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.
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.

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.
Providing infrastructure

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.
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)
- reprioritising 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 teamwork, 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.

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
» 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.
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:

» 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

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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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<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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### Providing Infrastructure

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<th><strong>3.4</strong> Implement COAG heavy vehicle scheme</th>
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<th><strong>3.9</strong> States to introduce new processes for considering unsolicited projects</th>
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<th><strong>3.11</strong> Broaden infrastructure funding sources</th>
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<th><strong>3.14</strong> Restore the Australian Building and Construction Commission</th>
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<th><strong>3.15</strong> Productivity Commission strategic assessment of national infrastructure policies</th>
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### PRIORITISATION AND TIMELINE FOR IMPLEMENTATION

**REALISING THE POTENTIAL OF PEOPLE AND WORKPLACES**

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<td>4.1 Address literacy and numeracy deficiencies</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>
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<td>4.5 Reform school funding arrangements</td>
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<td>4.6 Create environment for world-class, differentiated university courses</td>
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<td>4.7 Improve focus of vocational education and training arrangements</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>
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<td>4.11 Increase participation rate of mothers and primary carers</td>
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<td>4.12 Encourage flexible work arrangements for working parents</td>
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<td>4.13 Improve assistance for disadvantaged jobseekers</td>
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<td>4.14 Increase rate of Newstart Allowance</td>
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<td>4.15 Support geographic labour mobility</td>
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<td>4.16 Productivity Commission inquiry into best practice workplace relations system</td>
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<td>4.17 Change Fair Work Act to increase flexibility, innovation and reduce costs</td>
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### Rethinking Our Approach to Regulation and Governance

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<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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<td>5.10 Develop framework for productivity measurement of public sector</td>
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### Embracing Global Engagement

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<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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PRIORITISATION AND TIMELINE FOR IMPLEMENTATION

A STRONG, STABLE AND COMPETITIVE FINANCIAL SYSTEM

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- 7.1 Maintain Australia’s AAA sovereign credit rating
- 7.2 Broaden and deepen Australia’s domestic debt markets
- 7.3 Address tax biases between different savings and investment options
- 7.4 Maintain high standards of regulatory consistency in financial markets
- 7.5 Facilitate movement of capital and minimise market distortions
- 7.6 Commission a review of the financial services sector

A COHERENT AND COMPREHENSIVE ENERGY POLICY

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

CREATING THE RIGHT ENVIRONMENT AND SYSTEMS FOR INNOVATION

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