Encourage job service providers to place long-term job seekers in work placements that give them the best chance of long-term success.
 - Get job service providers and businesses working together better so job seekers are matched with employers looking for people and skills.
 - Improve the effectiveness of specialist job services networks for Indigenous Australians, refugees, people with mental health issues and chronic disabilities.
- ☐ Hold a national inquiry into literacy programs in Australia.
- ☐ Set up initiatives to build economic opportunities in Indigenous communities.
 - Progress further reforms to the delivery of funding and services to Indigenous communities.
 - Continue work on Closing the Gap to improve Indigenous life expectancy, child mortality rates, employment, school attendance, and reading and numeracy.

A nation at the crossroads

In this election year, the decisions Australians make are critical.

They will determine the nation's direction for the future. They will decide whether Australia continues to be a strong, fair and inclusive society that rewards its citizens for taking a risk.

We've listened to many Australians about what they want for the country.

They want more jobs, more meaningful jobs, higher wages, and lower cost of living expenses (especially electricity).

Australians want the ability to adapt to an era of technological change in their workplaces by learning new skills.

They want real choices.

They want the blame-game to end.

They want their leaders to do what is best for Australians.

They want long-term plans in the national interest.

Australians want to live in cities free from congestion and overcrowding, and regional areas that are thriving.

They want to be rewarded for working, saving and investing for their future and the future of their families.

They want their children to inherit the living standards they have enjoyed, and indeed better living standards.

Australians know that growth – powered every day by the efforts of our workers and businesses – will continue to be the foundation of Australia's success.

Growing the economy is the only way to realise these ambitions, and more, for all Australians.

Australians across the country tell us they know the nation needs to be able to compete with the best in the world to maintain its position on the global stage.

They're proud that Australia often punches above its weight in producing high-quality goods and services, and new products.

Australia is doing well, but let's not be complacent. More needs to be done to unlock its promise.

Australia is blessed with extraordinary people who are passionate about ensuring this nation can be the best place on earth to live, work and do business.

We share that commitment and we are invested in Australia's success.

Other people may have other ideas, and we welcome that. But we encourage the critics of our work to come up with an alternative to creating a stronger, fairer Australia.

Much of the change can come from local communities.

Let's encourage Australians to take risks, invest, start a business, and expand their existing operations.

Let's reward Australians for working hard, going that extra mile, and having a go.

As we have seen around the nation through our Strong Australia events, it is Australians in local communities who are the backbone of this strong and vibrant country.

Together, let's do all we can to ensure all Australians have the opportunity to get ahead.





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