About this publication

The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia’s leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

This is the summary report of the Business Council of Australia’s Action Plan for Enduring Prosperity. This and the overview brochure, full report and list of recommendations are available as separate publications and can be downloaded from the BCA website at www.bca.com.au.
Introduction

This discussion paper outlines an economic action plan for Australia’s future.

It has been prepared by the Business Council of Australia, which is made up of the CEOs of 100 of Australia’s top companies.

This paper addresses the question of whether the future can be prosperous for all Australians and whether things will live up to our expectations.

What is our answer? Australia’s future can be prosperous but this will depend on maintaining strong economic growth and an environment that supports businesses to do well. The actions, decisions and choices we make now will either support or inhibit Australia’s prospects.

Australia has experienced a very successful growth period and we continue to have many intrinsic strengths, but we are a small economy in a fiercely competitive global environment. We do many things well and lead the world in areas like mining, agriculture and various services industries. However, with a small local market we lack the scale and expertise needed to exploit opportunities in many sectors of our economy, particularly manufacturing.

On a frank assessment, it’s clear we’ve taken our eye off the ball when it comes to Australia’s economic challenges and complacency has crept in. This applies to governments and business. The benefits of a terms-of-trade boom have masked emerging cracks.

» We’ve been fiscally strong in the past (this strength got us through the global financial crisis), but in recent years government has failed to execute a responsible fiscal strategy. As a consequence, our fiscal position is not as robust as it should be given the economic growth we’ve continued to record over the past four years.

» We haven’t invested enough in infrastructure and the community and business are suffering the consequences. Infrastructure shortcomings are diminishing our quality of life, reducing our competitiveness and eroding community support for growth.

» Our system of workplace relations is much less flexible than it needs to be and more heavily regulated than it was in the past. It does not support high-performing, modern workplaces and is reducing our capacity to adapt to competitive pressures and a changing global economy.

» Regulatory overreach has occurred at all levels of government. Politicians – often at the community’s behest – are intent on introducing new laws and regulations as the immediate solution to every problem. For example, overlap between the Commonwealth and the states is slowing development approvals and holding up investment in important major projects.

» We are not making the most of our comparative advantage in energy – either its delivery domestically or in terms of export opportunities.

» Our federation is not operating properly, with the Commonwealth and the states in constant conflict on many important policies and a lack of national cohesion. We need to get a better handle on which level of government should be responsible for key policy directions and the delivery of services. We need to make sure there is appropriate funding support and accountability.
Our education and training system is not providing the right mix and quality of skills when needed to service a changing economy.

The sum of all this is that our competitiveness has declined and our chances of maintaining the rates of economic growth that we need are far less certain. This matters. It matters for what our future will look like, the number and quality of jobs we can create, the wages Australians will earn, the profits businesses will generate and the taxes governments will collect.

We think that a lack of focus on the long-term national interest is making it harder to take the tough, structural reform decisions that will support growth. Politicians are reacting to the community’s expectations that governments will provide more and more, and with the growing pressures of an ageing population. But there’s little discussion of the need to change other spending priorities or raise taxes to accommodate this.

We are operating in a more complex and challenging global environment that finds Australia more interconnected, but also exposed to greater volatility.

Our own economy is going through a major period of transition. Some sectors have boomed and others are doing it tough. There is uncertainty over how Australia will negotiate a downturn in the resource investment boom, and whether new infrastructure-related construction projects can be rolled out quickly to help fill the gap.

The question is how can we deal with all of this?

We believe it’s possible to restore confidence and growth and create more jobs by squaring up to the situation and bringing the community along. If we are prepared to take a broad-ranging and comprehensive approach – with some ‘give and take’ all round – there is no reason why Australia can’t overcome the challenges and harness the opportunities before us.

We are proud of the crucial role that businesses play in creating jobs and wealth, and contributing to community prosperity. We recognise that in a modern market economy there is a significant role for government and the community sector. It is important that the three sectors work together to keep delivering the prosperity Australians have enjoyed in the past.

The Business Council of Australia has prepared this action plan with the overarching vision of securing enduring prosperity for all Australians. We are mindful of the costs to all of us of not getting right Australia’s approach to public policy and our economic settings.

The vision that inspires our action plan encompasses three interconnected goals:

» a strong, growing economy with full employment
» a strong society with improving living standards
» growing our economy efficiently and sustainably.
INTRODUCTION

The plan identifies a set of recommended actions across nine critical areas that, if implemented, will help set Australia on the right track.

These are the nine areas that we believe require action:

01. Australia’s fiscal policy settings and long-term budget discipline must be strengthened, we have to adopt a more competitive and sustainable tax system and provide for a fairer sharing of money between the Commonwealth and the states.

02. We must continue – and continue to plan for – sustainable population growth in our cities and regions.

03. We must provide the right infrastructure for a modern, liveable and productive economy.

04. We must equip all Australians with the right skills and education and boost labour-force participation so that we have more productive and innovative workplaces and a better workplace relations system that strengthens the relationship between employer and employee.

05. We must rethink our approach to regulation and strengthen our institutions and governance arrangements with greater accountability and transparency from our regulators.

06. We must realise a deeper engagement with the world both economically and politically.

07. We must preserve a strong and stable financial system and make it more competitive and capable of funding our future growth.

08. We must adopt a coherent and comprehensive energy policy that enhances Australia’s competitive advantage.

09. We must create the right environment and systems to foster and drive innovation, diversify our economy and play to our strengths.

Our plan and related actions to achieve enduring prosperity should be viewed as comprehensive and mutually interdependent, with a specific view to restoring competitiveness and lifting productivity.

We recognise there is a range of important issues in play and it is not feasible to undertake or deliver everything at once. We have identified the crucial areas of policy and suggested the top priorities.
Our approach recommends three phases for action:

**Phase One** is focused on building the trust and confidence between government, business, non-government organisations and the community that are required for major reform.

» The actions in this phase are designed to get investment flowing across all sectors of the economy. To build confidence, businesses and the community must see a start to the processes of fiscal repair, commencement of comprehensive tax reform, and improved regulation making and a reduction in the regulatory burden. Changes are needed to the current arrangements for workplace relations. The groundwork should also be laid during this phase for future reforms. This phase will also involve the introduction of National Productivity Payments to incentivise the states to take on microeconomic reform.

**Phase Two** is focused on consolidating and growing the economy by building on the foundational reforms implemented in the first phase.

» Actions include delivering a more competitive tax system, significant reform in skills and education, increasing workforce participation, and rolling out major infrastructure projects. Federal and state approval and planning processes will be enhanced to enable strategic planning for growth and development of liveable cities.

**Phase Three** is a realisation of our full economic potential and delivery of community aspirations.

» In this phase governments and businesses are able to put in place actions that extract the full economic potential from Australia’s natural and community assets. Significant tax reform is under way. There are also major productivity enhancements, particularly in infrastructure, skills and workplaces. The economy is growing strongly and sufficiently to build major surpluses and a recharge capability, and to pay for an ageing population.
INTRODUCTION

The following actions should be taken immediately to bolster our fiscal position and restore trust and confidence in order to get investment flowing. These actions build the foundations for most other actions in the plan.

We need to:

» Stabilise Australia’s fiscal position through a comprehensive audit and strengthening of budget rules

» Identify a rolling program of infrastructure projects and reform approaches to the funding and financing of infrastructure to ensure that we have the infrastructure for a growing community and growing economy

» Encourage the investment we need to enable growth by removing the worst, unnecessary regulation, starting with the double-handling of environmental approvals

» Cultivate a more flexible and harmonious workplace culture by improving our workplace relations system to reflect modern Australia

» Address the decline in foundation skills and improve literacy and numeracy so that our young people have the essential skills to support learning and working

» Develop an integrated energy policy that balances the need for competitively priced and reliable energy domestically while recognising the importance of energy as an export opportunity

» Develop a forward work program for long-term tax reform with all options open for consideration

» Identify Australia’s comparative advantages to enable a more diversified economy and a harnessing of innovation to deliver greater value add in more traditional sectors where we are already strong

» Build on Australia’s place in the Asian region and ensure that we can compete on a global stage by placing freer trade and investment at the centre of our actions on global economic engagement, including through our leadership of the G20 and B20
This prioritisation is intended to guide policymakers for the next decade about the things that have to be done now, and the things that we have to get started so that Australia’s economy can become more competitive and resilient.

Few would argue against an aspiration to lock in prosperity for all Australians. The issue is how we achieve this vision. With this plan the Business Council of Australia has outlined an approach to help us get there.

The reality is that achieving the vision and goals put forward in our action plan will take leadership by business, governments, the non-government sector and individual Australians all playing a part in what this plan describes as the ‘prosperity–inclusiveness compact’.

Australians have done this before and we can do it again. Our plan is intended to help chart the course.
Our values

The Business Council of Australia is guided in all of its activities by a set of core values. We believe that successful organisations and societies are underpinned by well-articulated values.

» We believe in shared prosperity and that all Australians should benefit from the wealth we create as a nation

» We advocate reward for effort, innovation, ambition, for risk taking and for enterprise

» We believe in a society that encourages Australians to aspire to improving their own wealth and quality of life, and those of their children and grandchildren

» We are committed to equality of opportunity through freedom of choice and fairness as fundamental principles that support Australians to pursue their aspirations

» We believe in a globally connected world where Australia plays a significant, respected role in the international community, both economically and strategically

» We are committed to maintaining honesty, trust and integrity in our public and private institutions

» We want safe, productive and high-quality workplaces that provide social and economic advancement and a sense of identity and belonging

» We value and respect Australia’s unique environment and natural resources, and are committed to their efficient and sustainable use.
The Business Council’s vision is for Australia to enjoy enduring prosperity.

We believe this kind of vision is best delivered through three sets of interconnected goals that include:

» a strong and growing economy and full employment
» a strong society and improving living standards
» growing sustainably and using our resources more efficiently.

These goals reflect our belief in a fundamental link between economic growth and social policy and the prosperity of society.

Being as great a country as we can be depends on continued economic growth. It requires us to balance policies that support growth with social policy that ensures the benefits of growth flow through to every Australian.

We believe this must be done in a way that allows Australia to grow sustainably and use its natural resources efficiently.

Aspirations and goals
To achieve enduring prosperity, our plan is built around aspirations with specific goals, which represent the measurable hallmarks of a prosperous society. They define the tangible outcomes of our vision and serve as measures of success.
A strong and growing economy and full employment

Aspiration
For rising productivity to be shared through lower prices, higher wages and higher profits

Goals
» Australia to be ranked in the top five countries in the world for real GDP per capita – in 2011, Australia was 13th
» Lift labour productivity by 1.5 to 2 per cent per year on average

Aspiration
For Australian businesses and enterprises to have the opportunity to thrive in a competitive environment

Goals
To achieve this aspiration, Australia needs to set the goals of:

» Being in the top five countries on the Global Competitiveness Index as measured by the World Economic Forum – currently we are ranked 20th
» Being in the top five countries in the world for ease of doing business, as measured by the World Bank’s Ease of Doing Business Index – currently we are ranked 10th

Aspiration
For Australians to have access to decent jobs – that is, work that is productive and delivers a fair income in conditions of freedom, equity and safety

Goals
To achieve this aspiration, Australia needs to set the goals of:

» Being in the top five countries in the proportion of the working population in jobs (see Figure 1)
» Being in the top five countries in the world for the proportion of women of working age in jobs (see Figure 2)
» Being in the top five countries in the world for the proportion of older workers in jobs (see Figure 3)
» Having 50 per cent of senior positions in BCA companies filled by women
Figure 1: Employment rate, OECD, 2012

OECD average – 65 per cent

Figure 2: Female employment rate, OECD, 2012

OECD average – 57 per cent

Figure 3: Older workers employment rate, OECD, 2012

OECD average – 56 per cent
A strong society and improving living standards

**Aspiration**
For all Australians to share in economic growth

**Goals**
To achieve the aspiration of having all Australians share in economic growth, Australia needs to set the goals of:

- Maintaining a reasonable distribution of wealth and income in relative terms globally (as measured by the Gini coefficient – see Figure 4) through fostering greater workforce participation, low unemployment, higher skills and more job opportunities
- Making significant progress in addressing entrenched disadvantage by improving opportunities for participation in work and retention of a strong and sustainable safety net
- Improving opportunities for participation in work and in the community to ensure a greater sharing of wealth
- Closing the gap in opportunities for Indigenous Australians

### Figure 4: Income distribution, OECD

<table>
<thead>
<tr>
<th>Country</th>
<th>Gini Coefficient</th>
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<tbody>
<tr>
<td>Iceland</td>
<td>0.39</td>
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<tr>
<td>Slovenia</td>
<td>0.39</td>
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<tr>
<td>Norway</td>
<td>0.37</td>
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<tr>
<td>Denmark</td>
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<td>Czech Republic</td>
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<td>Poland</td>
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<tr>
<td>Austria</td>
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<td>Russia</td>
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<td>Hungary</td>
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<td>Germany</td>
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<tr>
<td>Switzerland</td>
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<td>France</td>
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<td>Ireland</td>
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<tr>
<td>Korea</td>
<td>0.33</td>
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<tr>
<td>New Zealand</td>
<td>0.33</td>
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<tr>
<td>Japan</td>
<td>0.33</td>
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<td>Greece</td>
<td>0.33</td>
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<tr>
<td>Spain</td>
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<tr>
<td>United Kingdom</td>
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<td>Portugal</td>
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<tr>
<td>Mexico</td>
<td>0.33</td>
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<tr>
<td>Chile</td>
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</tbody>
</table>

OECD average – 0.313

Source: OECD.StatExtracts database
Aspiration
Australian society should be healthy

Goals
To achieve the aspiration of being a healthy society we think Australia needs to set goals of:

- Improving life expectancy by 2050 to 85 years and the number of years of ‘healthy life’ to 78 years – current average life expectancy in Australia is 82 years, with 74 years the ‘healthy life’ average
- Providing all people with access to first-class health services with a focus on prevention and health outcomes

Aspiration
Australia should have the most skilled and educated workers in the world

Goals
To achieve the aspiration of being an educated and skilled society, Australia needs to set the goals of:

- Having 95 per cent of children meet Year 9 literacy and numeracy standards in NAPLAN testing – currently the figures are 91.4 per cent and 93.7 per cent, respectively, in 2012
- Having 90 per cent of all young people complete Year 12 or equivalent – currently the figure is 84.1 per cent in 2011
- Increase the number of Australian universities ranked in the top 50 worldwide

Aspiration
Develop our economy and society in a way that uses natural resources more efficiently and protects natural and cultural assets that sustain and enrich life

Goals
That the resource intensity of our overall economic activity decreases over time (as measured by the energy resources consumed per unit of GDP). Over the 20 years to 2009–10, composite energy intensity in Australia declined at an average rate of 0.2 per cent per year.
The case for change: Why do we need a plan?

Australia is at a critical stage. The decisions we take over the next five years can set Australia on a path to achieve the vision, aspirations and goals detailed in this plan.

But these decisions need to be made in the context of five profound trends that will shape Australia’s economic growth and our society in the coming decades.

These trends are:

» the rise of emerging economies, particularly China and in the Asia-Pacific region
» the development of new technologies, including digitisation
» the efficiency and sustainability of natural resource consumption

» the ongoing restructuring of the Australian economy
» the growth and ageing of our population.

A large part of this plan is fashioned to help Australia prepare for and respond to these trends.

If the right decisions are made and followed, Australia can:

» diversify and grow the economy while supporting strong sectors, including mining, resources and agriculture, to deliver greater value adding and make better use of our current economic strengths
» tap into the unprecedented opportunities from Asia and around the world
» harness technological and digital change to make our economy more competitive, create new ways of doing business and new forms of employment, and make government and other services more effective and efficient
» develop our economy and society in a way that uses natural resources more efficiently and protects natural and cultural assets that sustain and enrich life

» boost employment by creating workplaces that meet the needs of older workers and primary carers, particularly women, and encourage their participation in the economy
» secure a budget position to pay for the services that people need, now and in the future.

If we don’t start making changes more urgently and coherently, Australia will miss out on opportunities that would set the nation on course for enduring prosperity.

If we continue to fall back on our past good fortune, problems we are starting to see in the economy will get worse. Australian businesses will become less competitive and less attractive to investors, affecting jobs and job opportunities.

Complacency will limit our capacity to strengthen Australian society by boosting workforce participation, improved services and infrastructure, and maintaining an adequate and sustainable social safety net.

The time to act is now while our starting position is relatively strong.
The opportunities and risks that we face

The rise of emerging economies

What is the trend?
The rapid development of emerging economies is changing the balance of economic and strategic power around the world – Figure 5 shows the changing centre of global economic power.

The emerging economies present a tremendous opportunity for Australia to increase exports and develop new markets. For the first time in our history, we have a geographic advantage.

» Emerging markets are projected to account for as much as 75 per cent of global economic growth by 2025.

» Consumers in emerging economies will likely account for almost half ($30 trillion) of global consumption by 2025.

» Financial assets held by investors in developing nations will grow from 7 per cent to 21 per cent of global financial wealth over the next decade.

Increasing urbanisation and a growing middle class will drive investment in housing and infrastructure. For example, China is forecast to have 13 cities with populations of over 10 million by 2020 and more than 200 cities with populations in excess of one million by 2025. This growing middle class and increased urbanisation in our region will create demand for Australian goods and services.

But rapid economic growth will also bring social challenges for developing countries, which could have flow-on implications for greater volatility, including in Australia’s export markets.

What does this mean?
To grasp the opportunity that this trend offers, Australia must ensure that:

» its tax system is competitive, raising sufficient revenue while encouraging domestic and international investment

» its labour force is flexible, productive and highly skilled in order to become a competitive seller of high-value services to emerging economies

» it is an attractive and competitive place to invest and do business so that we can draw in the investment needed to grow our economy

» our businesses integrate with Asia through new alliances, partnerships and business models

» we continue to export energy, resources and services and maintain these sectors as central to creating wealth and jobs across the economy

» it is an innovative society that can deliver the best and most competitively priced goods and services at home and abroad

» it reorients its competitive landscape so that we measure ourselves against those doing business in Asia, as well as advanced OECD countries.

Figure 5: The balance of economic power is increasingly shifting east
Evolution of the Earth’s economic centre of gravity

Source: McKinsey Global Institute
AD 1 to 2025
The rise of technology, including digitisation

What is the trend?
The application of technology, including digitisation, is having a profound effect on the business models in all industries and on the global economy as a whole. This trend, which we see as both an opportunity and a threat, is set to continue and accelerate. The trend is characterised by:

» increasing use of technologies to value add and improve productivity in established industries (e.g. agriculture)

» increased penetration of mobile broadband – for example, smartphone penetration – will grow from 58 per cent today to 84 per cent by 2016 (Figure 6 shows the changes in communication patterns)

» ubiquitous broadband – 99 per cent of businesses today have access to broadband, and household broadband access has grown from 28 per cent in 2005–06 to 73 per cent in 2010–11. The implementation of the National Broadband Network will make access universal

» increased online transactions – around 40 per cent of all financial transactions will be completely digital by 2017, with another 30 per cent to have a digital element

» transformative technologies – while it is difficult to project their ultimate impact, more potentially transformative technologies are expected to be developed, such as 3D printing, autonomous robotics, nanotechnology, biotechnology, gene therapy, and possibly even quantum computing

» consumers having better information, which empowers them to dictate the nature of services provided by governments and businesses

» increased threats and costs to businesses, governments and consumers from computer hacking, viruses and theft of intellectual property.

What does this mean?
To grasp the opportunity that this trend offers, Australia must ensure that:

» its innovation, competition and regulatory settings allow businesses to adopt new technologies and change business models quickly and allow governments to use digitisation to offer better and cheaper services

» there are no barriers to consumers participating in the digital economy

» our education system equips all Australians with the skills to contribute to and benefit from the digital economy

» we can capture the benefits of innovation and technology at a workplace level by being more flexible and by encouraging high-performing managers and workplaces.

Figure 6: Shifting communication patterns

Unique monthly visitors
% of global online population

<table>
<thead>
<tr>
<th></th>
<th>Users of service</th>
<th>Non-users</th>
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<tbody>
<tr>
<td>2007</td>
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<td></td>
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<tr>
<td>Email</td>
<td>69</td>
<td>31</td>
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<td>Instant messaging</td>
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<tr>
<td>Social networking</td>
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<td>44</td>
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<td>Email</td>
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<tr>
<td>Instant messaging</td>
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<td>69</td>
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<tr>
<td>Social networking</td>
<td>82</td>
<td>18</td>
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</tbody>
</table>

Source: McKinsey & Company

2007 69 31
2011 64 36
760 million
64 31 53
56 44
1,430 million
64 31 69
82 18
The efficiency and sustainability of natural resource consumption

What is the trend?
There are likely to be as many as three billion more middle-class consumers worldwide by 2030, which will see demand for resources escalate rapidly.

Over the next 20 years, the rate at which supply of water and land is added globally would have to increase by 140 per cent and 250 per cent respectively, compared to the past 20 years.

Recognising the difficulties of achieving this supply increase, and the associated environmental consequences (which would require between 140 and 175 million hectares of added deforestation to provide required supply of land – see Figure 7), there is a growing focus on the efficient and sustainable use of natural resources.

In addition, increased demand for resources may lead to heightened strategic tensions, which will need to be carefully planned for and handled.

What does this mean?
To prosper in an increasingly resource-constrained environment, Australia must ensure that:

» its population, planning and infrastructure policies deliver efficient, productive and liveable cities and regions

» its natural assets, including energy, land, water and other resources are valued and put to their most productive use and that our regulatory system protects the environment without impeding efficient development

» its economy is innovative and competitive so that economic growth is driven by the most efficient consumption of resources possible

» resources are used efficiently and to their highest value, rather than restricting access

» to the degree possible, market mechanisms should be extended into areas of natural resource management, including water, so that scarce resources are managed in a way that supports their most efficient use.

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**Figure 7: Additional supply needed over 20-year timeframe**

<table>
<thead>
<tr>
<th>Primary energy QBTU</th>
<th>Steel Million tonnes iron ore</th>
<th>Water Cubic kilometres</th>
<th>Land Million cropland hectares</th>
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<tbody>
<tr>
<td>470</td>
<td>620</td>
<td>+32%</td>
<td>130</td>
</tr>
<tr>
<td>340</td>
<td>460</td>
<td>+32%</td>
<td>270</td>
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<tr>
<td>870</td>
<td>1,790</td>
<td>+57%</td>
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<td>+57%</td>
<td>1,330</td>
</tr>
<tr>
<td>1,800</td>
<td>3,200</td>
<td>+73%</td>
<td>2,800</td>
</tr>
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</table>

Source: McKinsey & Company
The restructuring of the Australian economy

What is the trend?

Australia’s economy has been subject to great change over the last decade and this change is likely to continue into the foreseeable future.

Driven by the effects of emerging economies, a terms-of-trade boom, increasing use of technology and increasing competition, Australia’s economy is in transition.

The resources boom resulted in an unprecedented increase in commodity prices and the terms of trade. It led to a large boost to Australia’s national income and has been the primary driver of a strong appreciation of the exchange rate. It has also driven an investment surge (see Figure 8). The investment boom in resources is coming to an end.

Australia’s terms of trade have fallen by 15 per cent from their peak in September 2011. Notwithstanding their recent fall, they remain around 50 per cent higher than the historical average.

These structural changes reflect an acceleration of well-established, long-term trends such as the relative decline in manufacturing and growth of services.

Over the same period, the restructuring of global financial markets following the global financial crisis has seen a reduction in capital flows, repricing of risk, new regulatory regimes and businesses and households paying off their debt.

What does this mean?

To use changes in the economy to drive prosperity, Australia must ensure that:

» it retains a flexible, open economy that fosters continuing investment into all sectors of the economy
» it reduces the cost of doing business to drive competitiveness
» regulatory arrangements allow companies to quickly respond to changing circumstances
» its fiscal position is sound so that government finances are resilient in the face of continued change and a more volatile economic environment
» its workers are skilled and well prepared to respond to changes in the economy
» industry assistance measures should be used sparingly, with any compensation tightly targeted to facilitate genuine adjustment rather than provide passive support.

Figure 8: New business investment

Per cent of GDP

Source: ABS
The growth and ageing of our population

What is the trend?
An ageing and growing population is one of the biggest challenges facing the nation and has been the focus of national debates for the last two decades.

An ageing population means that:
» the number of working-aged people for each person 65 years and over will fall from 5 in 2010 to 2.7 in 2050 (see Figure 9)
» by 2050 some 20 per cent of the population will be 65 years or older.

The results of Australia’s population growth will see:
» instead of 23 million people today, we are expected to have around 35 million in 2050, if current migration settings are maintained
» the population of Australia’s capital cities rising from around 15 million today to 24 million by 2050.

What does this mean?
The demographic and population shifts present challenges and opportunities, for which Australia must ensure that:
» all governments’ fiscal positions are strong and resilient so we can pay for the services that people need
» it is able to flexibly and productively engage older Australians in the paid workforce
» its regions and cities can grow and change without reduction in productivity or amenity
» the population grows so that we get the scale and labour force that the country needs to remain competitive
» services are delivered innovatively and competitively
» infrastructure is planned and delivered in a way that maintains or improves the amenity of our growing cities and regions
» health services are made more efficient by changing their orientation towards prevention and better outcomes.

Figure 9: Age dependency ratio

![Age dependency ratio chart]

Source: Commonwealth of Australia
A plan to achieve our vision, aspirations and goals must take stock of Australia’s strengths and weaknesses. This informs what actions need to be taken, and with what priority.

Australia is better prepared than other countries to meet the challenges of economic transition, demographic change, digitisation and the imperative to consume resources sustainably.

However, on many measures – regardless of whether they are current strengths or weaknesses – Australia’s standing relative to other countries is declining. Many of the actions spelt out in this plan are aimed at arresting that decline.

In short, our competitiveness is falling on a broad front. Figures 10 and 11 respectively highlight the trends in our strengths and weaknesses.

**Figure 10: Australia’s strengths**

<table>
<thead>
<tr>
<th>Good public and private institutions</th>
<th>But corporate governance is under pressure and governance of the federation is not effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>» Australia has a low level of corruption and strong democratic institutions</td>
<td>But educational standing is falling – we are now ranked 7th and 13th for reading and mathematical literacy, respectively, in the OECD</td>
</tr>
<tr>
<td>» We have strong corporate governance and private institutions</td>
<td></td>
</tr>
<tr>
<td>Natural and intellectual endowments</td>
<td>But the ease of doing business is declining and our regulatory burden is increasing</td>
</tr>
<tr>
<td>» Australia has very large mineral and energy resources and is able to produce and export these resources</td>
<td>Rhetoric on skilled migration and refugees, and changes to student and skilled worker visa arrangements, challenge integration</td>
</tr>
<tr>
<td>» Higher education is a cornerstone of Australian exports, and a driver of innovation</td>
<td></td>
</tr>
<tr>
<td>Early adoption of technology</td>
<td>Australians continue to be enthusiastic adopters of new technology, but we are slow to bring local innovation to market</td>
</tr>
<tr>
<td>» Businesses and individuals adopt new technologies faster and in greater numbers than elsewhere</td>
<td></td>
</tr>
<tr>
<td>Adjacency to emerging economies</td>
<td>But GDP growth is now below trend</td>
</tr>
<tr>
<td>» Emerging markets are projected to account for up to 75% of global GDP growth by 2025</td>
<td></td>
</tr>
<tr>
<td>» Developing nations’ financial assets are projected to grow from 7% to 21% of global financial wealth over the next decade</td>
<td></td>
</tr>
<tr>
<td>Social cohesion</td>
<td>But corporate governance is under pressure and governance of the federation is not effective</td>
</tr>
<tr>
<td>» Australia has a long and successful record of integrating new migrants</td>
<td>But educational standing is falling – we are now ranked 7th and 13th for reading and mathematical literacy, respectively, in the OECD</td>
</tr>
<tr>
<td>» The rule of law is entrenched in the Australian way of life and business practices</td>
<td></td>
</tr>
<tr>
<td>Continued economic growth</td>
<td></td>
</tr>
<tr>
<td>» Australia has had two decades of uninterrupted economic growth</td>
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</table>

Our starting point
### Figure 11: Australia’s weaknesses

<table>
<thead>
<tr>
<th>Poor-functioning federation</th>
<th>Intergovernmental relations are getting worse – now 125 National Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>» Commonwealth–state duplication is as bad as ever, in spite of funding reforms</td>
<td></td>
</tr>
<tr>
<td>» Regulatory reforms are delivered too slowly and not focused on big issues that could lift productivity</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tendency to over-regulate</th>
<th>Over-regulation is getting worse – almost 100 major regulatory changes have been exempt from the Regulation Impact Statement process since 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>» Governments do not adhere to their own processes</td>
<td></td>
</tr>
<tr>
<td>» Regulations are not introduced in proportion to risk</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weakening fiscal position</th>
<th>We are in a fiscal recovery phase having accumulated deficits of 12 per cent of GDP, with the prospect of further deficits in coming years</th>
</tr>
</thead>
<tbody>
<tr>
<td>» Structural deficit has not been tackled</td>
<td></td>
</tr>
<tr>
<td>» Expenditure is unsustainable over the long term</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High costs and uncompetitive</th>
<th>Competitiveness is declining – Australia has slipped five places to 20th in the World Economic Forum Global Competitiveness Index ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>» Government estimates that over $150 billion of resources projects have been delayed or deferred</td>
<td></td>
</tr>
<tr>
<td>» Vital infrastructure is becoming unaffordable</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Low productivity</th>
<th>In 2011–12 Australia’s multifactor productivity grew by just 0.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>» Since 2004–05, multifactor productivity has recorded negative growth in most years</td>
<td></td>
</tr>
</tbody>
</table>
Taken together, there are clear early-warning signs that Australia must take action to secure opportunities and maintain economic growth and prosperity. To stop the decline in our competitiveness, there are three urgent problems that must be tackled as a priority for any reform agenda:

1. We must bolster our fiscal position so that Australia can be resilient to global volatility and prosper as the size of our workforce relative to our population declines.

2. We must improve consumer and business confidence.

3. We must improve our competitiveness by reducing the cost of doing business, improving our flexibility and speed of adjustment, and removing barriers to getting Australian goods and services into growing markets.

This must be achieved in the face of continued government revenue volatility, fiscal challenges faced by governments around the world, poor productivity growth, rising costs of services and an elevated exchange rate. We need to recognise that governments in the future will not have the capacity to fund the community’s needs alone and there must be a greater role for the private sector to provide some services and infrastructure. It is the quality and cost effectiveness of service delivery that is important. There must be full contestability for the delivery of services unless there is an overwhelming need for delivery by the public sector. The following figure illustrates these three challenges.

By 2050 almost half of all Commonwealth Government spending will be allocated to health and ageing programs while 40 per cent of state and territory budgets will be allocated to these areas.

Figure 12 shows the consequences of the ageing population to all Australian governments’ budget positions if no action is taken.

Figure 12: Projected fiscal balance: All governments

Per cent of GDP

Source: Deloitte Access Economics
Figure 13 illustrates the currently very low level of business confidence that shows a compelling need to restore trust and confidence.

Figure 13: Business confidence

Net balance

May–97  May–01  May–05  May–09  May–13

Source: NAB Monthly Business Survey

Figure 14 charts Australia’s declining competitiveness, which if left unchecked will reduce investment and cost jobs.

Figure 14: Global Competitiveness Index ranking

Rank /144


Source: Global Competitiveness Index 2012–13 data platform
Our strategy

If Australia is to chart the course for enduring prosperity that reflects what it means to be in a globally competitive world, to achieve the goals and aspirations Australians want, and to overcome our weaknesses and maximise our strengths, we need to:

» recommit to well-managed economic growth – it will be a growing economy that gives us resilience and greater choices
» recommit to achieving well-managed growth through a prosperity compact between business, governments and the wider community
» pursue a decade-long structural reform agenda that will deliver that goal across nine key areas and in three prioritised stages.

The prosperity–inclusiveness compact

» Investment and jobs are created by businesses and enterprises of all sizes. Businesses are a vital part of the community and operate alongside and in conjunction with governments and many not-for-profit organisations. This is the foundation of prosperity.
» Governments facilitate and enable well-managed growth and redistribute the benefits of growth by making sure the community gets the services and infrastructure it needs and we can afford. Governments are also vital in setting the direction for a country, as well as managing our security and strategic position.
» All parts of society – individuals, community groups, non-government organisations, businesses and governments – work together to build social capacity and strong and supportive communities.

Figure 15: The prosperity compact: Virtuous circle to create shared value
Throughout our history we have had periods where we have embarked on major structural reform to better equip and strengthen our economy and society – we think that we are entering one of those periods.

There are nine things that Australia must get right to achieve prosperity. Taken together they will drive well-managed growth, foster creative workers, encourage investment and innovation and lift productivity.

Across these nine areas, our plan makes a total of 93 recommendations that should be viewed as mutually interdependent actions to restore Australia’s competitiveness.

**Figure 16: Nine things to get right for well-managed growth and prosperity**
Tax, fiscal policy and the federation

Fiscal settings

Key issues
Australia's fiscal position has weakened and the fiscal position of most governments around the world is very weak, and looks set to stay that way. We need the budgets of all Australian governments to be strong to give us the resilience to shocks and to pay for the services that Australians need.

Priority actions
» A ‘whole-of-nation’ Intergenerational Report should be prepared so that we can understand the true costs of Commonwealth and state outlays over the medium to long term. We need to identify what level of skilled migration is needed to ensure that we have an adequate labour force and tax base to support government services and infrastructure.

» An independent, whole-of-government audit should be commissioned to examine government spending and program efficiency. This audit must come to terms with the appropriate size of government. A fundamental issue must be the roles and responsibilities of the Commonwealth and the states and territories.

» New and stronger fiscal rules should be introduced at a Commonwealth and state and territory level. This would include implementing a hard cap on the size of government and giving priority to paying down existing government debt.

Taxation framework

Key issues
Australia’s taxation arrangements need comprehensive reform to ensure that Australia remains competitive and attracts investment while raising sufficient revenue to fund services for a growing and ageing population. Any tax reform should consider the role of all taxes and the implications of any reforms on individuals, corporations and the operation of the federation.

Priority actions
» The Australian Government should undertake a comprehensive overhaul of Australia's taxation system, which examines all taxes and prioritises the urgent removal of the most inefficient taxes. The objective is to move to a more competitive tax system by determining the right mix of taxes to raise sufficient revenue while encouraging investment. This should be done through a white paper with extensive consultation with the community, businesses and state governments.

» The new architecture of a reformed tax system should recognise that a system where the most inefficient state taxes are abolished has the potential to deliver significant increases in productivity. But if these taxes are to be removed, alternative revenue sources will be needed to ensure the states and territories have access to adequate revenue. Consideration needs to be given to raising more revenue from other more efficient tax bases, such as consumption and land tax.

» The government should commit to lowering the company tax rate to 25 per cent as a priority as and when fiscal circumstances permit.

» A process should commence immediately to progress administrative simplification of the tax system, including making personal income tax returns optional for the majority of taxpayers.

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 1.1 to 1.11.
The federation

Key issues
The functioning of our federation needs to be improved to encourage innovation in the delivery of services and to ensure that our economy is efficient, innovative and competitive. Given the far-reaching nature of reforms to the federation, any changes must be made cooperatively with the states and in full consultation with the community and businesses. The critical challenge for Australia is to make sure the states are sufficiently funded to deliver the health, education and other services for which they are responsible. Currently, around 80 per cent of revenue (including GST) is raised by the Commonwealth Government, while the states are responsible for almost 50 per cent of expenditure.

An immediate change should be to incentivise pro-competitive reforms, including the privatisation of government business enterprises at the state government level by ensuring that they share in the fiscal dividends.

Priority actions
» Australia must urgently introduce a new medium-term strategic agenda for the Council of Australian Governments linked to national competition-style productivity payments to drive reform across the federation. This should give priority to reducing regulatory burden and duplication, and the next wave of health reform.

» Roles and responsibilities within the federation, COAG and federal fiscal relations should be reviewed and put on a sustainable footing.

» The Australian Government must introduce a new system of national productivity payments to the states and territories to progress critical reforms across the federation. These payments would be made available as an incentive for the states and territories to progress difficult but nationally significant structural reform, including further competition and regulatory reform.

» The revenue-sharing arrangements among the states and territories should be changed by moving progressively to an equal per capita distribution of GST (with appropriate transitional assistance to smaller jurisdictions).
Planning for population and cities

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 2.1 to 2.11

Key issues
Australia has a strategic imperative to grow its population to deliver the scale we need to remain competitive and the labour force required to respond to the ageing of the population. But this growth must be well managed. We must make sure we understand the service delivery and infrastructure needs of population growth, and change how we are governed to ensure that those needs will be met.

Priority actions
» COAG should commit to well-managed population growth as a strategic imperative for Australia.
» Australia should maintain current migration policy settings:
  › The permanent migration program should remain at least at current levels of 190,000 per annum and comprise a composition that has two-thirds of the program filled by skilled migrants. (These may need to be increased following the findings of the next Intergenerational Report and the new National Population Strategy.)
  › The flexibility of Australia’s temporary migration program should be maintained by preserving the demand-driven and uncapped nature of the 457 visa scheme and the present scheme safeguards. Labour market testing should not be introduced.

» State governments should reform their long-term strategic planning of cities and regions to ensure that they are adequately preparing for population growth by: fully integrating land use, transport and infrastructure planning; developing the major urban and regional infrastructure projects needed to lift amenity and productivity; ensuring efficient resolution of land use and ownership conflicts including around access to natural resources; and inviting participation in the development of long-term strategies by business and the community.

» COAG should reform development assessment systems by removing duplication between the Commonwealth and states (including through bilateral agreements for states to approve proposals under the Environment Protection and Biodiversity Conservation Act, initially for low-risk, low-impact proposals in environmentally well-understood areas), establish single-approvals authorities and move to deemed approvals for complying developments.

» The federal government should make productivity payments conditional on states agreeing to reform their development assessment and approval processes to make greater use of zoning and complying development, consistent with long-term integrated strategic plans. It should systematically measure the cost of multiple regulatory approvals processes on individual projects and report publicly.
Providing infrastructure

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 3.1 to 3.15

Key issues
If our cities and regions are to be more liveable, more productive and sustainable in the future, then the provision of infrastructure must keep pace with population growth. Infrastructure is a vital tool to lift productivity; it provides the essential transport, water, energy, communications and social services that determine the quality of life for citizens and the competitiveness of our economy.

A national infrastructure plan will help ensure that the right infrastructure is delivered at the right time in an affordable manner. Dedicated annual funding and a clear policy on the use of debt for infrastructure will ensure that Australia’s stock of infrastructure grows in line with our economic development and population growth.

Establishing a national list of infrastructure priorities and a pipeline of projects that are ready to be implemented will also help our stock of infrastructure grow in line with our economic development and population growth.

Priority actions
» The federal government should produce a new national infrastructure policy that:
  › clarifies the roles and responsibilities of each level of government (with the federal government continuing to play a substantive role)
  › prioritises infrastructure market development, private investment in infrastructure and the application of user pays wherever possible.

» Australia’s infrastructure competition regulations should be reviewed and updated to reflect developments since the Hilmer review.

» Federal infrastructure spending should be allocated to the Building Australia Fund in the first instance and then be allocated only to projects independently assessed as a high priority by Infrastructure Australia.

» Funding sources for infrastructure should be broadened by: recycled capital from asset sales by governments; user charges; greater application of user pays in the transport sector; allocating a minimum amount of federal expenditures to infrastructure investment annually; and considering federal borrowing within the AAA credit rating that is ring-fenced for high-quality infrastructure projects.

» State governments should introduce an effective process for considering unsolicited proposals from the private sector, based on the New South Wales model.

» Governments should dispose of assets when the private sector is able to own and operate them. Other assets should be sold.

» Restore the previous regulatory environment prior to the abolition of the Australian Building and Construction Commission by:
  › bringing the Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry into line with the Victorian Implementation Guidelines for the Victorian Code of Practice for the Building and Construction Industry, including by making any statutory amendments to the Fair Work Act necessary for the guidelines to have their full intended effect
  › reinstating the Australian Building and Construction Commission and tasking it with implementing and enforcing the guidelines
  › commissioning an independent inquiry into construction costs.

» Infrastructure Australia should be asked to form its own view on the infrastructure projects, in discussion with the states, that it considers to be of national significance (in addition to receiving and evaluating project proposals from the states) in order to form a truly comprehensive list of national infrastructure priorities.

» Commonwealth and state governments should prepare a pipeline of approved infrastructure projects that can be rolled out quickly.
Realising the potential of people and workplaces

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 4.1 to 4.17

Key issues
Education and skills are the foundation for economic growth and prosperity. To compete internationally our education and training systems need to be preparing young people with the competencies, skills and attitudes that make them ready for work. A highly skilled population is a competitive advantage.

We must find ways of encouraging more participation by women and older workers in the workforce.

The labour market, and especially workplace relations arrangements, must allow businesses to grow, innovate and manage their workforce and capital effectively. This should be done in a way that allows more direct engagement between employers and employees to drive productivity improvements at the firm level.

Priority actions

Education and skills
We should:

» ensure that literacy and numeracy deficiencies in school students are addressed early by requiring, as a condition of Commonwealth funding, that state governments make sure primary students meet minimum standards before entering secondary school

» reform the funding arrangements for all schools to a new ‘per-student’ funding model that is appropriately weighted to account for the increased costs associated with teaching disadvantaged students; and separate the budget allocation decision from the funding model implementation

» encourage and support excellence in school teaching, through:

  › raising the entry requirement for teachers, through a restriction of the Commonwealth tertiary education subsidies for teacher education to those with demonstrated high educational ability

  › the Commonwealth offering teachers a training guarantee to support ongoing professional development

  › state governments allowing, as a condition of receiving their Commonwealth funding, that school principals have full autonomy over resource allocation decisions, including hiring and firing, financially rewarding high-performing teachers and those with specialist knowledge and skill; and over school finances and facilities, alongside greater accountability for student outcomes.

» Build on Australia’s strength as an education exporter by implementing the recommendations of the International Education Advisory Council.

» The Australian Government should continue to support the VET sector by strengthening its oversight of the system as a whole and subsidising VET students comparably with higher education students.
Encouraging workforce participation
The Commonwealth should encourage older Australians and parents of young children to keep working or re-enter the workforce by improving their financial incentives to do so through the tax and transfer systems.

More productive and innovative workplaces
» The Treasurer should commission the Productivity Commission to conduct an inquiry into the impact of the workplace relations system on productivity and competitiveness, including examining:
  › the extent to which the high minimum wage prevents new labour market entrants from gaining initial experience, to inform future wages policy directions
  › the impact of penalty rates on business competitiveness and employment growth, particularly in the retail and hospitality sectors
  › workplace arrangements in the market and non-market sectors, and identifying arrangements that increase the take-up of innovative practices that make fuller use of workers’ skills and expertise
  › the issue of individual agreements and their influence on productivity at the firm level.

» Pursue a number of immediate changes to the Fair Work Act that aim to foster greater flexibility and innovation and constrain business costs. These changes would include:
  › reducing the range of matters that can be bargained over to ensure that they are directly related to the employment relationship
  › providing access to employer-only greenfield agreements
  › enhancing the capacity to agree flexibility arrangements with employees including through individual flexibility arrangements
  › reducing the scope of the adverse actions provisions
  › limiting access to protected industrial action where there has been unreasonable or capricious use of such action
  › limiting union entry rights to employer premises
  › making unlawful clauses that exclude the engagement of contractors or labour hire companies
  › modifying the ‘better off overall test’ to provide for a broadening of matters that may be taken into account in the application of the test
  › modifying provisions relating to majority support determinations
  › amending the transfer of business arrangements to include a sunset clause after 12 months.
Key issues
We need to rethink our approach to regulation while maintaining and improving the strength and independence of Australia’s institutions and governance arrangements in order to make our markets work better. This is essential to effectively pursuing policy reforms in the national interest that foster innovation and to improve the competitiveness of our economy. It will also ensure that Australia attracts the investment needed to grow the economy and secure enduring prosperity.

The first step in reducing the regulatory burden in Australia, and to strengthening our institutions is to restore good governance and regulatory process to government. Steps also need to be taken to reduce the burden of regulation that has built up over the years.

Priority actions
» The Commonwealth Government should substantially strengthen the quality and transparency of its decision-making processes. This will be achieved by:
  › reinstating strict adherence to the processes set out in the Cabinet Handbook for a well-functioning Cabinet system. This includes high-quality and timely documentation along with detailed public consultation to ensure well-informed collective decision making
  › making the preparation of Regulation Impact Statements a statutory requirement for all new regulations with a significant impact, with exemptions strictly limited to issues of national security and emergency
  › establishing a new performance and accountability code for major regulators – such as the Australian Taxation Office – which is enshrined in law and supported by the oversight of an Inspector-General of Regulation
  › introducing productivity payments from the Commonwealth to the states and ensuring that priorities for state-led regulatory reform are:
    › removing duplication in environmental approvals under the Environment Protection and Biodiversity Conservation Act
    › consolidating small regulators and licensing bodies
    › streamlining planning and zoning requirements
    › streamlining retail-sector regulations, including trading-hour restrictions.

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 5.1 to 5.10
Embracing global engagement

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 6.1 to 6.8

Key issues
Australia needs to engage effectively with other countries in the region and with the rest of the world, recognising that the strength of the economy, and therefore our future prosperity, is underpinned by openness. In this regard, we must foster a stable policy and regulatory environment that gives investors the confidence they need to invest in Australia. Our foreign direct investment rules should be configured to maximise investment, which is essential to our economic growth and prosperity. This should be done by ensuring that all those who wish to invest in Australia are given a fair opportunity to do so and by removing all possible barriers to trade and investment.

Priority actions
» Australia should intensify efforts to conclude free trade agreements including those under negotiation with countries that represent our top export markets, including China, Japan, Korea and India.

» Australia should aim to become a world leader in attracting foreign direct investment. We should extend the higher foreign investment screening threshold that applies to investors from the United States and New Zealand – currently set at around $1.1 billion – to private sector investors from all other countries.

» Australia should revisit and further clarify the foreign investment policy for investment by sovereign wealth funds and state-owned enterprises.

» Australia should reduce and remove regulatory impediments in key services industries, including transport services, professional services and international education.
A strong, stable and competitive financial system

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 7.1 to 7.6

Key issues
Australia’s capital markets have a solid foundation and provide a strong underpinning to our future growth prospects. We need to maintain confidence in the financial markets and find the right balance between stability and system resilience on the one hand, and competition and productivity in the sector on the other. We need to deepen our domestic debt market to ensure that lack of access to competitively priced debt does not act as a barrier to investment, which is critical to economic growth and innovation.

Australia’s financial and corporate regulators must ensure that international regulatory reforms are implemented in a way that reflects Australia’s circumstances and does not reduce our financial sector’s competitiveness.

Priority actions

» Governments must maintain Australia’s AAA sovereign credit rating.

» We should seek to broaden and deepen Australia’s domestic debt market. The government should continue to support the development of a corporate bond market.

» APRA should proceed cautiously and with some flexibility in how it implements the Basel III liquidity reforms in Australia. High levels of consultation and collaboration should occur between stakeholders when considering further regulatory changes.

» Commission a review of the financial services sector to follow on from the Wallis review, including an assessment of key structural and technological changes in the financial system and how customers have benefited from them, and the effectiveness of the current regulatory model, including APRA and ASIC and the payments system role of the RBA.
A coherent and comprehensive energy policy

For full recommendations, see the Action Plan for Enduring Prosperity: Recommendations Report, Recommendations 8.1 to 8.7

Key issues
Reliable and competitively priced energy is critical to maintaining our standard of living and growing our domestic and export economy. Reliable and affordable energy should remain one of Australia’s competitive advantages.

Australia needs to ensure it has a comprehensive and coherent national energy policy that drives the development of Australia’s energy resources, enables a strong energy export industry, and provides for the reliable and efficient delivery of competitively priced energy to households and businesses.

Priority actions
» The Commonwealth Government should develop an integrated energy policy that achieves our greenhouse gas emissions reduction targets while supporting economic growth and Australia’s continued global competitiveness.

» The Commonwealth Government should take immediate steps to reset our policy settings so that we are reducing our greenhouse gas emissions at least cost and commensurate with global efforts to avoid risking Australia’s competitiveness. It should:
  › lower the carbon price so Australia is paying no more than the international price
  › remove the decay rate on compensation for trade-exposed industries
  › review the Renewable Energy Target.

» The Commonwealth and state and territory governments should commit to driving growth in our energy resource sector and ensure it remains globally competitive by streamlining and expediting project planning and environmental approval processes backed by scientific evidence while meeting strong environmental standards.

» Australian Governments should commission a range of sensitivity analysis to inform the development of an integrated energy policy that looks at potential future changes in electricity demand and the implications for:
  › the operation of Australia’s electricity market
  › our electricity generation mix
  › our greenhouse gas emissions.

» State governments should complete the two key outstanding energy market reforms:
  › removing retail price regulation where effective competition exists
  › privatising remaining energy assets and investing the proceeds in critical infrastructure.
Creating the right environment and systems for innovation

Key issues
Innovation is critical to Australia’s future competitiveness and our ability to respond to and prosper from the trends that will shape our economy and society in the coming decades.

We need to have the right innovation systems and environment in place to ensure that creative people and businesses in Australia are allowed to thrive and create value from new ways of doing things. A paradigm shift is necessary in the way we construct our approach to innovation. We need to shift away from an approach that is dominated by government programs towards a systematic and incentives-driven approach to innovation that utilises both supply and demand side measures.

Priority actions
» The government should identify areas of existing or emerging comparative advantage for Australia and determine national innovation priorities.

» Establish a National Innovation Council. The first task of the council should be to identify these areas of comparative advantage and national priorities. Development of future, and review of existing, innovation policies should be referenced to these.

» Implement the National Science, Technology, Engineering and Mathematics Strategy called for by the Chief Scientist of Australia, which will prioritise public investment and encourage growth in business investment.

» The Commonwealth Government needs to put in place settings that facilitate digital commerce and promote confidence in engagement in the digital economy.

» Through its ongoing development of this economic action plan, the BCA will identify the drivers of competitiveness for all sectors of the Australian economy, including the capacity for business to be more responsive to customer demands and provide greater value add.
We recognise that our nine areas for structural reform and their related actions represent an ambitious reform agenda – one that clearly cannot be pursued simultaneously. Therefore, we have devised an approach based on three phases. Figure 17 outlines what will be achieved at each phase and the types of actions that need to be implemented.

This prioritisation is intended to guide policymakers for the next decade about the things that have to be done now, and the things that we have to get started (like tax reform) so that we can be more resilient, and indeed thrive.
### PHASE ONE: 1–3 YEARS

#### BUILDING TRUST AND CONFIDENCE

<table>
<thead>
<tr>
<th>Examples of Actions to Be Taken</th>
<th>Ensure Australia’s regulatory framework delivers efficient regulatory outcomes through:</th>
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<tbody>
<tr>
<td><strong>Build up Australia’s long-term financial strength and resilience through:</strong></td>
<td>» restoring the Cabinet decision-making process</td>
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<tr>
<td>» preparation of an Intergenerational Report that includes both state and federal fiscal positions</td>
<td>» introducing a statutory requirement for Regulation Impact Statements</td>
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<tr>
<td>» undertaking a whole-of-government audit that assesses the efficiency of program delivery and the respective roles of federal and state governments</td>
<td>» reforming project planning and environmental approvals to address the worst of the regulatory burden</td>
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<tr>
<td>» a renewed commitment to the development of a competitive tax system</td>
<td>» a new performance and accountability code for major regulators</td>
</tr>
<tr>
<td>» introducing new National Productivity Payments to the states</td>
<td>» completing a stocktake of National Competition Policy</td>
</tr>
<tr>
<td><strong>Provide for sustainable population growth through:</strong></td>
<td><strong>Strengthen our international engagement to ensure we get the benefits associated with an open economy through:</strong></td>
</tr>
<tr>
<td>» preparation of a National Population Strategy to complement the Intergenerational Report</td>
<td>» intensifying efforts to conclude free trade agreements</td>
</tr>
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<td><strong>Ensure Australia captures capital investment opportunities through:</strong></td>
<td>» placing free trade and investment at the centre of G20 and B20 deliberations</td>
</tr>
<tr>
<td>» preparation of a comprehensive pipeline of approved infrastructure projects</td>
<td><strong>Ensure a strong and stable financial system through:</strong></td>
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<tr>
<td><strong>Realise the potential of people and ensure we have a robust labour market through:</strong></td>
<td><strong>Ensure Australia has a coherent and comprehensive energy policy through:</strong></td>
</tr>
<tr>
<td>» addressing shortfalls in the literacy and numeracy skills of young people and people in the workforce</td>
<td>» integration of energy and climate change policy</td>
</tr>
<tr>
<td>» amending the Fair Work Act to support workplace innovation and flexibility</td>
<td><strong>Ensure Australia’s regulatory framework delivers efficient regulatory outcomes through:</strong></td>
</tr>
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**Figure 17:** Phasing of recommended actions
PHASE TWO: 3–6 YEARS
CONSOLIDATING AND GROWING THE ECONOMY

EXAMPLES OF ACTIONS TO BE TAKEN
» Complete a comprehensive overhaul of the Australian tax system
» Produce a national infrastructure policy
» Enhance federal and state governance and planning processes to enable strategic planning for growth and the development of liveable and efficient cities
» Develop a new Commonwealth–state infrastructure funding agreement
» Improve educational pathways
» Increase workforce participation
» Intensify efforts to conclude free trade agreements
» Develop a National Gas Strategy

PHASE THREE: 6–10 YEARS
REALISING OUR FULL ECONOMIC POTENTIAL AND REAPING THE BENEFITS

EXAMPLES OF ACTIONS TO BE TAKEN
» Improve the GST revenue-sharing arrangements among states and territories
» States to produce regular 15-year infrastructure plans
» Increase the participation rates of older workers
» Address tax biases between different savings and investment options

If we can restore Australia’s productivity performance and keep the economy growing at around 2¾ per cent per year for the next 20 years … … then average GDP per capita in Australia could increase from $60,000 today to $80,000 by 2032.
This action plan draws on the ideas and advice of a broad range of stakeholders, representing different organisations and sectors of the community. It has benefited from input provided by:

» senior bureaucrats from federal and state governments
» other business leadership groups representing small, medium and large businesses
» community and welfare organisations
» individuals including influential economists, academics and commentators.

Over the three months leading up to its 30th Anniversary Dinner in November 2013, the Business Council of Australia will go back to these groups and individuals, and others, to discuss how the plan might be implemented.

For more information or to obtain the full report of the Action Plan for Enduring Prosperity, visit www.bca.com.au or contact WebsiteEnquiries@bca.com.au.
ACTION PLAN FOR ENDURING PROSPERITY

Recommendations Report

Business Council of Australia
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>01. Tax, fiscal policy and the federation</td>
<td>2</td>
</tr>
<tr>
<td>02. Planning for population and cities</td>
<td>5</td>
</tr>
<tr>
<td>03. Providing infrastructure</td>
<td>7</td>
</tr>
<tr>
<td>04. Realising the potential of people and workplaces</td>
<td>10</td>
</tr>
<tr>
<td>05. Rethinking our approach to regulation and governance</td>
<td>14</td>
</tr>
<tr>
<td>06. Embracing global engagement</td>
<td>17</td>
</tr>
<tr>
<td>07. A strong, stable and competitive financial system</td>
<td>19</td>
</tr>
<tr>
<td>08. A coherent and comprehensive energy policy</td>
<td>20</td>
</tr>
<tr>
<td>09. Creating the right environment and systems for innovation</td>
<td>22</td>
</tr>
<tr>
<td>Prioritisation and timeline for implementation</td>
<td>24</td>
</tr>
</tbody>
</table>

## About this publication

The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia’s leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

This is the full list of recommendations contained in the Business Council of Australia’s *Action Plan for Enduring Prosperity*. This and the overview brochure, summary report and full report are available as separate publications and can be downloaded from the BCA website at [www.bca.com.au](http://www.bca.com.au).
Australia’s fiscal policy settings and long-term budget discipline need to be strengthened. We have to adopt a more competitive and sustainable tax system and provide for a fairer sharing of money between the Commonwealth and the states.

Fiscal policy

**Action 1.1**
A ‘whole-of-nation’ Intergenerational Report should be prepared. The analysis outlined in the action plan highlights the full cost of government at a Commonwealth, state and territory level and the potential for a very large fiscal challenge to unfold over coming decades if action is not taken now.

» The federal Treasury, in cooperation with representatives from the states and territories, would prepare the report, which should be completed within 12 to 18 months of being commissioned.

**Action 1.2**
An independent, whole-of-government audit should be commissioned to examine government spending and program efficiency. This audit must come to terms with the appropriate size of government. A fundamental issue to be examined must also be the roles and responsibilities of the Commonwealth and the states and territories. The audit should: identify current activities that should not be performed by government; recognise the need for stability and certainty for some programs (including defence); and address the level of debt that could be sustained, including to fund productive infrastructure.

» The review would be undertaken by an independent panel and conducted in a number of stages comprising near-term actions and recommendations, medium-term actions and institutional reforms.

» It would investigate and identify any overlap between the Commonwealth and the states in health and education, aged care, Indigenous welfare and environmental approvals.

» It would also be required to identify options for a clearer delineation of responsibilities for policy and service delivery.
**Action 1.3**

Australia’s existing fiscal rules should be refreshed and further strengthened. New rules could in effect define a set of boundaries in which fiscal policy will work – and provide a corridor of stability for the longer-term budget position. The rules would continue to provide for flexibility in the annual budget process, but give certainty that, barring major shocks, the government would not stray markedly from the central task of improving the budget bottom line over time, paying down debt and beginning to provision for future pressures. Improved reporting arrangements should be put in place to properly and transparently account for the full assets and liabilities of the government.

Australia’s fiscal rules would be strengthened at the federal level by:

» placing a hard cap on the size of the federal government by holding tax as a share of GDP below 23.7 per cent, such that future budgets do not see any slippage

» specifying a new objective that targets a percentage surplus based on ‘recharging’ fiscal readiness around every 13 years such that fiscal policy is able to make a 3 per cent of GDP contribution to the economy should the need arise

» targeting a modest proportion of the surplus – to be known as an ‘intergenerational surplus’ – to provision for the projected fiscal gap that is expected to arise as a consequence of demographic pressures.

**Action 1.4**

State and territory governments should introduce or recommit to fiscal rules directed towards delivering prudent net operating balance outcomes as well as stabilising net financial liabilities.

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**Tax policy**

**Action 1.5**

The Australian Government should undertake a comprehensive overhaul of Australia’s taxation system.

» The tax system needs to be reconfigured in a way that is able to raise sufficient revenue and better accommodate the inherent volatility in the economy and budget.

» A forward work program for long-term tax reform should be determined in support of this aim with all options open for consideration.

» The tax system should be made more competitive through the replacement of those taxes that impose the largest distortions on economic activity, including many state taxes such as stamp duties, payroll tax and insurance levies. Alternative sources of revenue to the states will need to be identified as part of this process.

» An objective should be to reduce the number of taxes in Australia and simplify the tax system.

» The overhaul should consider how to improve the tax mix with a view to moving, over time, to a system where there is less reliance on capital and income taxes and more reliance on efficient and less volatile indirect taxes. Business tax concessions should be re-examined.

» Consideration should be given to raising the rate of GST as well as broadening its base as a means of providing additional revenue to replace revenue forgone from the abolition and reduction of other taxes. This process should include arrangements to provide appropriate compensation for households.

» An examination of the interaction between the tax system and the transfer system should be undertaken with a view to reducing complexity and disincentive effects that may impede workforce-participation decisions.
Action 1.6
The government should commit to lower the company tax rate to 25 per cent as a priority as and when fiscal circumstances permit. This recognises that the growing mobility of investment and increasing sensitivity of capital flows to tax settings have important implications for Australia’s long-term growth prospects.

Action 1.7
Australia should participate in global discussions on international tax issues, including around base erosion and profit shifting, through our participation in the G20. However, Australia should not seek to be a world leader in combating base erosion and profit shifting, reflecting the difficulty for any single country acting alone to fully address the issue. While there is little evidence to suggest that base erosion and profit shifting are significant issues for Australian tax collections at present, the Australian Taxation Office should keep the issue under review.

Action 1.8
A process should commence immediately to progress administrative simplification of the tax system, including making personal income tax returns optional for the majority of taxpayers. There should be a concerted effort to reduce the cost and complexity of the community’s interface with the tax system. Actions should also be taken to simplify the company tax system, including the requirement to pay monthly.

Operation of the federation

Action 1.9
Roles and responsibilities within the federation, the Council of Australian Governments (COAG) and federal fiscal relations should be reviewed and put on a sustainable footing.

Action 1.10
The revenue-sharing arrangements among the states and territories should be changed by moving to an equal per capita distribution of GST. This would be done progressively over time with a floor placed on distributions to recipient states and distributions grown in ways that would be consistent with realising an equal per capita distribution within 10 years. This recommendation must be actioned in tandem with comprehensive reform of the tax system.

Action 1.11
Introduce a new system of National Productivity Payments to the states and territories to progress critical reforms across the federation. These payments would be made available as an incentive for the states and territories to progress difficult but nationally significant structural reform, including further competition and regulatory reform. The National Productivity Payments Scheme would be established by way of an intergovernmental agreement between the Commonwealth and the states and territories.
Planning for population and cities

We need to continue – and continue to plan for – sustainable population growth in our cities and regions.

**Action 2.1**
The Council of Australian Governments (COAG) should commit to well-managed population growth as a strategic imperative for Australia.

**Action 2.2**
Prepare a new National Population Strategy to complement the updated Intergenerational Report. The National Population Strategy should:

» set out a long-term strategic path for population growth that will give us the best opportunity to meet national goals for sustainable growth
» design population policies to achieve the strategic population growth path (and meet the immediate and future needs of the economy) through natural increase and migration
» set out a comprehensive policy to plan and invest for future population growth and to support growth in living standards.

**Action 2.3**
Australia should maintain current migration policy settings.

» The permanent migration program should remain at least at current levels of 190,000 per annum with two-thirds of the program filled by skilled migrants. (These levels may need to be increased following the findings of the next Intergenerational Report and the new National Population Strategy).
» The flexibility of Australia’s temporary migration program should be maintained by preserving the demand-driven and uncapped nature of the 457 visa scheme and the scheme safeguards that were in operation before the Migration Amendment (Temporary Sponsored Visas) Bill 2013. Labour market testing should be abolished.

**Action 2.4**
The federation roles and responsibilities review should explicitly test the adequacy of current governance arrangements for major cities and accountabilities for developing metropolitan areas.

» The federal government should continue to have a national cities policy designed to improve the competitiveness of major cities, but be clear about its role (and keep the National Housing Supply Council in Treasury).
» States should produce regular metropolitan development strategies and assign clear ministerial accountability for whole-of-metropolitan development.
» Local councils that do not have sufficient scale for efficient operations or for undertaking strategic planning should be amalgamated.

This is not about the Commonwealth playing a direct role in planning, but should be focused on aligning Commonwealth responsibilities, particularly migration, with state government efforts around housing supply and providing infrastructure for population growth.

**Action 2.5**
The purpose of strategic planning by state governments should be to resolve land-use conflicts strategically rather than on a development-by-development basis. State governments should reform their strategic planning processes for growth to ensure that they:

» fully integrate land use, transport and social infrastructure
» identify transport, employment and housing growth corridors and strictly adhere to associated land reservation and protection policies and practices
» identify associated future infrastructure needs, prioritising the development of international gateways
and the completion of major road and rail networks, which then become the major strategic input into state infrastructure plans.

» resolve land use and ownership conflicts

» facilitate private investment by having more complying development and allow for more unsolicited proposals from the private sector

» ensure access to natural resources by setting clear rules for land use and energy and water resource development

» ensure timely release of land for new housing, reduce the harmful impacts of excessive or complex developer levies on new housing investment and reduce the amount of reservation and ownership of land and investment in new housing supply by state-owned development agencies

» invite participation in the development of the strategy by business and the community.

**Action 2.6**

Cities planning should focus on creating more liveable and efficient cities through long-term metropolitan strategic plans that:

» present a vision of sustainable urban growth of the city and improvements in urban amenity

» prioritise productivity and competitiveness rather than spatial planning

» designate areas of higher density and compact activity

» prioritise the development of, and reserve, international gateways and transport, employment and housing corridors

» identify major infrastructure needs that then become the major strategic input into state infrastructure plans

» set out plans for guaranteeing land release to grow supply of land for housing, industrial and commercial use.

**Action 2.7**

Regional development plans around major resource projects should be carried out by state governments, including provision of housing and economic and social infrastructure. Special development zones should be established to expedite approvals of land use.

**Action 2.8**

The Commonwealth, with Queensland, Western Australia and the Northern Territory, should collaborate on an economic development strategy for the north of Australia.

**Action 2.9**

COAG should reform development assessment systems by removing duplication between the Commonwealth and the states (including through bilateral agreements for states to approve proposals under the Environment Protection and Biodiversity Conservation Act, initially for low-risk, low-impact proposals in environmentally well-understood areas), establishing single-approvals authorities and moving to deemed approvals for complying developments. The federal government should make productivity payments conditional on states agreeing to reform their development assessment and approval processes to make greater use of zoning and complying development, consistent with long-term integrated strategic plans. Eliminate multiple regulatory approvals processes for individual projects to remove the double-handling by state government agencies, and report publicly on progress.

**Action 2.10**

Governments should prioritise the funding of infrastructure projects with high net economic and social benefits. They should use rigorous and transparent evaluation models to assess the economic costs and benefits of development proposals. Project evaluation models should be designed to take into account population and economic growth as well as the dynamic impacts and wider economic benefits of projects.

**Action 2.11**

Planning agencies within governments should be seen as economic agencies with an objective to promote private investment and sustainable economic development. They should be properly resourced and have clear key performance indicators for the efficient planning and approval of projects, against which they report publicly and benchmark performance.
We must provide the right infrastructure for a modern, liveable and productive economy.

**Action 3.1**
The federal government should collaborate with the states to produce a new national infrastructure policy that:
- clarifies the roles and responsibilities of each level of government (with the federal government continuing to play a substantive, and clearly defined, role)
- prioritises infrastructure market development, private investment in infrastructure and the application of user pays wherever possible
- commits to delivery models using appropriate risk-sharing arrangements as a means of delivering projects with the private sector
- sets out arrangements for long-term investment needs planning across the federation, in collaboration with industry, that consistently produce a rolling pipeline of ‘ready-to-go’ infrastructure projects capable of private sector investment and delivery
- promotes within government the use of infrastructure funds with legislated rules that spending should be allocated to projects with high net economic benefits, established through cost–benefit analysis
- assesses Australia’s infrastructure priorities for the next 10 years and outlines a broad strategy for how to plan, fund and deliver them
- commits to new sectoral infrastructure policies for the development of national water, energy, transport and communications markets.

**Action 3.2**
Governments should agree to lift spending on the pipeline of ‘ready-to-go’ infrastructure projects when responding to periods of economic downturn.

**Action 3.3**
Australia’s infrastructure competition regulations should be reviewed and updated to reflect developments since the Hilmer review. This should lead to refreshed positions on access regulation, competitive neutrality, infrastructure asset ownership and infrastructure pricing appropriate for Australia’s future as a high-investment economy with strong growth prospects.

**Action 3.4**
Prioritise the implementation of COAG’s Heavy Vehicle Charging and Investment scheme and work with the states to apply the principles in that scheme more widely toward the development of a nationally consistent approach to road pricing and road funding.

**Action 3.5**
All governments should prioritise the improved long-term planning of Australia’s infrastructure investment needs. The states should continue to provide Infrastructure Australia with high-quality infrastructure investment proposals backed by cost–benefit analyses and which arise from their long-term strategic growth plans. The states’ proposals to Infrastructure Australia should include new projects and upgrades to existing infrastructure as well as regulatory reforms to better use existing infrastructure. The federal government should play an enhanced role coordinating planning and development of nationally significant projects.
03. PROVIDING INFRASTRUCTURE

**Action 3.6**
Infrastructure Australia, as the independent authority staffed with relevant experts with industry experience, should be asked to enhance its role to form its own view on new infrastructure projects and policies it considers to be of national significance (in addition to its current focus on evaluating project proposals from the states). Infrastructure Australia should then advise the state and federal governments on these infrastructure priorities and work with them to consider including these projects and policies in its comprehensive list of national infrastructure priorities. Infrastructure Australia should prioritise competitiveness and productivity criteria when identifying new national projects and policies.

**Action 3.7**
There should be a new, long-term federal–state government infrastructure funding agreement that spells out how funding will be allocated to Infrastructure Australia-approved infrastructure projects. The agreement should include principles that detail how project funding will be broken down between user charges and state and federal contributions, as well as the types of funding support that might be offered (block grants, availability payments, concessional loans, loan guarantees, etc.). Under the agreement states that continue to own mature infrastructure businesses should have to justify to Infrastructure Australia why they cannot first source funds from divesting those businesses before receiving federal funding.

**Action 3.8**
States should produce regular 15-year infrastructure plans that provide a pipeline of projects for private investment, linked to their fiscal strategies. The plans should:

» include projects approved by Infrastructure Australia for federal funding

» include other projects that have arisen from a strategic plan of state governments or be an unsolicited proposal from the private sector

» include spending on the maintenance or upgrade of existing infrastructure

» include commitments to regulatory reforms that can raise the efficient use of existing infrastructure

» have funding guarantees for the first five years of the plan, with longer-term commitments to infrastructure provision over the remaining 15 years.

**Action 3.9**
State governments should introduce an effective process for considering unsolicited proposals for new infrastructure from the private sector, based on the New South Wales model.

**Action 3.10**
The federal government should make the Building Australia Fund the centrepiece of infrastructure funding policy. Federal infrastructure spending should be allocated to the fund in the first instance and then be allocated only to projects independently assessed as a high priority by Infrastructure Australia. Funding commitments from the fund should only be announced once a project is fully approved by Infrastructure Australia, and not before.
**Action 3.11**
To pay for our future public infrastructure needs, governments should commit to implementing dedicated infrastructure funds and to broadening project funding sources from:

» recycled capital from hypothecation of infrastructure asset sales by governments

» user charges, primarily from greater application of user pays in the transport sector

» value capture initiatives on individual projects, for example, area levies (preferably moving to land taxes over time)

» re-prioritising federal expenditure so that a minimum amount of federal expenditure is allocated to infrastructure investment annually (and deposited in the Building Australia Fund)

» considering federal borrowing (or types of guarantees and risk sharing) that is ring-fenced for high-quality, productive infrastructure projects (by issuing general treasury bonds within the AAA-rated borrowing limit, deposited in the Building Australia Fund and strictly for Infrastructure Australia-approved projects only).

**Action 3.12**
Governments should adopt explicit infrastructure ownership policies whereby they limit ownership to selected greenfield projects where there is sufficient early demand risk and, for mature businesses, only where there is a demonstrated net public benefit. Otherwise, governments should sell all of their mature infrastructure assets, subject to appropriate regulatory frameworks being in place to safeguard consumers and efficient investment where needed. Funds raised from asset sales should be placed in a fund hypothecated towards new projects, for example, the Building Australia Fund or the New South Wales Restart Fund.

**Action 3.13**
Governments should contract in, or develop internally, specialist infrastructure expertise within government to provide advice for each project on the best model for sharing risk and delivering the infrastructure, with an emphasis on involving the private sector through greater use of public-private partnerships (PPPs) and competitive tendering wherever possible. This internal expertise should also be tasked with advising government on ways to reduce the costs and risks associated with PPP processes.

**Action 3.14**
Restore the previous regulatory environment prior to the abolition of the Australian Building and Construction Commission by:

» bringing the Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry into line with the Victorian Implementation Guidelines for the Victorian Code of Practice for the Building and Construction Industry, including by making any statutory amendments to the Fair Work Act necessary for the guidelines to have their full intended effect

» reinstating the Australian Building and Construction Commission and tasking it with implementing and enforcing the guidelines

» commissioning an independent inquiry into construction costs.

**Action 3.15**
The Productivity Commission should be tasked to undertake a strategic assessment of national infrastructure policies and recommend reforms – and repeat every five years.
Realising the potential of people and workplaces

Unless we equip all Australians with the skills and education to participate fully in society, and create the environment for more innovative workplaces through a better workplace relations system, our ability to compete internationally will be compromised.

**Action 4.1**
We should ensure that literacy and numeracy deficiencies in school students are addressed early by requiring, as a condition of Commonwealth funding, that state governments ensure primary students meet minimum standards before entering secondary school. We should address deficiencies in literacy, numeracy and other foundation skills in employees by raising the profile of Workplace English Language and Literacy program brokers and other proponents of foundation skills, particularly with small business; by testing foundation skills in schools; and by continuing the Language, Literacy and Numeracy Practitioner Scholarships program so as to build the capacity to teach foundation skills.

**Action 4.2**
Build on Australia’s strength as an education exporter by implementing the recommendations of the International Education Advisory Council. This should focus on:

- improving quality in education offerings
- improving the student experience, including student accommodation
- establishing strong partnerships between Australian educational institutions and those in Asia and other parts of the world.

**Action 4.3**
We should encourage and support excellence in school teaching through:

- raising the entry requirement for teachers, through a restriction of the Commonwealth tertiary education subsidies for teacher education to those with demonstrated high educational ability
- the Commonwealth offering teachers a training guarantee to support ongoing professional development in their subject matter area and/or teaching practice, and including, over time, master’s-level qualifications where these best equip the teacher to teach effectively
- state governments empowering school principals to differentiate teacher pay according to the teacher’s performance, including the application of relevant expertise in the classroom
- state governments allowing, as a condition of receiving their Commonwealth funding, school principals to have greater autonomy over resource allocation decisions – including hiring and firing – and school finances and facilities, alongside greater accountability for student outcomes.
Action 4.4
State governments should encourage a greater proportion of young people to undertake education and training up until at least Year 12 or the equivalent, by encouraging a broader range of educational pathways and greater specialisation of vocational subject offerings between schools, and greater student choice of schools.

Action 4.5
Reform the funding arrangements for all schools to a new ‘per-student’ funding model that is appropriately weighted to account for the increased costs associated with teaching disadvantaged students, having regard to budgetary constraints.

Action 4.6
Market arrangements should be further embedded in universities to create the environment for world-class and more differentiated specialist university courses.

» This could include further deregulating the fees paid by university students, so as to enable institutions to move away from the incentive to get high numbers of students through price-capped courses.

» It could also include allowing universities to focus on their core business by reducing the red tape required of them in their relationship with government funding bodies and education-quality regulators; for instance, data reporting requirements could be more standardised to reduce the number of data sets required by government departments from the current level of over 100 per annum.

Action 4.7
A priority medium-term agenda for COAG should be to improve the focus of vocational education and training (VET) to:

» strengthen Commonwealth strategic oversight of VET to be comparable to the oversight of higher education

» subsidise VET students comparably to higher education students

» remove gaps and duplication between the Commonwealth and the states to increase education provider autonomy within a rigorous quality framework.

Action 4.8
The Commonwealth and state governments should examine the incentives for education providers to improve the transition of young people into the labour force by:

» increased use of work-integrated learning such as internships and cadetships

» increased focus in secondary and tertiary education vocationally oriented courses on employability skills, such as team-work, problem-solving and effective communication.

Action 4.9
Increase the participation rate of older Australians through improved financial incentives, which should also be considered in the reviews of the tax and transfer system, and the scope and size of government.

Action 4.10
The Commonwealth and state governments should encourage older Australians to keep working or re-enter the workforce by:

» removing age-based restrictions on workers’ compensation and insurance cover that limit the employability of older workers

» encouraging tertiary education providers to support ‘whole-of-life’ learning and up-skilling to enable workers of all ages to retain and develop the skills needed for workplaces of the future.
Action 4.11
The Commonwealth should increase the participation rates of mothers and other primary carers (especially of young children), taking this into account in the review of the tax and transfer system and the audit of the scope and size of government.

» Consideration should be given to the combined impact of income support, family assistance and personal income tax on decisions to re-enter or increase hours of work, recognising that many primary carers are relatively responsive to financial disincentives.

» Consideration should also be given to the impact of rebalancing family assistance in favour of greater childcare subsidies that specifically support work, study and training and less untied cash payments in the form of family payments.

Action 4.12
Workplace relations and family assistance law should encourage more flexible work arrangements and supportive cultures for working parents and improve the flexibility of hours that can attract Commonwealth childcare subsidies.

Action 4.13
The Commonwealth should better assist people who are disadvantaged in the labour market by:

» making employment placement services easier for employers and jobseekers to use

» aligning incentives for Job Services Australia’s employment placement services with successfully meeting the needs of employers and jobseekers, including by taking greater account of the actual jobs on offer by employers

» removing unnecessary regulation by amending the Job Services Australia rules and the Department of Education, Employment and Workplace Relations contract.

Action 4.14
Limit the structural incentives for unemployed people who are disadvantaged in the labour market to withdraw completely from the labour market via a pension payment.

» This should be done by lessening the differences between the pension system (Disability Support Pension) and the allowance system (Newstart Allowance) for people with some work capacity; specifically, this should encompass reducing the differential in the indexation arrangements, the free areas, the taper rates, and the activity testing arrangements.

» It should also lessen the difference in payment rates by increasing the rate of Newstart and related allowance payments to ensure a minimum decent standard of living for those temporarily without adequate personal resources, as fiscal circumstances permit.

» These changes should occur as part of a comprehensive review of Australia’s taxation and transfer system and be designed to provide incentives for people to participate in the workforce where they can, while ensuring that income support is adequate and targeted to those in greatest need.

Action 4.15
Support geographic mobility by:

» nationally recognising trade licences regardless of the jurisdiction in which they are obtained

» reducing or removing transactional taxes on property transfer (house sale) in favour of less distortionary tax bases

» working towards a common school starting age and national curriculum

» maintaining policy settings that minimise costs to employers who have staff on fly-in/fly-out work arrangements.
Action 4.16
The Treasurer should commission the Productivity Commission to conduct an inquiry into the workplace relations system, including examining:
» the system’s impact on productivity and competitiveness
» the extent to which the high minimum wage prevents new labour market entrants from gaining initial experience, to inform future wages policy directions
» the impact of penalty rates on business competitiveness and employment growth, particularly in the retail and hospitality sectors
» the role of individual agreements and their influence on productivity at the firm level
» workplace arrangements in the market and non-market sectors, and identifying arrangements that increase the take-up of innovative practices that make fuller use of workers’ skills and expertise.
» reducing the scope of the adverse actions provisions
» limiting access to protected industrial action where there has been unreasonable or capricious use of such action
» limiting union entry rights to employer premises
» making unlawful clauses that exclude the engagement of contractors or labour hire companies
» modifying the ‘better off overall test’ to provide for a broadening of matters that may be taken into account in the application of the test
» modifying provisions relating to majority support determinations
» amending the transfer of business arrangements to include a sunset clause after 12 months.

Action 4.17
The Commonwealth should introduce a number of immediate changes to the Fair Work Act that aim to foster greater flexibility and innovation, and constrain business costs. These changes would include:
» reducing the range of matters that can be bargained over to ensure they are directly related to wages and conditions in the employment relationship
» providing access to employer-only greenfield agreements
» enhancing the capacity to agree to flexibility arrangements with employees including through individual flexibility arrangements
Rethinking our approach to regulation and governance

We must rethink our approach to regulation and strengthen our institutions and governance arrangements with greater accountability and transparency from our regulators.

**Action 5.1**

Australia should maintain the market approach to critical institutions that has served it so well over recent decades, including the absolute independence of the Reserve Bank of Australia, and market determination of the exchange rate. Governments should also strongly resist the introduction of tariffs and other market restrictions unless they can be shown to provide a net benefit to the Australian community. At a minimum, any new regulation should comply with the rule of law.

**Action 5.2**

The Commonwealth Government should substantially strengthen the quality and transparency of its decision-making processes. This will be achieved by:

- reinstating strict adherence to the processes set out in the Cabinet Handbook for a well-functioning Cabinet system. This includes high-quality and timely documentation along with detailed public consultation to ensure well-informed collective decision making.

**Action 5.3**

Make the preparation of Regulation Impact Statements a statutory requirement for all new regulations with a significant impact, with exemptions strictly limited to issues of national security and emergency.

- In line with the BCA’s Standards for Rule Making, the Regulation Impact Statements should have an eye to evaluation and review by establishing an evaluation plan and objective, and measurable key performance indicators.

- The recently implemented two-step Regulation Impact Statement, which requires the need for regulation to be established first before proceeding to the second step of detailed analysis, should be utilised.

- Genuine consultation should be undertaken at relevant stages of the rule-making process, with a minimum consultation period of eight weeks at each stage.

- Green paper–white paper processes should be adopted for major whole-of-economy reforms.
**Action 5.4**
Before seeking to introduce any new corporate governance regulation, governments should consult with the ASX Corporate Governance Council to assess whether the particular issue can be addressed by the council utilising its principles and recommendations.

**Action 5.5**
Establish a new performance and accountability code for major regulators – such as the Australian Taxation Office – which is enshrined in law. The code would be supported by provisions for:

- the establishment of an Inspector-General of Regulation to provide additional oversight of regulators, including undertaking biennial performance audits of major regulators and responding to systemic issues identified by regulated parties. Such a body could be established within the Productivity Commission with a clear mandate to take active steps to improve regulator performance and recommend the streamlining of regulation where it is impeding the efficiency of regulators and placing unnecessary costs on regulated parties
- a balanced performance-reporting framework that assesses not only enforcement and compliance activities but the extent to which these are undertaken efficiently
- regulators to prepare annual Statements of Accountability that outline the basis for measuring the success of the regulator, to be approved by Portfolio Ministers and the Inspector-General of Regulation
- regulators to establish public targets on streamlining their processes to reduce regulatory burden each year
- regulators to document, regularly update and adhere to a risk-based approach to compliance and enforcement activities.

**Action 5.6**
Request the National Competition Council to undertake a stocktake of National Competition Policy to build the case for further microeconomic reform. Reform should target those sectors where the National Competition Council’s original recommendations still have not been taken up and those sectors dominated by government service provision and highly restrictive regulation that would benefit from greater competition.

**Action 5.7**
Establish a comprehensive framework for the regular review and updating of the stock of regulation. Such a framework should include:

- implementing all of the 155 recommendations from the Productivity Commission’s annual programs of benchmarking and reviewing regulation that have been undertaken since 2007
- extending the Productivity Commission’s ongoing annual benchmarking program by establishing rolling audits of the cumulative regulatory burden in each industry sector at least every five years, with recommendations for streamlining
- requiring all new regulations that will have a significant increase in burden to have an equivalent offsetting red-tape reduction in the same portfolio. It may take some time for governments to establish both a meaningful and workable offsetting regime. Therefore, less sophisticated interim measures such as ‘one-in one-out’ within the same portfolio may have to be employed to even out the bias toward increasing the stock of regulation in the short term
- institutionalising a regular refresh of significant regulations from first principles by requiring a statutory review every five years and sunsetting of significant regulations and legislation (where practicable) at least every 10 years. The terms of reference for such reviews should be set out clearly in legislation.
Action 5.8
In introducing National Productivity Payments from the Commonwealth to the states (see Action 1.11), priorities for state-led regulatory reform should be:

» removing duplication in environmental approvals under the Environment Protection and Biodiversity Conservation Act
» consolidating small regulators and licensing bodies
» streamlining planning and zoning requirements
» streamlining retail sector regulations, including trading hour restrictions.

Action 5.9
Establish a number of mechanisms to improve government’s understanding of business and incentives to reduce regulation. Mechanisms should include:

» linking ministerial remits as well as senior executive performance indicators and remuneration to the need for demonstrating efficient regulatory outcomes in their portfolios through compliance with Regulation Impact Statement requirements, as well as identifying and supporting ministers in implementing proposals to streamline existing regulatory burdens
» requiring senior executive staff to complete the Company Directors Course offered by the Australian Institute of Company Directors as a mandatory professional development activity under their performance plans
» facilitating the exchange of staff between the public and private sectors by establishing agency secondment programs, building on the secondment program adopted by the Commonwealth Treasury.

Action 5.10
The Commonwealth Government should charge the Department of Finance and Deregulation, Australian Bureau of Statistics and Productivity Commission with developing a framework for measuring productivity in the public sector. This could be applied as government agencies progressively adopt integrated reporting.
Embracing global engagement

We must realise a deeper engagement with the world both economically and politically.

**Action 6.1**
Australia should place freer trade and investment at the centre of its actions on global economic engagement, including through its leadership of the G20 and B20. Trade facilitation and keeping markets open should be very high among the near-term priorities. Australia should also continue to back the G20 in extending, upgrading and refining the ‘standstill agreement’ to prevent new barriers to investment and trade in goods and services being raised.

**Action 6.2**
Australia should intensify efforts to conclude the free trade agreements currently under negotiation, including those with our top four export markets (China, Japan, the Republic of Korea and India). A pragmatic and staged approach to negotiations should be pursued where necessary, around a broad theme of reciprocity, with a particular emphasis on those sectors where Australia has comparative strengths, for example in the services sector. Australia also should lead work to negotiate the WTO-consistent plurilateral Trade in Services Agreement. Australia should continue to proactively support negotiation of the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership, that could lay the platform for a free trade area of the Asia Pacific.

**Action 6.3**
Australia should aim to become a world leader in attracting foreign direct investment. We should have a goal of extending the higher foreign investment screening threshold that applies to investors from the United States and New Zealand – currently set at around $1.1 billion – to private sector investors from all other countries.

**Action 6.4**
Australia should revisit and further clarify the foreign investment policy for investment by sovereign wealth funds and state-owned enterprises.
Action 6.5
Australia should reduce and remove regulatory impediments in key services industries, including transport services, professional services and international education.

» The restrictive coastal shipping changes introduced in 2012 should be repealed immediately with a reinstatement of single-voyage permits and continuous-voyage permits for foreign-flagged vessels operating on domestic routes.

» A priority should be placed on working with professional bodies to negotiate either multi-party or unilateral recognition arrangements for accountants and lawyers, and to agree on a set of principles to govern the recognition of professional qualifications.

» We should seek to include professional services in the plurilateral Trade in Services Agreement.

Action 6.6
We should reduce the regulatory burden on Australia’s trade-exposed sectors, including by streamlining the operation of environmental impact assessments and the process for granting approvals and licences. Australia’s quarantine and biosecurity arrangements should be improved through the implementation of better risk-management strategies in line with the recommendations of the Beale review.

Action 6.7
Australia should maintain a more internationally open labour market. We should embrace the use of 457 visas to access skilled labour where there is a shortage of particular workforce skills, and implement mutual recognition of qualifications of foreign professionals.

Action 6.8
We should establish high-level CEO dialogues with emerging economic partners in the region, for example Indonesia, to facilitate practical discussions on removing impediments to trade and investment.
**A strong, stable and competitive financial system**

We must preserve a strong and stable financial system and make it more competitive.

**Action 7.1**
The federal government should place the highest priority on maintaining Australia’s AAA sovereign credit rating – recognising the broader benefits of this to Australia, including through flow-on effects to the credit rating of Australian banks.

**Action 7.2**
We should seek to broaden and deepen Australia’s domestic debt market. The government should continue to support the development of a corporate bond market, including by creating a proper risk-free rate curve for participants through the issue of government debt with longer maturities (or encourage the use of the credit swap rate as a substitute). Steps should be taken to develop a standardised set of bond issuance documents, along with measures to improve the ease with which corporate bonds can be listed on the ASX.

**Action 7.3**
As part of comprehensive tax reform, tax biases between different savings and investment options should be addressed.

**Action 7.4**
It is essential to maintain high standards of regulatory consistency when it comes to Australia’s financial markets, while fostering continuing innovation. The Australian Prudential Regulation Authority (APRA) should proceed cautiously and with some flexibility in how it implements the Basel III liquidity reforms in Australia, and high levels of consultation and collaboration should occur between stakeholders when considering further regulatory changes.

**Action 7.5**
We need to maintain and facilitate movement of capital into and out of Australia and minimise market distortions. This includes continued support for the free flow of international investments and efforts to improve access to overseas capital and, in particular, Asian and Sharia capital.

**Action 7.6**
Commission a review of the financial services sector to follow on from the Wallis review, including assessment of key structural and technological changes in the financial system and how customers have benefited from them and the effectiveness of the current regulatory model, including APRA and ASIC and the payments system role of the RBA.
A coherent and comprehensive energy policy

We must adopt a coherent and comprehensive energy policy that enhances Australia’s competitive advantage.

**Action 8.1**
The Australian Government should develop an integrated energy policy that supports:

» Australia’s future economic growth and does not compromise Australia’s global competitiveness

» a reduction in Australia’s greenhouse gas emissions at least cost and commensurate with global action

» the development of our energy exports in a sustainable and responsible manner

» the delivery of reliable and competitively priced energy in the long-term interests of all consumers

» competition through the operation of open and transparent markets with strong consumer protections

» Australia’s access to diverse energy supply chains to enhance our energy security.

**Action 8.2**
The Australian Government should take immediate steps to reset our policy settings so that we are reducing our greenhouse gas emissions at least cost and commensurate with global efforts to avoid risking Australia’s competitiveness. Accordingly, the Australian Government should:

» ensure that Australia is paying no more than the international price to reduce our greenhouse gas emissions through an immediate reduction in the Australian permit price, and remove the decay rate applied to industry assistance

» move to a true 20 per cent Renewable Energy Target that adjusts with demand

» collaborate globally to develop clean energy technologies and invest in Australian innovations that play to our strengths

» require the Productivity Commission to undertake regular reviews of the impact of emission reduction policies on business costs in Australia and competitor countries with the view to advising on any impacts on Australia’s competitiveness at the industry-sector level.

**Action 8.3**
Australian governments should commission sensitivity analyses to inform the development of an integrated energy and climate change mitigation policy including:

» the Australian Energy Market Operator undertaking an assessment of various electricity-demand scenarios, taking into account potential changes in activity across the economy

» drawing on the Australian Energy Market Operator’s demand analysis, commission an independent assessment of the implications for Australia’s greenhouse gas emissions under the various scenarios

» the Australian Energy Market Commission undertaking an assessment of the implications of a range of changing market conditions and policy settings on the efficient operation of Australia’s energy markets, including:

  » changing trends in the structure of the economy and demand for energy based on the work of the Australian Energy Market Operator
› climate change policy and renewable energy market interventions
› examining if there are any barriers to exit from the market for electricity generation.

**Action 8.4**
State governments should complete the outstanding energy market reforms of:
» removing retail price regulation where effective competition exists
» privatising remaining energy assets and investing the proceeds in critical infrastructure
» institutionalising, with the Australian Government, effective consumer representation into the governance arrangements of Australia’s energy markets.

**Action 8.5**
The federal, state and territory governments should commit to drive growth in our energy resource sector and ensure that it remains globally competitive by streamlining and expediting project planning and environmental approval processes while meeting strong environmental standards.

**Action 8.6**
The Australian Government, in consultation with state governments, energy market institutions and business, should develop a National Gas Strategy that seeks to increase transparency and competition, sets out an implementation pathway towards more mature domestic gas markets and addresses regulatory barriers to the reliable and competitively priced supply of gas to Australian consumers.

**Action 8.7**
Australian governments should ensure that our liquid fuels market can effectively respond to changes in international supply chains and our domestic market, such as a transition to greater import terminal capacity, by:
» undertaking two-yearly risk assessments of the vulnerability of Australia’s liquid fuel supplies to short-term distributions
» ensuring policy settings support investment in import terminal capacity and fuel storage and distribution infrastructure
» phasing in neutral fuel excise arrangements for all transport fuels based on full energy content.
Implementing the actions identified elsewhere in the action plan will significantly enhance the business environment and its impact on innovation in Australia.

**Action 9.1**
The national approach to innovation should shift away from a focus on government subsidies and expenditure, toward a systematic approach to innovation. The most innovative countries have adopted national innovation strategies, and we should reaffirm areas of existing or potential comparative advantage for Australia, such as the mining equipment, technology and services (METS) sector, and use these to determine and foster national innovation priorities. Government policies should be directed towards these priorities.

- Establish a National Innovation Council. This should replace all other relevant bodies and be reviewed every two years. The first task of the council should be to identify these areas of comparative advantage and national priorities. Development of future, and review of existing, innovation policies should be referenced to these.

- The BCA is undertaking work to identify the drivers of competitiveness for all sectors of the Australian economy, including the capacity for businesses to be more responsive to customer demands and provide greater value add.

**Action 9.2**
Implement the National Science, Technology, Engineering and Mathematics (STEM) Strategy called for by the Chief Scientist of Australia. This will enable a whole-of-government approach to coordinating STEM policies, prioritising public investment and adopting an incentive structure that encourages growth in business investment.

**Action 9.3**
The Commonwealth should require that state governments introduce primary-level specialist teachers, particularly in mathematics and science.

**Action 9.4**
Refinements to the Australian education curriculum should include design thinking as a core competency from primary school onwards.

**Action 9.5**
We should harmonise intellectual property frameworks across the publicly funded research sector. This can be achieved by establishing consistent principles and templates for contracts and managing intellectual property across the public research sector.
Action 9.6
The government should realise the benefits of the digital economy by:

» articulating the benefits from the application of broadband technologies so that it can harness the benefits from the investment being made

» driving reform in the delivery of public services such as health care, Centrelink benefits, Medicare and the Australian Taxation Office. This should include adopting a ‘digital first’ policy aimed at increasing the government’s use and application of innovative ICT in the public sector

» regularly reporting on progress towards achieving its target of having 80 per cent of Australians’ engagement with government through the internet or other online services by 2020.

Action 9.7
Collaboration between public research bodies, education institutions and businesses needs to be strengthened.

» Competitive grant schemes such as the Australian Research Council and the National Health and Medical Research Council should place greater weight on collaboration and engagement with industry as part of the criteria for their assessment.

» Government should examine extending the funding timeframes of the public research sector to better match funding with the timeframes necessary to develop collaborative relationships.

» We need to aim to double the number of formal engagements between CSIRO and business.

Action 9.8
The government needs to put in place settings that facilitate digital commerce and promote confidence in engagement in the digital economy. This should include:

» developing regulations and systems covering evidence of identity that support e-commerce and that allow for the growth in the market of trusted third-party credentials, the services that rely on this evidence, and that allow government to unleash innovation in its service delivery

» given the emerging nature of the market, developing principle-based regulation that provides protection to consumers and service providers.
## Prioritisation and timeline for implementation

### TAX, FISCAL POLICY AND THE FEDERATION

<table>
<thead>
<tr>
<th>TAX, FISCAL POLICY AND THE FEDERATION</th>
<th>PHASE ONE</th>
<th>PHASE TWO</th>
<th>PHASE THREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Prepare Intergenerational Report</td>
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<td>1.2 Undertake whole-of-government audit</td>
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<td>1.3 New fiscal rules – Commonwealth</td>
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<td>1.4 New fiscal rules – states and territories</td>
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<td>1.5 Overhaul of Australian tax system</td>
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<td>1.6 Lower company tax rate</td>
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<td>1.7 Contribute to global tax negotiations on base erosion and profit shifting</td>
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<td>1.8 Progress administrative simplification of the tax system</td>
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<td>1.9 Review and clarify roles and responsibilities within the federation, COAG and federal fiscal relations</td>
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<td>1.10 Improve GST revenue-sharing arrangements among states and territories</td>
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<td>1.11 Introduce National Productivity Payments</td>
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### PLANNING FOR POPULATION AND CITIES

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<tr>
<th>PLANNING FOR POPULATION AND CITIES</th>
<th>PHASE ONE</th>
<th>PHASE TWO</th>
<th>PHASE THREE</th>
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<tbody>
<tr>
<td>2.1 COAG to commit to well-managed population growth as a strategic imperative for Australia</td>
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<td>2.2 Prepare a new National Population Strategy</td>
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<td>2.3 Maintain current migration policy settings</td>
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<td>2.4 Federation review to consider governance arrangements and accountabilities for major cities</td>
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<td>2.5 State governments to improve strategic planning for growth</td>
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<td>2.6 Refocus cities planning on liveable and efficient cities</td>
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<td>2.7 State governments to prepare regional development plans alongside major resource projects</td>
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<td>2.8 Collaborate on an economic development strategy for northern Australia</td>
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<td>2.9 Reform development assessment systems</td>
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<td>2.10 Prioritise projects using rigorous and transparent evaluation methods for development projects</td>
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<td>2.11 Planning agencies to better promote sustainable economic development</td>
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<tr>
<td>PROVIDING INFRASTRUCTURE</td>
<td>PHASE ONE</td>
<td>PHASE TWO</td>
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<td>3.1 Federal government to produce a national infrastructure policy</td>
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<td>3.2 Preparation of a pipeline of approved infrastructure projects</td>
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<td>3.3 Update infrastructure competition regulations</td>
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<td>3.4 Implement COAG heavy vehicle scheme</td>
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<td>3.5 States to provide Infrastructure Australia with high-quality investment proposals</td>
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<td>3.6 Infrastructure Australia to form own view on projects</td>
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<td>3.7 New Commonwealth–state infrastructure funding agreement</td>
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<td>3.8 States to produce regular 15-year infrastructure plans</td>
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<td>3.9 States to introduce new processes for considering unsolicited projects</td>
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<td>3.10 Building Australia Fund to become centrepiece of infrastructure funding policy by federal government</td>
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<td>3.11 Broaden infrastructure funding sources</td>
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<td>3.12 Adoption of infrastructure ownership guidelines by governments</td>
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<td>3.13 Governments to develop specialist infrastructure expertise</td>
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<td>3.14 Restore the Australian Building and Construction Commission</td>
<td><img src="1" alt="1" /></td>
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<td>3.15 Productivity Commission strategic assessment of national infrastructure policies</td>
<td><img src="1" alt="1" /></td>
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</tr>
</tbody>
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##PRIORITISATION AND TIMELINE

FOR IMPLEMENTATION

<table>
<thead>
<tr>
<th>REALISING THE POTENTIAL OF PEOPLE AND WORKPLACES</th>
<th>PHASE ONE</th>
<th>PHASE TWO</th>
<th>PHASE THREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Address literacy and numeracy deficiencies</td>
<td>✔ ✔</td>
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<td>4.2 Deepen capacity of Australian educational engagement with Asia</td>
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<td>4.3 Encourage excellence in teaching</td>
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<td>4.4 Improvement of educational pathways</td>
<td>✔ ✔</td>
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<td>4.5 Reform school funding arrangements</td>
<td>✔ ✔</td>
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<td>4.6 Create environment for world-class, differentiated university courses</td>
<td>✔ ✔</td>
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<td>4.7 Improve focus of vocational education and training arrangements</td>
<td>✔ ✔</td>
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<td>4.8 Improve youth transition into labour force</td>
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<td>4.9 Increase participation rate of older workers through better financial incentives</td>
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<td>4.10 Encourage older Australians to keep working or re-enter workforce</td>
<td>✔ ✔</td>
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<td>4.11 Increase participation rate of mothers and primary carers</td>
<td>✔ ✔</td>
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<td>4.12 Encourage flexible work arrangements for working parents</td>
<td>✔ ✔</td>
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<td>4.13 Improve assistance for disadvantaged jobseekers</td>
<td>✔ ✔</td>
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<td>4.14 Increase rate of Newstart Allowance</td>
<td>✔ ✔</td>
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<td>4.15 Support geographic labour mobility</td>
<td>✔ ✔</td>
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<td>4.16 Productivity Commission inquiry into best practice workplace relations system</td>
<td>✔ ✔</td>
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<td>4.17 Change Fair Work Act to increase flexibility, innovation and reduce costs</td>
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</tbody>
</table>

26 BUSINESS COUNCIL OF AUSTRALIA
### Rethinking Our Approach to Regulation and Governance

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Phase One</th>
<th>Phase Two</th>
<th>Phase Three</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Maintain market-based approach to critical institutions</td>
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<td>5.2 Strengthen transparency of Australian Government decision-making processes</td>
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<td>5.3 Make preparation of Regulation Impact Statements a legislated requirement</td>
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<td>5.4 Make greater use of ASX Corporate Governance Council</td>
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<td>5.5 Establish new framework of accountability for major regulators</td>
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<td>5.6 Undertake a stocktake of National Competition Policy</td>
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<td>5.7 Establish new framework for regular review and updating of regulation</td>
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<td>5.8 Identify regulatory reforms for first tranche of new productivity payments to the states</td>
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<td>5.9 Broaden government and public sector understanding of business</td>
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<tr>
<td>5.10 Develop framework for productivity measurement of public sector</td>
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### Embracing Global Engagement

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Phase One</th>
<th>Phase Two</th>
<th>Phase Three</th>
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<tbody>
<tr>
<td>6.1 Place free trade and investment at the centre of G20 and B20 deliberations</td>
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<td>6.2 Intensify efforts to conclude free trade agreements</td>
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<td>6.3 Raise the general threshold for foreign investment screening</td>
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<td>6.4 Review of Australia’s foreign investment policy as it applies to state-owned enterprises</td>
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<td>6.5 Reduce regulatory impediments in key services industries</td>
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<td>6.6 Reduce regulatory burden in trade-exposed sectors</td>
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<td>6.7 Maintain a more internationally open labour market</td>
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<td>6.8 Establish high-level CEO dialogues with other emerging economic partners in the region</td>
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## A Strong, Stable and Competitive Financial System

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### Phase One
- Maintain Australia's AAA sovereign credit rating
- Broaden and deepen Australia's domestic debt markets
- Address tax biases between different savings and investment options
- Maintain high standards of regulatory consistency in financial markets
- Facilitate movement of capital and minimise market distortions
- Commission a review of the financial services sector

### Phase Two
- Integrate energy and climate change policy
- Reset policy settings to lower costs associated with carbon abatement requirements
- Energy Market Commission to stress-test and review resilience of Australia's electricity markets
- State governments to complete outstanding energy market reforms
- Streamline project planning and environmental approvals for energy resource projects
- Develop a National Gas Strategy
- Develop strategic approach to liquid fuels market

### Phase Three
- Adopt a new systematic approach to innovation and establish a National Innovation Council
- Implement national science, technology, engineering and mathematics strategy
- Introduce primary-level specialist teachers
- Incorporate design thinking and problem solving into national school curriculum
- Harmonise intellectual property frameworks across the publicly funded research sector
- Government to realise benefits of the digital economy
- Strengthen collaboration between industry and research bodies, including CSIRO
- Light-touch regulation to facilitate digital commerce