Australian Chamber of Commerce and Industry

PRE-BUDGET SUBMISSION 2020-21

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Table of Contents

Executive Summary

A decline in business and consumer confidence has had a major impact on Australia's economic growth this year.

To build confidence and stimulate growth, ACCI proposes two broad courses of action in the 2020-2021 budget process:

- Locate public sector resources to improve regulation and service delivery.
- Direct government spending towards measures and investments that will enhance the Australian economy's productivity.

While our economic growth continues to compare favourably with many other advanced economies, geopolitical and global economic uncertainties are having an impact on the confidence of Australian businesses and consumers.

Although the Australian economy is entering its 29th year of sustained growth, it slowed sharply, with real gross domestic product (GDP) down from 2.9% in 2017-18 to 1.6% in 2018-19, almost 1.0% below trend growth over the last decade (2.6%).

Private sector consumption was weak – at 56% of GDP - contributing to Australia's relatively low economic growth in 2019. Despite the substantial increase in government spending on both consumption and investment over the year, private demand continued to contract, with broad based weakness across business investment, household consumption and housing.

An improvement in real disposable incomes coupled with reductions in both interest rates and income taxes did not translate into increased consumer spending. Households are choosing to increase savings and pay down debt rather than increase consumer spending.

The related weakness in the growth of incomes for unincorporated businesses, which includes many small and medium sized enterprises is also of concern. If the weakness in household consumption continues, these businesses are likely to become increasingly reluctant to commit to new investment, with implications for both employment growth and productivity growth.

Weakness in productivity remains a key factor holding back economic growth. Falling productivity is the result of a marked slowdown in investment in capital, or capital shallowing.

Investment typically brings new technologies, which boosts productivity through skills development and innovation. Low productivity is not a problem unique to Australia, but it is essential for Australia's future prosperity that opportunities to increase productivity are identified and acted upon.

ACCI supports the Government in maintaining a well-considered and measured approach to economic conditions by sticking to its objective of a budget surplus in the 2019-20 fiscal year.

Despite downgrading forecasts for budget revenue and economic growth, the Mid-Year Economic and Fiscal Outlook is relatively more favourable than the weak economic conditions experienced during 2019.

ACCI has identified a range of policy priorities and recommendations to the Federal Government to consider, which are summarised in the following pages and discussed in detail further on.

In addition to overarching fiscal reform and savings measures, the recommendations include the following initiatives:

1. Fund and resource the Deregulation Taskforce to expand its work from a pilot to a more extensive program of reform across multiple areas of government regulation. Expand its mandate to improve the efficiency and effectiveness of regulation; to better coordinate regulatory reform across departments and agencies; and better harmonise new and existing regulation.
2. Expand the instant asset write-off to ALL small and medium business investment in eligible depreciable plant and equipment, with businesses able to write-off the first $50,000 in the first year, and the remainder depreciated according to normal depreciation schedules over the standard life of the asset.
3. Commit to growing the circular economy. Provide further Clean Energy Finance Corporation (CEFC) funding to mobilise private investment in waste management, recycling, more efficient use of materials, research and development into new uses for waste materials, market development for recycled materials and explore options for additional funding to be redirected from the Australian Renewable Energy Agency (ARENA).
4. Provide a digital technology investment incentive for small businesses investing in digital technology hardware, software or services that will improve the efficiency of their operations.

5. Fund and trial a new PaTH (Preparation, Trial, Hire) model that offers long-term unemployed youth structured job related vocational training. This should be concurrent with work experience and financially reward PaTH training providers for work experience, internship placements and job outcomes.
6. Commit to long term, consistent funding for Vocational Education and Training (VET) that delivers real funding increases to ensure the economy's skill needs are met.
7. Fund the Fair Work Ombudsman to work with employers on a national advertising campaign to increase employees' awareness of their rights to minimum wages, including where to go for information and support. This should include more compliance inspectors 'on the street'.
8. Identify, and where feasible reduce or eliminate, Australia's non-tariff and tariff barriers that adversely affect trade, reduce productivity, constrain competitiveness and discourage SMEs from participating in off-shore markets.

The full list of ACCI's policy priorities and recommendations are detailed below.

Economic Reform

Government Spending

- Deliver the budget surplus in 2019-20 and maintain the forecast Budget surplus at 1% of GDP over the forward estimates to pay down total Government debt over the medium to long term.
- Limit Government spending as a proportion of GDP below the 30-year average of 24.7% and maintain the Government's tax-to-GDP cap at 23.9% over the long term.

Deregulation and Regulatory Reform

- Fund the Deregulation Taskforce to expand its work from a pilot project to a more extensive program of reform across other areas of government regulation. Expand its mandate to improve the efficiency and effectiveness of regulation; to better coordinate regulatory reform across departments and agencies; and better harmonise new and existing regulation.
- Provide additional funding to bodies that contribute to improving Australia's regulatory environment, such as the Office of Best Practice Regulation and

the Productivity Commission, to maximise their collective contribution to the delivery of best practice, cost effective, outcomes focused regulation.

- Work with the state and territory governments, individually and through COAG, to identify best practice regulation and incentivise its adoption by other states and territories, as well as pursuing opportunities for integrating and harmonising commonwealth and state/territory regulation.
- Work closely with the private sector on regulatory reform to identify priority areas, and draw on industry and other private sector expertise through secondments to regulatory reviews, engaging expert consultants and establishing stakeholder reference groups.
- Continue to reward states and territories that act to repeal burdensome regulation.

Taxation Reform

- Undertake a wholesale, root and branch, review of the tax and transfer system to make it more efficient and effective for both individuals and business.
- Begin the process of national tax reform, by working with the states and territories to remove inefficient state and territory taxes, such as payroll taxes and stamp duties.
- Extend the corporate tax cuts to large businesses, gradually lowering the rate to 25% for all businesses.
- Restore research and development (R&D) funding to previous levels of the R&D tax incentive, while better allocating direct and indirect incentives. This should include continued funding for the indirect R&D tax incentive and making it less complex for small business to apply, as well as increasing direct expenditure in R&D through increased funding for CSIRO, Cooperative Research Centres (CRCs), Research and Development Corporations (RDCs) and providing greater incentive for industry to partner with these organisations on R&D.

Business Investment – Instant Asset Write-Off

- Make permanent the instant asset write-off for purchases by small and medium businesses (with turnover less than $50 million).

- Extend the threshold value for eligible depreciable assets under the instant asset write-off from $30,000 to $50,000.
- Expand the instant asset write-off to ALL small and medium business investment in eligible depreciable plant and equipment, with businesses able to write-off the first $50,000 in the first year, and the remainder depreciated according to normal depreciation schedules over the standard life of the asset.

Access to Finance

- Review the roll-out of recommendations from the Financial Services Royal Commission with a focus on bringing forward measures that improve access to finance for small business.
- Task the Department of Industry, Science, Resources and Energy to explore with ACCI the development of a pilot program to increase financial literacy for small business owners.

Energy Markets

- Develop a coherent overarching energy policy (both electricity and gas) to provide long term certainty that will support private investment in energy infrastructure to meet the future demands of consumers.
- Increase accountability for Government's direct spending on energy market infrastructure to minimise any unbudgeted rise in costs on committed projects, i.e. Snowy 2.0.
- Improve the efficiency and effectiveness of energy policy making, by drawing on existing resources within the Department of Industry, Science, Resources and Energy to establish an agency with professional independence that is responsible for the collection and dissemination of Australia’s energy information and analysis, including monitoring Australia’s energy security.

Infrastructure

- Incentivise State and Territory Governments and local councils to improve procurement practices, such as adopting new developments in auction design that enable packaging of bidding for contracts, to increase competition by enabling a larger number of smaller contractors to bid for projects.

- Work with State and Territory Governments and local councils to bringing forward brownfield, maintenance and repair, projects identified on the Infrastructure Australia priority list, as a means of providing a short-term stimulus to the economy.

Circular Economy

- Commit further Clean Energy Finance Corporation (CEFC) funding to mobilise capital investment in waste management, recycling, more efficient use of materials, research and development into new uses for waste materials, market development for recycled materials and explore options for additional funding to be redirected from the Australian Renewable Energy Agency (ARENA).
- Task the Productivity Commission to undertake a review of the potential economic benefits of the circular economy to Australia. The Review should investigate how the Government and industry can work together to overcome barriers and develop industry led solutions.

Digital Transformation

- Provide a digital technology investment incentive for small and medium businesses (with a turnover of less than $50 million) investing in digital technology hardware, software or services that will improve the efficiency of their operations.
- Explore options for a partnership between the Digital Transformation Agency and industry to develop a pilot program providing information and advice on digital opportunities for small business.

Employment and Skills

Youth Employment – Youth Jobs PaTH

- Financially reward PaTH training providers for work experience, internship placements and job outcomes of young job seekers participating in their programs.
- Fund and trial a new PaTH model that offers long-term unemployed youth, structured job related vocational training concurrent with work experience using a traineeship style model.

Employment Services Trial

- Provide an additional budget allocation for the development costs of the employment services digital platform to ensure that resources are redirected to enhance services so that the reform model truly delivers to those most in need of assistance.

Higher Education

- Ensure higher education students are aware of the potential employment and salary outcomes of their study choices by appropriately funding the promotion of the QILT/ComparEd website.
- Resource the Department of Education to engage in the National Work Integrated Learning Strategy as an active partner and provide secretariat support.

Promotion of STEM Skills

- Promote and encourage those STEM qualifications which deliver good labour market outcomes as well as STEM skills in all disciplines.

Skills and Training

- Commit to long term, consistent funding for VET which delivers real funding increases that ensure the economy's skill needs are met.
- All Diploma and Advanced Diplomas should be eligible for VET Student Loans and review funding caps.
- Fund a review of industry pathways to provide strong guidance to students undertaking VET in Schools.
- Fund the National Skills Commission to undertake a national Workforce Development Strategy no less frequently than every two years.
- Fund a National Apprenticeship Board.
- Maintain the base incentives for apprenticeships and ensure that skills shortage analysis only relates to relevant additional incentives.

Migration and Population

- Restore permanent annual migration levels to 190,000.
- Fund an Industry Outreach Officer Initiative within the Department of Home Affairs.

- Fund the ABS to commence a review of the ANZSCO immediately.
- Halve the SAF Levy for temporary and permanent employer nominated visas.
- Improve the refund policy for the SAF levy so that a refund is available in all cases where the application has not been successful.
- Remove the hypothecation of the SAF levy with VET and ensure VET is appropriately funded from consolidated revenue.

Industrial Relations

Tackling Underpayment

- Fund the Fair Work Ombudsman (FWO) to improve compliance with wages and conditions obligations
- Rename and relaunch the FWO to improve compliance with wages and conditions obligations, and increase knowledge across the community of where to go for assistance and recovery.
- Deliver a significant ongoing national advertising campaign to increase the familiarity of Australians with:
    - Rights to minimum wages / obligations to pay minimum wages, and that minimum wages differ (often very complexly) based on hours worked.
    - Where to go for information and support (e.g. the rebranded and relaunched FWO).
    - The need for all Australians to check their pay, and ensure small problems are identified and addressed prior to becoming big ones.
- Hire 50 more workplace inspectors to ensure that more complaints can be acted on, more workplaces visited and more prosecutions pursued.

Additional, Innovative, New Compliance Services

- Fund the FWO to pilot a form of authoritative ruling, akin to the rulings the ATO is empowered to provide on taxation, which could be relied upon by employers in applying awards and agreements in their workplaces
- Consider new, innovative compliance services, to assist employers in understanding and complying with their obligations and thereby addressing underpayments, such as:

- ‘Review my roster’ to allow an employer to run their roster by the FWO and validate the rates applied for particular patterns of hours, without triggering compliance activities.
- Accredited auditing providers, who would be able to audit and certify employer compliance, and for this to be relied upon by the FWO.

- Work with industry to pilot / roll out a form of accreditation that employers are taking measures to ensure they comply with wages and other obligations.

Tackle workplace sexual harassment

- Fund a national advertising campaign, supported by complementary initiatives, to change attitudes and behaviours to prevent / reduce the incidence of sexual harassment in workplaces.
- Support industry and multi-industry representative bodies, such as chambers of commerce and industry associations, to develop and implement voluntary industry driven codes of practice, independent complaint mechanisms, or other comparable initiatives to acknowledge and seek to reduce sexual harassment in workplaces, particularly SMEs lacking capacity to do so on a stand-alone basis

Additionally Fund the Registered Organisations Commission

- Fund the Registered Organisations Commission to ensure any additional functions allocated to it can be performed effectively.

Work Health and Safety and Workers Compensation

Ensure effective policy and delivery to make workplaces safer

- Continue to fund Safe Work Australia to provide effective policy and services.
- Support ACCI to provide information and representation to Australian employers, within and beyond its network, and to leverage ACCI’s research and programs to support WHS awareness and compliance in small business.

Trade

The Importance of Trade Data

- Release timely data on both importers and exporters to improve the understanding of the characteristics of these companies and to aid policy-making and support services.

Make Trade Agreements Accessible to Business

- Work with private sector representative bodies such as ACCI and its extensive network of business organisations to deliver improved services to exporters in a collaborative approach to improve the reach of initiatives and reduce the risk that Government actions "crowd out" private sector led initiatives.

Increase Promotion of Government-developed Tools to Make Trade Simpler and Faster

- Continue to collaborate with industry representatives, including members of the ACCI network, to develop and deliver simple resources for SMEs to capitalise on Free Trade Agreements. These resources should be easily accessible to the public and reduce Non-Tariff Barriers to international trade.
- Accelerate work on the "Single Window" by incorporating private sector initiatives in trade modernisation.

Objective Independent Economic Analysis

- Undertake economic assessment of our existing and proposed trade agreements to ensure they deliver economic benefits to Australia.
- Streamline trade agreement benefits by undertake a "stocktake" of the value of maintaining bilateral preferential trade agreements where the same nations are party to wider regional agreements.

Non-Tariff Barriers

- Continue to identify, and where feasible reduce or eliminate, non-tariff barriers that adversely affect trade, both domestic and international, both in Australia and our overseas markets.

Trusted Trader Scheme

- Consider how to include as many as possible of the thousands of companies who are already “known” within the DFAT managed certificate of origin registration system to dramatically escalate the number of companies to benefit from the Trusted Trader system.

Competing in Developing Markets

- Support exporters by leveraging the international business linkages available through the ACCI network of chambers of commerce and industry associations,
- Boost exports by restoring the Export Market Development Grants scheme to $200 million, and streamline and improve scheme administration.
- Restore Tradestart to the previous funding and delivery models.

Official Development Aid

- Cap 2020-21 aid funding commitments, inclusive of climate change funding, at $5 billion. Beyond that, defer the trajectory in increased aid until such time as the budget provides a secure and ongoing surplus.
- Provide additional resources to advance Australia’s economic cooperation with Indonesia under the Indonesia Australia Comprehensive Economic Partnership Agreement (IA-CEPA)
- Support Indian Ocean Rim initiatives supporting trade and investment as drivers to economic development.

Anti-Dumping Commission

- Investigate the merits of including an Economic Benefits Cost Analysis in decision-making by the Australian Anti-Dumping Commission.

1. Introduction

Geopolitical and global economic uncertainties continue to constrain growth in the Australian economy and other advanced economies more broadly. The US-China trade and technology disputes, Brexit, protests in Hong Kong and tensions in the Middle East individually and collectively present downside risks to the economic outlook. These factors are adversely impacting on the confidence of Australian businesses and consumers about the future prospects for the economy.

As a medium-sized, open economy, Australia depends on the international trade in goods and services and flow of investment capital to deliver strong economic outcomes. Therefore, any abrupt disruption to existing patterns of international trade and finance would be highly undesirable. Despite the uncertainty as to whether or when any of the geopolitical or global economic risks may materialise, it is critical that their potential impact on the Australian economy is minimised through sound public policies, disciplined government financial management and well targeted government spending and revenue collection.

Through the 2020-21 budget process, the government has the opportunity to improve the living standards of Australians no matter what the future holds. It can achieve this through two broad courses of action. First, by efficiently reallocating resources within the public sector to increase their effectiveness in policy making, regulation and service delivery. Second, by directing government spending towards measures and investments that will enhance productivity.

The Australian economy is entering its 29th year of sustained growth. This is an exceptional outcome relative to that experienced by other advanced economies over this period. Although Australia's economic growth continues to compare favourably with many other advanced economies, the rate of growth is being moderated by international factors weighing on the expectations of businesses and consumers.

As shown in the 2019 September Quarter National Accounts, Australia's year-on-year rate of growth in real gross domestic product (GDP) declined over the last year from 2.9% in 2017-18 to 1.6% and 1.7% for the June and September quarters, respectively[1]. These are levels of economic growth that are around the weakest since the Global Financial Crisis (GFC) and almost 1.0% below trend growth over the last decade (2.6%). While strong population growth (1.6% during the year ended 31 March 2019) is a major driver of economic growth, on a per capita basis the economy is hardly growing.

A major contributor to Australia's relatively weak economic growth is domestic demand, which was just 0.9% year on year in the September quarter. Despite the substantial increase in government spending on both consumption and investment over the year (+5.2%), the quarterly contraction in private demand over that period resulted in an overall contraction of -0.4% for the year. At around 56% of GDP, private demand is by far the largest share of domestic demand. It is therefore concerning that the contraction in private demand over the year represents broad based weakness across business investment (-1.7%), household consumption (1.2%) and housing (-9.6%).

On the whole, the factors contributing to GDP growth are mixed, with a clear distinction between the positive contribution of government consumption and investment across the Commonwealth and the states and territories, along with net exports, and the drag on growth from overall weakness in private demand.

While the last year has seen a sharp improvement in real disposable incomes in the household sector (+3.2%) due to income growth, particularly labour income, and reductions in both interest rates and income taxes, this is more than offset by the 2.7% increase in the household savings rate in the September quarter. About 80% of the September quarter's increase in disposable incomes was saved. [2]

The personal income tax cuts introduced in July and the series of reductions in the cash rate by the Reserve Bank between June and September, to a historic low of 0.75%, have to date failed to deliver the expected lift in household consumption. Quarterly and annual growth in consumer spending is now at levels not experienced since the GFC. With high levels of debt (both home loans and credit cards), households are feeling increasingly vulnerable to labour market shocks, whether real

[1] ABS 5206.0 National Accounts: National Income. 04 September 2019.

[2] WBC Bulletin 4 December 2019

or perceived. The ANZ weekly consumer confidence index[3], fell to a four year low at the end of November 2019, continuing a downward trend that has persisted since July 2019. The household sector has become risk averse and acting accordingly by paying down debt.

Also, of concern, is the related weakness in the growth of incomes for unincorporated businesses, which includes many small and medium sized enterprises. If the weakness in household consumption continues, these businesses are likely to become increasingly reluctant to commit to new investment, with implications for both employment growth and productivity growth.

Although employment grew strongly over the past 18 months, with over 300,000 jobs added in the 2018-19 financial year and around 275,000 jobs added in the year to September, there is still significant slack in the labour market. Unemployment and underemployment have remained around 5.3% and 8.7%, respectively, since April 2019. This represents almost 1.8 million people or around 14% of the labour force underutilised and is a factor contributing to the modest growth in real wages.

Productivity growth is the driver of living standards and a major determinant of wage growth in the economy. The rate of growth in labour productivity continues to decline since the peak of just over 4.0% in 2011-12. In 2018-19, the rate of labour productivity fell by 0.2%, which is the first decline in 25 years. The decline is worse at -0.8% when measured in terms of output per hour of work, and changes to the composition of labour resulting from educational attainment and work experience are accounted for. Multifactor productivity has also turned negative, falling by 0.4% over the year. Although there are significant variations in productivity growth across sectors, and states and territories, Australia has struggled with multifactor productivity averaging just 1% since 2012-13. This is well below the long-term trend growth rate of 2.2%.

While the economy has benefited from strong employment growth over recent years, the weakness in productivity is generally attributable to capital shallowing evidenced by a marked slowdown in investment in capital. Investment typically brings new technologies, which complement skills development and innovation to boost

[3] ANZ Consumer Confidence Index 26 November 2019

productivity. Slackness in the labour market and low productivity growth at a time when interest rates are historically low, would normally encourage businesses to increase investment. However, weakness in consumer spending and global uncertainties have made committing to new investment challenging for many businesses.

Low productivity is not a problem unique to Australia. But it is essential for Australia's future prosperity that opportunities to increase productivity are identified and acted upon. Although international factors are presenting a challenge to the Australian economy returning to trend growth, the ability of small and medium sized businesses to invest, grow and employee is critical to achieving this outcome. In such a challenging environment, businesses need the incentives and support from government to capture opportunities and invest.

ACCI supports the Government in maintaining a well-considered and measured approach to economic conditions by sticking to its objective of a budget surplus in 2019-20 fiscal year. Despite downgrading forecasts for budget revenue and economic growth, the Mid-Year Economic and Fiscal Outlook is relatively more favourable than the weak economic conditions experienced during 2019. The Government is still waiting for the stimulatory effects of planned infrastructure spending and income tax cuts to flow though the economy. There is good reason for the Government to adopt a wait and see approach.

If downside risks to the economy do materialise, then the Government is in a strong position to spend on additional targeted measures that support private sector demand including consumer spending and business investment that also boost Australia's productivity growth.

In preparing the 2020-21 Budget, it is important there is a continued effort to increase the efficiency and effectiveness of the public service and create the conditions necessary for productivity growth and a stronger economy. ACCI is calling on Government to support businesses to invest and grow, lift productivity and create more jobs.

ACCI proposes a range of policy priorities and recommendations to the Federal Government for consideration in the upcoming 2020-21 Federal Budget. Broadly, these policy priorities fall under the areas of:

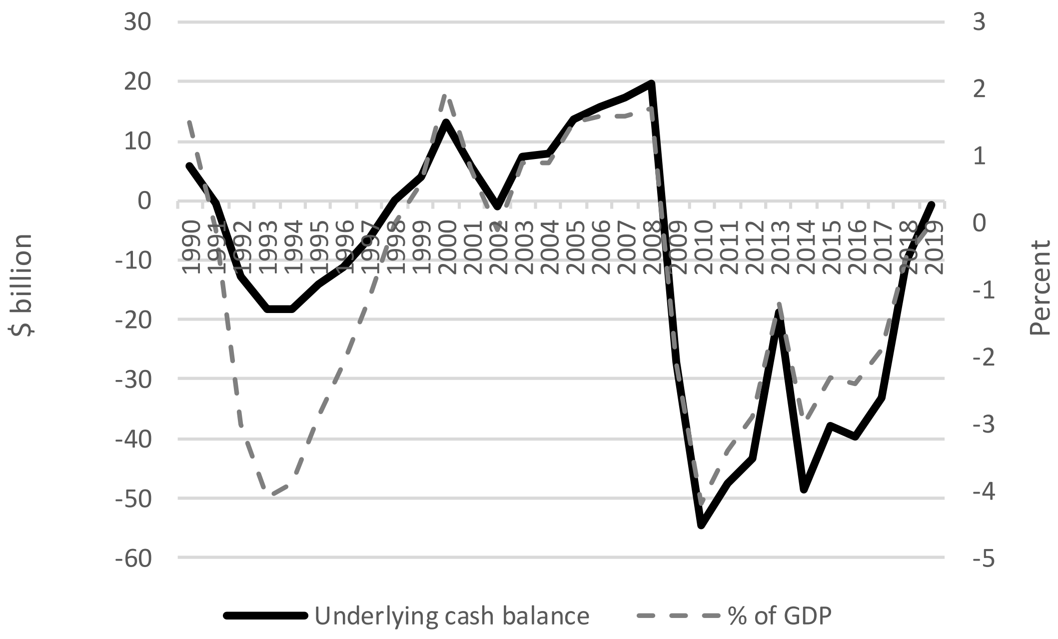
- Economic Reform
- Employment and Skills
- Industrial Relations
- Work Health and Safety
- Trade

2. Economic reform

2.1 Government spending

ACCI supports the Government maintaining its focus on fiscal discipline to achieve a Budget surplus in 2019-20. In the decade prior to 2009, the Budget was in surplus. Since then, stimulatory measures introduced to support the economy following the Global Financial Crisis and major areas of expenditure, such as the National Disability Insurance Scheme, have seen successive budget deficits and an increase in public debt.

Figure 8: Budget – Underlying Cash Balance



Since 2009, Government debt has grown to $374 billion, or 19.2% of GDP, with annual interest on this debt costing the Budget $14.1 billion per year (0.7% of GDP). This money could be better spent elsewhere on productivity enhancing investment, essential Government services or cutting taxes.

As set out in the 2019-20 Budget, the Government is on track to deliver its commitment of a surplus in 2019-20 and increase the surplus to 1.0% of GDP over the forward estimates. ACCI commends the Government on its progress towards achieving the Budget surplus in challenging economic times. However, the job is not over — it is just the beginning.

Given the challenging global economic conditions and their effect on the Australian economy, it is essential that efforts continue to strengthen the Budget position to ensure Australia is well prepared to respond to any deterioration in conditions. Alternatively, if economic conditions become more favourable than expected, a strong Budget position gives the Government greater opportunity to support investment in infrastructure, spend on essential services and/or pay down debt more quickly.

The forecast Budget surplus of $5.0 billion is driven mainly by stronger than expected revenue collections from individuals and businesses as a consequence of employment growth and higher corporate profits. This has placed the burden of Budget repair on increased revenue, which is characteristically volatile. While the adoption of a very conservative forecast of the iron ore price (US$55 per tonne by the end of June 2020 compared to a current market price of around US$92 per tonne) provides a buffer to the Budget, a sustainable improvement in the Budget position is needed. To achieve the Government's aim of achieving zero net debt by 2029-30, an increase in the efficiency of Government operations and constraints on Government spending are needed.

ACCI welcomes the recent decision to rationalise Government Departments, reducing the number from 18 to 14. This provides opportunities to increase efficiency within the public sector and reduce Government expenditure, while focusing on effective delivery of government services. ACCI encourages the Government to continue these efforts by taking the next step and rationalise the more than 180 Government agencies.

Government spending is currently at 24.6% of GDP, and forecast to remain around that level over the forward estimates. To enforce discipline in spending, the government should set a cap on spending at 24.7% of GDP, which represents the 30-year average reported in the 2018 Mid-Year Economic Forecast and Outlook.

In addition, while the current tax-to-GDP ratio is below the Government's target of 23.9%, based on the current trajectory this target is expected to be exceeded in 2025-26. Policies are needed to reduce the tax burden on individuals and businesses and ensue that the Government's self-imposed tax-to-GDP ratio cap is not exceeded in the future.

These measures will strengthen the Government's Budget position and place Australia in a more favourable position to seize opportunities and deal with whatever the future holds.

Recommendation
• Deliver the budget surplus in 2019-20 and maintain the forecast Budget surplus at 1% of GDP over the forward estimates to pay down total Government debt over the medium to long term. • Limit Government spending as a proportion of GDP below the 30-year average of 24.7% and maintain the Government's tax-to-GDP cap at 23.9% over the long term.

2.2 Deregulation and regulatory reform

The burden of regulation is a key factor constraining Australia's productivity, growth and international competitiveness. The World Economic Forum's 2019 Global Competitiveness Index ranked Australia 80 out of 141 countries on the burden of regulation.

ACCI strongly endorses recent progress on regulatory reform through the Deregulation Taskforce, and supports efforts to do more. The Deregulation Taskforce's approach has been to look at all regulation applying to selected individual sectors, with the aim of making existing regulation more efficient and effective. ACCI welcomes the benefits from the current focus on deregulation that will make it easier to export more Australian manufactured food, streamline major project approval processes, help small businesses employ more Australians, and create a one-stop shop for business to update, manage, and maintain their business registry data in one location.

The Deregulation Taskforce's three 'deep dives' are a good example of a centralised, focused, co-designed approach, ensuring regulation is fit for purpose. This approach could be applied across many areas of government to improve the efficiency and effectiveness of existing regulation.

This is a mammoth task. In the past ACCI has raised pertinent issues requiring action across a broad array of areas, including the Customs Act and Excise Act, infrastructure planning, building and procurement, medicines and medical device regulation, labour market testing and employment services, transport, mobility, supply chains and freight, agricultural supply chains, work health and safety, retail trading hours and leasing and state liquor laws. While the deep dive approach is commended, there is potential to expand the process across many other areas of government regulation to deliver substantial productivity gains across the economy.

Given the need for ongoing regulatory reform that ensures all government regulation is fit for purpose, ACCI believes the function of the Deregulation Taskforce needs to become permanent. This would require expanding the present Taskforce's effort from that of a pilot project to a more extensive program of regulatory reform.

A series of rolling reforms applying the 'deep-dive' approach to other areas of government regulation is likely to yield significant benefits through improvements in the efficiency and effectiveness of regulation. The ever-changing regulatory context suggests there are also benefits in revisiting those areas previously reviewed at some point in the future. Delivering fit for purpose regulation is similar to painting the Sydney Harbour Bridge – it is never ending.

ACCI suggests the government expands the mandate of the current deregulation effort to include improvements to the efficiency and effectiveness of regulation; better coordination of regulatory reform across departments and agencies; and better harmonisation of new and existing regulation. This requires a close and effective working relationship between the Office of Best Practice Regulation, as it reviews new and proposed regulations, and the Taskforce, as it dives into existing sector-specific regulation and recommends improvements. ACCI supports a 'whole-of-Government' approach to overcome the current siloed approach by government departments to regulation.

As shown by the Deregulation Taskforce, this work is resource intensive. ACCI supports the provision of additional funding to this function to ensure it is adequately resourced to effectively deliver on an expanded remit.

The Deregulation Taskforce has demonstrated that setting-up this function as a taskforce and locating it within Treasury has enabled it to be agile and adaptable.

Also, it has been able to easily draw resources from other government departments and the private sector, tapping into expertise and capability where and when it is required.

In addition to departments and agencies responsible for specific regulations, the Government has a range of bodies with either direct or indirect responsibilities for improving Australia's regulatory environment. Two of the major bodies are the Office of Best Practice Regulation (currently in the Department of Prime Minister and Cabinet [PM&C]) and the Productivity Commission (currently under Treasury). As is the case with regulatory responsibilities across departments, these bodies can operate in a siloed and fragmented way. ACCI supports greater investment in these bodies to maximise their collective contribution to the delivery of best practice, cost effective, outcomes focused regulation.

Most States and Territories have their own approach to regulatory reform to reduce regulatory burden and improve outcomes. For example, Streamline WA applies a similar approach to the Deregulation Taskforce, focusing on a small number of priority areas to improve the efficiency of existing regulation and remove ineffective regulation. In Victoria, the recent merger of the Commissioner for Better Regulation and Red-Tape Commissioner provides a model of an independent coordinated approach to improve regulatory performance.

Given the different approaches to regulation adopted by States and Territories, there are likely to be significant benefits from the Commonwealth working with them to identify best practice approaches and opportunities for not only harmonising approaches, but also regulations.

Government has recognised the value of working with industry and other private sector stakeholders to identify priority areas for regulatory reform. The private sector is well placed to advise on the impacts of current regulations and identify where improvements can be made. This value-add should be incorporated into the ongoing process of regulatory reform through seconding private sector representatives to regulatory reviews, engaging expert consultants and establishing stakeholder reference groups.

Recommendation

- Fund the Deregulation Taskforce to expand its work from a pilot project to a more extensive program of reform across other areas of government regulation. Expand its mandate to improve the efficiency and effectiveness of regulation; to better coordinate regulatory reform across departments and agencies; and better harmonise new and existing regulation.
- Provide additional funding to bodies that contribute to improving Australia's regulatory environment, such as the Office of Best Practice Regulation and the Productivity Commission, to maximise their collective contribution to the delivery of best practice, cost effective, outcomes focused regulation.
- Work with the state and territory governments, individually and through COAG, to identify best practice regulation and incentivise its adoption by other states and territories, as well as pursuing opportunities for integrating and harmonising commonwealth and state/territory regulation.
- Work closely with the private sector on regulatory reform to identify priority areas, and draw on industry and other private sector expertise through secondments to regulatory reviews, engaging expert consultants and establishing stakeholder reference groups.
- Continue to reward states and territories that act to repeal burdensome regulation.

2.3 Taxation reform

The burden of taxation continues to increase and weigh heavily on Australia's economic growth. The tax and transfer system is needlessly complex and unnecessarily expensive to administer.

Improving the efficiency of the tax and transfer system has the potential to boost Australia's national income by tens of billions of dollars a year. It will also ensure the Australian economy is in a strong position to prosper despite an increasingly uncertain global economic environment.

Australian businesses need to remain globally competitive and a wholesale review of the tax system could help achieve this aim. The review would look at broader tax reform beyond the personal and corporate tax cuts, including an assessment of consumption taxes, fringe benefits and capital gains tax, and state taxes, including payroll tax, as well as an examination of offshore services and product suppliers to ensure they are complying with their tax obligations. The review should also include the transfer system, as the complex mix of tax rates and welfare benefits jointly impact on the financial outcomes of Australians.

A wholesale review of the tax system is a long-term goal. There are also a number of actions that could be taken in the short-term to improve the tax system for business, and to prepare for, and make progress towards broader tax reform.

Personal and Business Taxes

ACCI applauds the Government's achievement in designing, securing Parliamentary support for, and now delivering the personal tax reform package in full. Stage 1 delivered an immediate benefit through the Low to Middle Income Tax Offset for those earning up to $126,000, while Stage 2 and 3 will lower the tax rates and thresholds, reducing the marginal tax rate for those earning up to $200,000 to 30% in 2024-25.

However, while important, the rate of personal income tax is just one element of the tax challenge facing Australia in its quest to remain an economically competitive country.

Australia's corporate tax rate at 30% for large businesses is very high by international standards, well above the OECD average combined statutory tax rate of 23.7% in 2018.[4] Less than 20% of the 94 countries included in the OECD's analysis have a statutory tax rate of 30% or above.

ACCI supported the Government to lower the tax rate for small and medium business (turnover less than $50 million per annum) to 27.5% and its legislation to reduce it further to 25% in 2021-22. A consequence of this achievement, welcome as it is for the significant majority of Australian businesses, is that the corporate tax rates between small and large businesses are now misaligned. Given that many small businesses rely on large businesses as both suppliers and customers, this disparity in tax rates risks holding back growth of both large and small business.

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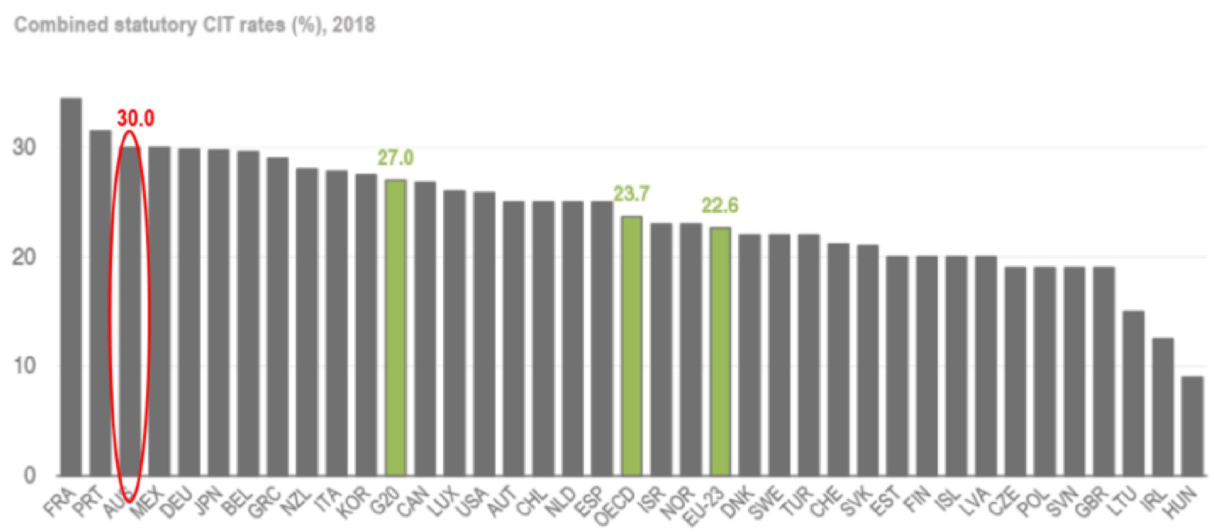
[4] The OECD Tax Database, http://www.oecd.org/tax/tax-policy/tax-database/#C_CorporateCapital

Extending the corporate tax cuts to large businesses, gradually lowering the rate to 25% for all businesses, will make Australian businesses more internationally competitive. It will also provide greater incentive for larger businesses to undertake more investment – to grow and employ more people.

Figure 10: Combined Statutory Corporate and Capital Income Taxes



Source: The OEDC Tax Database, June 2018

Review of Federal-State Funding Arrangements

There is growing interest from the states in tax reform. NSW initiated the discussion with the Review of Federal Financial Relations — an independent review of the State's revenue system, with a focus on better integrating state and federal taxes. The terms of reference for the Review cover the interaction between different levels of government, the revenue system including the design and complexity of funding arrangements, options for reforms to encourage a more dynamic federalism, and a realistic assessment of feasibility and implementation issues. [5]

There are many opportunities to work with the states and territories to remove inefficient taxes such as stamp duties and payroll taxes. However, the removal of these inefficient taxes will increase demands on the Goods and Services Tax (GST)

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[5] NSW Federal Financial Relations Review https://www.treasury.nsw.gov.au/federal-financial-relations-review

to support state and territory budgets. Therefore, in reviewing Federal-State funding arrangements, it is necessary to examine the current GST settings and consider options to broaden the base and increase the rate to provide long-term sustainable funding to the states and territories.

While ACCI sees national tax reform as a longer-term objective, we encourage the Government to work with the states and territories to better align Commonwealth and state taxes and make them more efficient. ACCI asks the Government to support the NSW Federal Financial Relations Review and closely examine the recommendations when the final report is delivered, and encourage other states and territories to undertake similar reviews.

Research and Development Tax Incentive

Australian investment in research and development (R&D) has fallen substantially in recent years, such that it is now below 1.9% of GDP. This is well below the OECD average of 2.4% of GDP and other major economies such as Japan (3.2%), Germany (3.0%) and the United States (2.8%).[6]

Recent changes to the Research and Development Tax Incentive (R&DTI), while intending to improve the integrity of the measure, have increased the complexity for businesses to apply for the incentive and reduced the amount of Government funds supporting Australian R&D activity. As a result, there has been a substantial reduction in business investment in R&D, at a time when this investment is desperately needed. The amendments to the R&DTI also missed the opportunity to stimulate more R&D collaboration between local industry and research institutes.

In addition to the indirect investment in R&D through the R&DTI, consideration should be given to increasing direct investment. This includes direct investment in R&D, through increased funding for CSIRO, Cooperative Research Centres (CRCs), Research and Development Corporations (RDCs) and university research. It should also include more incentives for business to invest collaboratively with these and other research institutions to ensure institutional research is better focused on the

[6] https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm

needs of industry. This will ensure the greatest return is gained from the research dollar.

Recommendation
• Undertake a wholesale, root and branch, review of the tax and transfer system to make it more efficient and effective for both individuals and business. • Begin the process of national tax reform, by working with the states and territories to remove inefficient state and territory taxes, such as payroll taxes and stamp duties. • Extend the corporate tax cuts to large businesses, gradually lowering the rate to 25% for all businesses. • Restore the R&D funding to previous levels of the R&D tax incentive, while better allocating direct and indirect incentives. This would include continued indirect funding, through the R&D tax incentive and making it less complex for small business to apply, as well as increasing direct expenditure in R&D through increased funding for CSIRO, CRCs, RDCs and Universities, and providing greater incentive for industry to partner with these organisations/institutions on R&D.

2.4 Business Investment – Instant Asset Write-Off

Despite solid growth in employment, there has been a marked slowdown in capital investment by businesses. The 2019-20 Mid-Year Economic and Fiscal Outlook shows business investment falling by 1% in 2018-19 and forecast to grow by only 1½% in 2019-20, compared to earlier forecasts in the 2019-20 Budget in May 2019 expecting business investment to increase by 5%. ABS data shows a contraction of 2.4% in private new capital expenditure and expected expenditure in seasonally adjusted terms over the year to September 2019.[7]

[7] ABS 5625.0 Private New Capital Expenditure and Expected Expenditure, Australia, Sept, 2019 https://www.abs.gov.au/ausstats/abs@.nsf/mf/5625.0

This weak growth in business investment comes on the back of a substantial decline in average annualised real growth in non-mining investment over almost the last two decades. For the decade up to 2008-09, annual real growth non-mining investment in machinery and equipment averaged over 9.5% compared to the following eight years where it averaged less than 0.5%[8].

The weak growth in business investment is having a flow on impact on labour productivity, which has fallen considerably over the past decade driven by a marked decline in the capital to labour ratio (capital shallowing). Business investment typically brings new technologies, which complement skills development and innovation, driving productivity gains. Without an increase in business investment, Australia's productivity will continue to slide.

The instant asset write-off enables a small and medium sized enterprise (SME) to bring forward the depreciation on an eligible depreciable asset to the year of investment, such that the full value of the asset can be claimed as a tax deduction in the first year of the asset's life. Under the current instant asset write-off, businesses with a turnover less than $50 million are able to claim a full tax deduction in the first year for eligible assets that cost up to $30,000.

Under normal circumstances an asset would be depreciated in a way that apportions its cost over its operational life. For example, if an asset was deemed to have an operational life of five years and straight-line depreciation was applied, then the SME would be able to claim as a tax deduction of 20% of the value of the asset each year over the five-year life of the asset.

The instant asset write-off changes the timing of the tax deduction, but it does not change the total value of the tax deduction. It puts more money in a small business owner's pocket today, for operation expenditure or investment in other assets, but reduces the tax deductions they can claim in the future years. It has minimal impact on the Budget bottom line, as it simply shifts the timing of tax revenue.

While the instant asset write-off has stimulated small business investment, there is concern it is not substantial enough to stimulate broad based business investment required to boost productivity. There is a strong case for making the instant asset

[8] https://www.rba.gov.au/speeches/2018/pdf/sp-gov-2018-03-07.pdf

write-off permanent. Further, to build on its success and increase its impact in stimulating investment by SMEs, there is scope to increase the threshold and expand the scope of eligible assets.

At $30,000, the current threshold for investment tends to be limited to the purchase of small, short-lived assets, such as computer systems and video conferencing equipment in an office, sets of power-tools and other handheld equipment for a tradie, or deep-fryers or ovens for a commercial kitchen. However, the instant asset write-off would have greater impact and stimulate greater business investment if it were increased to enable SMEs to purchase broader range of assets important to their everyday operations, such as vehicles and other plant and equipment that are valued well above the current threshold. For example, a small skid loader (bobcat) used to prepare a house building site cost approximately $50,000, and a farm tractor can cost more than $100,000. There would be greater benefit if it was applied to all eligible depreciable assets, with businesses able to claim a deduction of up to $50,000 in the first year, and the remainder of the asset value depreciated over subsequent years of its operational life according to normal depreciation schedules.

In the current weak investment environment for non-mining businesses, we recommend that the instant asset write-off be made permanent, the threshold be increased from $30,000 to $50,000 and the write-off be expanded to all investment by SMEs (annual turnover of up to $50 million) in eligible plant, equipment and machinery. This will encourage greater investment in plant and equipment by SMEs, enabling them to grow and expand their business. It will also have flow on benefits to other sectors of the economy. For example, recent data indicates that vehicle sales has fallen over 8% in 2018-19 (VFACTs), with light commercial vehicles one of the hardest hit, down by 11%.[9]

[9] VFACTS, October 2019 - https://www.caradvice.com.au/805522/vfacts-october-2019-sales-results/

Recommendation
• Make permanent the instant assets write-off for purchases by small and medium businesses (with turnover less than $50 million). • Extend the threshold value for eligible depreciable assets under the instant asset write-off from $30,000 to $50,000. • Expand the instant asset write-off to ALL small and medium business investment in eligible depreciable plant and equipment, with businesses able to write-off the first $50,000 in the first year, and the remainder depreciated according to normal depreciation schedules over the standard life of the asset.

2.5 Access to finance

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry exposed a number of poor practices by banks and other lending institutions.

ACCI welcomes the Government’s announcement that it will adopt all 76 recommendations put forward by Commissioner Hayne. In rolling out the legislation to implement these recommendations, ACCI proposes the Government initially focus on the recommendations that have the potential to increase assess to finance for small business.

Access to finance is a key factor holding back small business owners, limiting the ability to grow and expand their business. ACCI welcomes the establishment of the Australian Business Securitisation Fund to assist small banks and other non-bank lenders to provide loans to small businesses on competitive terms. ACCI also welcomes the recent launch of the Business Growth Fund, with the Government working with major lending institutions to provide long-term equity funding to small business. While relatively small in their initial stages, these funds will increase the options and opportunities for small business to seeking finance to grow and expand their business.

However, there appears to be a knowledge gap, with many small business owners often lacking the necessary financial literacy, as well as the time and resources, to review their business situation and assess the range of financial products available to determine whether they are eligible for a loan. When they do apply for loans, many small businesses are unsuccessful because they may not have sufficient, or the right, documentation to meet the lending institution's requirements.

ACCI through its extensive network of affiliate chambers and industry associations is well placed to assist small business access services to improve their financial literacy and increase their awareness of the range of financial products available. Research has shown that business chambers and industry associations are viewed as reliable and are highly trusted by the small business community[10]. ACCI and our affiliates are well placed to provide this service to small business.

It is proposed the Department of Industry, Science, Resources and Energy be tasked to work with ACCI to explore the development of a pilot program to increase awareness of services available to small business owners and to improve their financial literacy. This program could involve the production of fact sheets and delivery of seminars for small business owners on vocational educational and training opportunities, and other services they can access to improve their financial literacy, as well as the range of financial products available to support their business growth.

Recommendation
• Review the roll-out of recommendations from the Financial Services Royal Commission with a focus on bringing forward measures that improve access to finance for small business. • Task the Department of Industry, Science Resources and Energy to explore with ACCI the development of a pilot program to increase financial literacy for small business owners.

[10] Small Business Taskforce: Report to Government p.1 - https://www.industry.gov.au/data-and-publications/small-business-digital-taskforce-report-to-government

2.6 Energy Markets

Over the past decade, instability in energy and carbon emissions reduction policy, as well as increasing regulation and Government intervention in the energy sector, has created a high level of uncertainty that has held back private investment and distorted investment decisions. This contributed to the rapid rise in energy prices and instability of energy supply experienced in recent years.

The Australian economy needs a coherent over-arching energy and carbon emissions policy, which has bipartisan support, to provide the long-term certainty necessary to support private investment in the energy sector, which is typically large-scale and long-term. It is important that energy policies focus on market-based solutions that stimulate private sector investment, and promote and support a competitive market.

Over the past 12 months, the Government has initiated major electricity market intervention, particularly in the generation and retail sectors of the electricity market. These include direct investment in Snowy 2.0 ($2 billion – although costs are expected to rise to between $5 and $10 billion), Underwriting New Generation Investment program ($10 million), Grid Reliability Fund (an additional $1 billion funding to the CEFC), Default Market Offer, and the 'big stick' (Prohibiting Energy Market Misconduct) legislation. While aiming to address specific problems, these interventions distort the electricity market and could have unintended consequences with long term adverse impacts on the market.

Similarly, policy uncertainty and regulation have been key factors contributing to gas supply constraints in the east coast market (NSW, Victoria, Queensland, South Australia and Tasmania). This has driven the average price of domestic gas to unprecedented highs over the past five years, such that many businesses relying directly or indirectly on gas as feedstock for processing or power generation, face closure or relocation overseas.

Energy policy needs to be developed with a comprehensive understanding of the long-term impact of new interventions on the dynamics of the energy market and ultimately its impact on customers. Currently, data and analysis to support policy decisions is not comprehensive, not readily available and not independently provided by a trusted single source, which undermines the confidence in the quality of decision-making.

To address this, it is proposed Government establish a single agency, such as the former Bureau of Resource and Energy Economics, with responsibility for providing energy data and analysis. This will better coordinate and improve efficiency in the delivery of the data collection, analysis and dissemination, and the monitoring of Australia's energy security. The recent restructure of the public service that has merged energy and resources back together under the same Department will help to facilitate this. A remit of the new Department of Industry, Science, Resources and Energy should be to establish an energy statistics and analysis agency with professional independence under its umbrella to support better energy policy making.

Recommendation
• Develop a coherent overarching energy policy (both electricity and gas) to provide long term certainty that will support private investment in energy infrastructure to meet the future demands of consumers. • Increase accountability for Government's direct spending on energy market infrastructure to minimise any unbudgeted rise in costs on committed projects, i.e. Snowy 2.0. • Improve the efficiency and effectiveness of energy policy making, by drawing on existing resources within the new Department of Industry, Science, Resources and Energy to establish an agency with professional independence that is responsible for the collection and dissemination of Australia's energy information and analysis, including monitoring Australia's energy security.

2.7 Infrastructure

Australia's population is projected to grow from 25 million in 2018 to 30 million by 2030. With Australia's major cities already under strain, greater investment in infrastructure is needed.

ACCI welcomes the Government's decision to include in the Budget over $100 billion for infrastructure spending over the next decade. This will go some way to addressing the growing needs of the expanding population, by reducing congestion and improving the livability of cities. It will also increase productivity by reducing travel times for commuters and enabling businesses to get their product to the market quicker and more efficiently.

ACCI also supports the decision to accelerate construction activity by bringing forward $4.2 billion in infrastructure investment in an effort to provide stimulus to the economy in the near term. Longer-term, the recently announced infrastructure staples tax concession for private investment in major infrastructure projects will support greater private sector investment in large-scale infrastructure projects across a wide range of sectors including transport, energy, communications and water.

Infrastructure Australia has an important role in evaluating the business cases for major infrastructure investment proposals, and the prioritising and scheduling of projects through the Infrastructure Priority List. It supports independent, market focused, evidence-based decision-making in major infrastructure investment. Also, the City Deals program provides a useful framework to bring together all levels of Government and community stakeholders to coordinate the planning, investment and governance of urban development and urban renewal.

The current infrastructure spend is heavily focused on larger projects in the major cities. However, there is only a very short list of contracting businesses large enough to take on this work. This is increasingly leading to bottlenecks in the procurement of design, planning and construction contractors for major projects, particularly in Sydney and Melbourne, which is bidding up costs and contributing to increasing delays in the completion of major projects. It is also raising concerns about the ability of the market to service demand for the wave of infrastructure spending scheduled for delivery over the next few years.

Given the size of many of these projects, we recognize there are often economies-of-scale in a single tender for the delivery of a major project. However, this will not always be the case. There may be opportunities to break down major projects into a number of smaller projects. Where this is viable, it will assist in reducing this pressure, by widening the pool of contractors able to bid on projects, and increase competition between contractors.

Government departments are not always well placed to make decisions on the optimum size of procurement contracts for major projects, and procurement processes can vary for different pieces of work. It is important not to adopt a one-size-fits-all approach to procurement for major infrastructure projects. New techniques in auction design such as that currently being developed at the Centre for Market Design at Melbourne University[11] enable business and the market to

determine the optimum allocation of packages of work. These techniques provide scope to break tendering process into a number of smaller components, enabling contractors to make a number of bids for different components of a project. The adoption of these new techniques offers the opportunity to reduce costs, to improve the efficiency of delivery of major infrastructure projects.

Further, most of the infrastructure spend is focused on greenfield developments, whereas there is a large amount of existing infrastructure that is in desperate need of maintenance and repair. Much of this is managed by local councils, many in regional areas, who have limited funding and resources and a large backlog of infrastructure maintenance projects. There is an opportunity to increase Commonwealth spending on maintenance and repair of existing infrastructure, extending its life and/or reducing the need for more substantial maintenance and repair in the future. Given that these are often smaller projects, they provide much needed opportunities for smaller contractors. As a much lower level of planning and approval is required, this work can be undertaken relatively quickly, thus providing stimulus to the economy in the short term.

Recommendation
• Encourage State and Territory Governments and local councils to improve procurement practices, such as adopting new developments in auction design that enable packaging of bidding for contracts, to increase competition by enabling a larger number of smaller contractors to bid for projects. • Work with State and Territory Governments and local councils to bringing forward brownfield, maintenance and repair, projects identified on the Infrastructure Australia priority list, as a means of providing a short-term stimulus to the economy.

[11] The University of Melbourne, Centre for Market Design. https://fbe.unimelb.edu.au/cmd/home#about-us

2.8 Circular economy

The circular economy is receiving growing interest in Australia and internationally as a means to deal with issues relating to natural resource depletion and environmental degradation. It seeks to retain the economic value of the materials we use for as long as possible, reduce the rate of depletion of natural resources and reduce the adverse impact of waste on the environment. To achieve these outcomes when consumption of goods and services is increasing, economies must reduce the growth in demand for virgin material resources and change the way they produce, use and dispose of material resources.

There has been a slow uptake of the circular economy, with limited waste management and recycling capacity in Australia. Australia has also committed relatively few resources for research and development into more efficient use of material and new uses for waste materials, and there has been only limited market development for recycled materials.

The recent announcement of a ban on the export of waste plastic, paper, glass and tyres, starting in 2020 has increased the urgency to develop this capacity in Australia.

The most efficient use of material resources and better environmental outcomes are achieved by policies that increase competition in existing markets, create competitive new markets, provide incentives for business to innovate and invest in new technologies. To achieve sustainable long-lasting development of this capacity in Australia, it is important to focus on industry-led solutions, with Government creating the right enabling environment for private investment in this capacity and market development.

This support was provided to the renewable energy sector early in its early development phase through the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC). With renewable energy (particularly wind and solar) now at a point where it is economically viable without subsidies, there is an opportunity to redirect some of the remaining ARENA and CEFC funding to support the transition to a circular economy. This funding can be used to develop waste management and recycling capacity, as well as research into more efficient use of material, longer life cycles for products, re-use of waste materials, and market development for recycled materials.

Australia's transition to a circular economy could be accelerated with research into the potential economic benefits, to identify where there are opportunities and potential barriers that need to be overcome. It is also necessary to put in place a framework of standards for waste collection, recycling processes and recycled materials to support the development of this capacity and markets for recycled products.

Recommendation
• Commit further CEFC funding to mobilise capital investment in waste management, recycling, more efficient use of materials, research and development into new uses for waste materials, market development for recycled materials and explore options for additional funding to be redirected from ARENA. • Task the Productivity Commission to undertake a review of the potential economic benefits of the circular economy to Australia. The Review would investigate how the Government and industry can work together to overcome barriers and develop industry led solutions.

2.9 Digital transformation

Digital technology offers small businesses in all sectors of the Australian economy commercial opportunities to increased productivity, enabling them to grow and create jobs, as well as provide an improved work-life balance. It is becoming increasingly important for small business to look to the adoption and successful implementation of digital technologies in an increasingly competitive technology-centred business environment.

Research has shown that the adoption of digital technology by small business has the potential to save individual businesses 10 hours per week and boost revenues by 27%. [12] This equates to an increase in revenue of $385 billion per year across all small businesses.

[12] ANZ, The Digital Economy: Transforming Australian Businesses, August 2018.

However, small business has been slow to participate in and gain the benefits from the digital transformation. There is a lack of awareness by small business of the productivity and profitability gains that can be achieved through the adoption of digital technology.[13] A study by CPA Australia, found that businesses that did not grow, or shrank, in the past 12 months were much more likely to have made no investment in technology over the past year than those that grew strongly. And small businesses from Asia were far more likely to be using even the most basic technologies such as online sales, new payment technologies and social media than small business in Australia.[14].

Last year the Small Business Digital Taskforce recommended the best way to accelerate the rate of small business technology use was to equip the trusted adviser with the right tools, information and skills. It was recommended in their report to government, that a non-government organisation be established as a central nodal point for information and advice on digital opportunities for small business.[15]

ACCI through its extensive network of member chambers and industry associations is well placed to inform small business owners and increase their awareness of the opportunities from the adoption of digital technology. Research undertaken by the Small Business Digital Taskforce showed that business chambers and industry associations are viewed as reliable and are highly trusted by the small business community[16].

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[13] Small Business Taskforce: Report to Government p.3 - https://www.industry.gov.au/data-and-publications/small-business-digital-taskforce-report-to-government

[14] CPA, Asia-Pacific Small Business Survey https://www.cpaaustralia.com.au/professional-resources/business-management/small-business/asia-pacific-small-business-survey

[15] Small Business Taskforce: Report to Government p.9 - https://www.industry.gov.au/data-and-publications/small-business-digital-taskforce-report-to-government Government's Response to the Small Business Digital Taskforce p.1 - https://www.industry.gov.au/data-and-publications/government-response-to-the-small-business-digital-taskforce

[16] Small Business Taskforce: Report to Government p.1 - https://www.industry.gov.au/data-and-publications/small-business-digital-taskforce-report-to-government

While the Digital Champions Program offers a good model for increasing the digital awareness of small business, the program is small – limited to 100 businesses supported by a digital advisory service provided by 15 industry associations. It would benefit from a larger, more coordinated approach, through a single agency or business and industry network that has broad industry reach.

Government could explore a partnership program between the ACCI network and the Digital Transformation Agency in order to increase awareness and leverage on the vast industry network.

In addition to improve digital literacy and awareness of small business operators, there is a need for a financial incentive package to encourage the uptake of digital technology by small business. A digital technology investment incentive will boost productivity throughout the economy as well as provide the necessary fiscal stimulus across the economy.

This needs to be complemented with further investment in protecting business and national security assets from the risk of cyber-attacks. Cybercrime costs the economy more than $1 billion annually, and it disproportionately impacts SMEs. In addition to the $156 million cyber resilience and workforce package, further investment is required to provide small business with the confidence to take the opportunities granted to them in the digital economy.

ACCI welcomes close engagement with relevant Government agencies responsible for cyber security to ensure small business interests are considered in the development of policies and strategies; and consideration be given to leveraging ACCI's extensive business network in the promotion and rollout of support for small businesses.

Recommendation
• Provide a digital technology investment incentive for small and medium businesses (with a turnover of less than $50 million) investing in digital technology hardware, software or services that will improve the efficiency of their operations. • Explore options for a partnership between the Digital Transformation Agency and industry to develop a pilot program providing information and advice on digital opportunities for small business.

3. Employment and skills

3.1 Youth Employment - Youth Jobs PaTH:

The level of youth unemployment remains unacceptably high, at almost twice that of the overall Australian population. In a highly competitive marketplace, it is hard for young inexperienced workers to compete for jobs as they are often perceived as taking longer to become productive contributors to the organisation. Prior to the introduction of Youth Jobs PaTH (Preparation, Trial, Hire) program, ACCI was a strong advocate for an alternative to the Work for the Dole program, where the unemployed could gain experience in real work places. PaTH was introduced on this principle, but unfortunately the model that ACCI had put forward was not the one delivered by PaTH and it has struggled to provide the number of placements promised.

Most fundamentally, our recommended model was a traineeship style approach where the structured training was delivered concurrent to the work experience. The essential element in what we advocated was that the placement had to be arranged before the delivery of training commenced.

As the system continues to use the training component as a tool for mutual obligation, a great deal of the PaTH funding is being spent on training that often has no job or experience outcomes for the young job seekers. The financial structures of the current PaTH model only provide a bare minimum for the training delivery and there is no reimbursement for any efforts undertaken by the training provider if they secure job or internship outcomes. There is also no assurance to the training provider that employment service providers will deliver sufficient numbers to make the training delivery viable. Most importantly, there is no assurance of a placement for the participant.

In this policy context, we welcomed the PaTH industry trials currently in final stages of funding approval. These will hopefully explore different approaches to the program, although they will not resolve the key shortfalls in the main program.

At a minimum, ACCI recommends another pilot for PaTH that looks at incorporating traineeship pathways from the PaTH internships. This model embraces strongly embedded industry vocational training with units delivered from a certificate II or III traineeship by an RTO. The training could then be recognised should the experience convert to a traineeship, or at the least is relevant to ongoing work in the industry. The strength of this model lies with the placement needing to be organised before training commences.

The principle of helping young unemployed people find work through providing them with work experience and training remains a sound approach and ACCI is very keen to continue to work with the Government to improve outcomes from PaTH.

Recommendation

- Financially reward PaTH training providers for work experience, internship placements and job outcomes of young job seekers participating in their programs.
- Fund and trial a new PaTH model that offers long-term unemployed youth, structured job related vocational training concurrent with work experience using a traineeship style model.

These actions should be taken concurrent to the current industry model trials. A more fundamental review of the program should be considered once the trial outcomes have been taken into account.

3.2 Employment Services Trial

ACCI is pleased to participate in the reference group working with the Government as it implements a new employment services model in two trial locations. Improving employment outcomes of particularly the long term unemployed provides not just a social good but also an economic benefit for Australia as well as the individual.

The trial seeks to implement the key recommendations of the Independent Panel *("I Want to Work"* 2019) that reviewed employment services. The central recommendation for change was that the unemployed who faced the least barriers (currently Stream A) would be adequately serviced by a digital system, and the saving be redirected to enhance the face to face service provided to those that needed it the most.

The implementation of the trial, and the subsequent introduction of the new system in 2022, needs to be supported by adequate funding that ensures that the enhanced services reduce servicing ratios and actually make a difference. Specifically, any development cost of the new digital platform needs to be funded as an additional budget item, and not from the existing budget envelope.

ACCI has supported the Government's position in resisting calls from a large range of stakeholders to increase the Newstart allowance. We agree that the best support that can be provided to the unemployed is assistance in finding a job. However, in order to make that a reality, the job outcomes of the employment services system need to improve, and to do this the implementation of the new model must deliver truly enhanced services to those most in need.

Recommendation
• Provide an additional budget allocation for the development costs of the employment services digital platform to ensure that resources are redirected to enhance services so that the reform model truly delivers to those most in need of assistance.

3.3 Higher Education

In our 2019-20 pre-budget submission, ACCI called for performance-based reforms to the higher education sector, with a focus on graduate employment outcomes and the needs of the labour market. ACCI welcomes the Government's commitment to implement the recommendations of the Wellings' report released earlier this year, with greater weighting given to employment outcomes of graduates. This is an important first step in ensuring that Australia's higher education sector meets the needs of the labour market and an encouragement to favour course offerings that have more immediate employment outcomes for graduates.

There is still some way to go to optimise the system, and one of the key actions required is to ensure that potential students are well informed about their choice of course and career. The proposed National Career Institute needs to consider all educational sectors, and funding is needed to market the QILT website (renamed ComparEd to be clearer to higher education students) so that employment and salary outcomes are better understood.

One of the key policy areas of high priority to both business and the university community is work integrated learning (WIL) for students. It is essential that graduates entering an increasingly competitive labour market are equipped with practical experience in a workplace and are job and career ready. Work experience also helps graduates match their expectations of a work place to the practical realities. WIL refers to any practical experience designed to give students exposure to work environments and activities that are related to their course of study.

Since 2015, ACCI has been an integral partner in the National Strategy on Work Integrated Learning in University Education. Others partners include Universities Australia, the Australian Collaborative Education Network, AiGroup, the Business Council of Australia, the Commonwealth Department of Education and the Office of the Chief Scientist. Collaboration on this Strategy is geared towards facilitating deeper connections between universities and employers and to promote the benefits of WIL for all stakeholders. However, the Department of Education only has an informal connection to the Strategy and is not an active partner. The Department is not resourced to progress and expand this strategy, including providing secretariat support. This has resulted in a significant disconnect between the response and direction of the partners and that of the Government in progressing WIL initiatives and opportunities.

This disconnect can best be addressed by the Department formally identifying a branch such as the Higher Education group to become an active partner of the strategy. We recommend the Government assist in progressing the Strategy and also broaden the awareness and connections between the strategy's implementation and the work of the Department, as well as supplying secretariat support. Addressing this gap, will achieve greater coordination and make the efforts in implementing the Strategy more effective.

Recommendation
• Ensure higher education students are aware of the potential employment and salary outcomes of their study choices by appropriately funding the promotion of the QILT/ComparEd website. • Resource the Department of Education to engage in the National Work Integrated Learning Strategy as an active partner and provide secretariat support.

3.4 Promotion of STEM skills

The Australian Government's efforts towards promoting greater science, technology, engineering and mathematics (STEM) skills across the population are welcomed. However, ACCI cautions against a blanket promotion of STEM without adequate consideration of STEM disciplines' employment outcomes. According to the 2019 Graduate Outcome Survey, only 63.4 percent of Science and Mathematics graduates secured full-time employment four months after completing their degree compared to the average of 72.2 percent. In comparison, there are very high employment outcomes of STEM graduates in Pharmacy (95.7 percent) and Medicine (91.1 percent). The focus needs to be on employment outcomes as a proxy for actual demand as well as a need to encourage STEM skills in all disciplines. Furthermore, any STEM initiatives should look beyond the higher education sector into the Vocational Education and Training (VET) related industries and occupations as well as a strong linkage to industry. Specific to STEM gender issues, there are a number of industry programs aimed at attracting women into STEM careers. It is important that any Federal Government initiative embraces these programs and identify the benefit of partnerships.

Recommendation
• Promote and encourage those STEM qualifications which deliver good labour market outcomes as well as STEM skills in all disciplines.

3.5 Skills and Training

Overall Commonwealth Approach to VET funding

In the last 12 months, ACCI has welcomed the Federal Government's increased focus on VET including the Joyce Review and subsequent skills package announced in the 2019 Federal Budget. However, we note that this important commitment comes on the back of inconsistency in Commonwealth funding for VET in the last decade. Even the most recent skills package has been substantially funded by the SAF levy imposed on employers accessing skilled migration programs, rather than being a commitment that is willingly provided from the Commonwealth budget.

In the future, with the establishment of strong leadership through the proposed National Skills Commission, it is recommended that the Commonwealth commit to long term, sustainable investment in VET and encourage the States and Territories, through COAG, to make a similar commitment. Consistency of VET funding has been an issue at all levels of Government, not just between jurisdictions, but within them. Compared to the other sectors in education (child care, schools and higher education) VET has been poorly served by funding and policy decisions, and this, when added to the VET FEE HELP policy failure, has created an uncertain environment.

Improve Funding Equity between VET and Higher Education

VET Student Loans provide students studying higher level VET, in principle, equivalent support to the higher education HECS HELP program. In reality, the two programs are significantly different, with VET Student Loans (VSL) limited by which qualifications it covers with students only able to access VSL for approved courses offered by approved course providers. Loan caps are applicable to all approved courses with three bands - $5,000, $10,000 and $15,000 with limited exceptions made in the case of aviation, nursing diploma and advanced diploma. There is also a 25 percent loan premium paid by students except where states and territory governments have agreed to assume some of the debt responsibility.

After an extensive consultation process around the course lists and caps in 2017, Government did not address shortcomings in the caps and the program, resulting in a significant reduction in the number of higher-level VET qualifications being undertaken. Given all of the other protections in the VSL program, ACCI recommends that all Diplomas and Advanced Diplomas be eligible for VSL and that the caps be reviewed. There are significant policy benefits of supporting higher-level VET qualifications and increasing the uptake of VET across the board.

Vocational Education and Training (VET) for School Students

VET delivered to school students was another area of focus in the Joyce Review. Although some of the recommendations need further consultation, there is no doubt that further action is needed to improve the return on public investment in students undertaking VET at school. Although this investment is largely state delivered, it requires national leadership. The Government is encouraged to fund a national process that:

- Identifies through consultation with industry the most relevant and useful vocational training to be delivered to school students (both in terms of qualifications and quality of delivery),
- Examines the barriers to school-based apprenticeships while working with industry, school sectors and states to improve opportunities.
- As a complement to VET delivery, explore the possibility of an applied learning elective subject(s) in Year 11 and/or 12 that allows students to apply academic learning in practical contexts and incorporates pre-apprenticeships or VET pathways that will better articulate to further education and apprenticeships beyond school.

Improve Workforce Development Planning

Skills shortage and a better-informed careers market are high priorities for the business community. With the formation of the National Skills Commission (NSC) and the appointment of the interim Skills Commissioner, the scope of the NSC and its design is currently in progress. The NSC needs to consolidate labour market analysis and forecasting to ensure decisions regarding skills and training needs, skilled migration occupation lists and employment policy and programmes are well informed by data and evidence from state/territory and national levels and most importantly industry. The NSC also provide a robust, evidence-based, independent picture of investment and funding in the VET system.

ACCI therefore recommends that these functions are combined to develop a periodic workforce development strategy to identify workforce skill needs based on the provision of an ongoing, robust, evidence-based and independent picture of:

- Current and future skills needs for Australia at a regional and national level
- Investment in and outcomes from tertiary education.

If this additional process is not included in the current funding envelope for the NSC, then funding for the development of the National Workforce Development Strategy should be additional and ongoing.

Establish a national apprenticeship advisory board

ACCI has been an advocate for a national apprenticeship leadership body since before the Skilling Australians Fund was announced and has consistently argued that the SAF negotiations would have been improved and completed in a more timely way if an advisory board had been established on commencement of the SAF negotiations.

The apprenticeship advisory board will seek to inform the implementation of projects submitted under the SAF National Partnership Agreements, as well as provide input and oversight on national reform projects and improvements to the apprenticeship system including promotional effort. The Board would also be well positioned to examine any issues in the apprenticeship system that are creating barriers for take up by either the employer or the job seeker.

With agreement through COAG, the advisory board could become a National Trades Board enabling the efficient delivery of national recognition of qualifications for trades and apprenticeship and traineeship pathways. It is an inefficiency in the system that industry has to deal with eight jurisdictions to advocate for a qualification to be recognised as an apprenticeship, and the differences across the jurisdiction create unnecessary confusion.

Apprenticeship Incentives

Apprenticeship incentives play an important role in encouraging employers to consider a work integrated learning model to skills development. In the case where apprenticeships are the only pathway to an occupation, incentives help to ensure that there is a sustainable skills pipeline. However, incentives are not just relevant to apprenticeship-only pathways, as they encourage employers across the economy to enter into a training and employment arrangement to develop skills with a high productivity value.

The current review of the National Skills Needs List (NSNL) by the Department of Employment, Skills, Small and Family Business, brings apprenticeship incentives into focus and it is important that no matter the outcome of the review, base apprenticeship incentives, currently set at $1500 on commencement and $2500 on completion, should not be removed or reduced. An assessment of skills in shortage should have no role in influencing the base apprenticeship incentives, as there are other more purposeful rationales for public investment in base apprenticeship incentives, including:

- Work integrated learning models deliver significant productivity benefits and are a proven model for high quality skills outcomes.
- Apprenticeships and traineeships have the highest graduate employment outcomes across all VET qualification options and most higher education qualification options. This delivers a long-term economic dividend for both the community and the individual.
- Apprenticeships and traineeships offer suitable pathways for school to work transition, combining a continuation of structured learning alongside work experience within a model where the student receives remuneration, and the employer has access to pay rates that reflect the work/training nature of the employment relationship.
- Apprenticeships and traineeships deliver a nationally recognised qualification.

- There is no more efficient or effective model for combining structured training with work experience than an apprenticeship. The Joyce Review highlighted the importance of work experience in VET qualifications. This is in-built in apprenticeships. With institutional delivery of VET, the organisation of work experience usually adds to training delivery costs as well as often being difficult to find host businesses willing to offer the experience.

These economic benefits are the most important justification for public investment in apprenticeship incentives. Given that the current structure of apprenticeship incentives includes both base incentives and additional incentives, it follows that there are two rationales for the base incentive which need to be clearly recognised as being:

- an inducement for employers to expand the available training and employment pathways for particularly young people, and
- for employers to offer an apprenticeship or traineeship that delivers strong economic and public benefit through the delivery of quality skills within a work integrated learning model

Therefore, there should be no confusion created by the current review of the NSNL that the base incentive should be subject to any skills shortage analysis, as the purpose of the incentive does not relate to the skills shortage rationale for incentives. The rationale for the base incentive is sufficiently strong in its own right. Skills shortage analysis does have a place in considering incentives, but its relevance should be confined to some additional or top-up incentives, designed for a particular purpose.

Given that vocational training is a shared responsibility between the Commonwealth and the States, the Commonwealth's commitment to incentivise an apprenticeship contract is very relevant given that it is an employment as well as a skills outcome. Apprenticeships are also highly relevant to the Commonwealth's long standing policy and funding interest in the economic outcomes for individuals on leaving school by encouraging a successful transition from school to work, as well as the productivity and economic dividend that comes from skills developed of high value.

Recommendation
• Commit to long term, consistent funding for VET which delivers real funding increases that ensures the economy's skill needs are met. • All Diploma and Advanced Diplomas should be eligible for VET Student Loans and review funding caps. • Fund a review of industry pathways to provide strong guidance to students undertaking VET in Schools. • Fund the National Skills Commission to undertake a national Workforce Development Strategy no less frequently than every two years. • Fund a National Apprenticeship Board. • Maintain the base incentives for apprenticeships and ensure that skills shortage analysis only relates to relevant additional incentives.

3.6 Migration and population

Restore permanent annual migration levels to 190,000

Treasury's statement on migration in 2018, 'Shaping a Nation', rightly highlights the economic and fiscal benefits of a strong permanent migration program. Young, skilled migrants deliver net economic and fiscal benefits and any reduction in the permanent migration intake (especially to the skilled migration component) will cost the Federal Budget. The decision of the government to reduce the permanent migration intake by 30,000 to 160,000 from 2019-20 sends a negative signal about the benefit of migration. It risks reinforcing negative stereotypes about migration and linkages by some commentators between migration on the one hand, and frustrations about inadequate infrastructure and misperceptions that migrants take Australian jobs on the other.

'*Migration Works for All of Us'*, the 2018 ACCI publication, sets out a detailed,

public interest case in favour of migration; and demonstrates the benefits delivered by migration, particularly given the strong component in the intake that are younger skilled migrants.

ACCI recommends that caps for future years be set according to the evidence of maximum benefit, including an assessment of economic, fiscal and demographic outcomes. The cap of 190,000, which was not met in the last few program years, was an appropriate level to maximise benefits and still control migration levels. ACCI recommends that permanent migration levels be restored to the 190,000 in order to maximise both economic and fiscal benefits.

Re-establish the Industry Outreach Officer Initiative in the Department of Home Affairs

With the introduction of new programs such as the Global Talent Employer Sponsored program and frequent changes to the standard employer sponsored migration program, including the new regional visas, labour agreements and the temporary skills shortage visa, employers are finding it hard to understand the process, eligibility and suitability of these various different offerings. It acts as a significant deterrent to business accessing the migration program, often at the cost of losing skills essential for their business or stymied growth. There is a role for the Department of Home Affairs to provide information and assistance to industries, especially those experiencing significant skills shortages so employers are aware of changes to the migration system and the application process.

ACCI strongly recommends reinstating the industry outreach officers program within the Department of Home Affairs to support industry and business to navigate the increasingly complex employer nominated migration landscape. The industry outreach officers program, which was discontinued in 2014, was a highly regarded and valuable program that attached experienced migration professionals from the Department to industry employer bodies. The program assisted employers to navigate the system, understand and overcome the barriers, and provided guidance to ensure business are aware of their obligations and requirements as sponsors. The program also helped to build trust and an on-going relationship between industry and the Department. Given the increased complexity in the system, the program is sure to be even more valuable than previously.

ACCI recommends funding the Industry Outreach Officer Initiative within the Department of Home Affairs.

Review ANZSCO

One of the pillars of labour market statistical infrastructure is the Australian and New Zealand Standard Classification of Occupations (ANZSCO). This infrastructure underpins a wide range of labour market data, including information from the Census, and is used for job outlook information and to regulate which occupations are eligible for migration programmes.

Despite major changes to the economy and jobs, including new jobs driven by technology as well as changes to the level of skill needed in certain jobs, ANZSCO has only been reviewed twice since its introduction in 2006 (having transitioned from the previous ASCO codes). A major review of ANZSCO is long overdue. However, the Australian Bureau of Statistics (ABS), custodians of the statistical product say that they are unable to commence a review due to labour and resource constraints and competing priorities. Regular review of major statistical infrastructure such as the ANZSCO needs to be built into the normal operating budget of the Australian Bureau of Statistics. The ABS has not even committed to a review in the future, only that it will be considered post the 2021 Census process.

All occupations are experiencing technological progress and the nature of work and job roles are constantly changing. ANZSCO not only identifies new jobs, but it also appraises the duties within their job and assigns an appropriate skill level. The 2018 OECD Report on Getting Skills Right in Australia highlighted the need to update the ANZSCO since emerging occupations such as cyber security, artificial intelligence experts and others were not included in the current classification.

A large number of stakeholders across the economy share our concerns, including employer representatives in New Zealand. The need for an ANZSCO review is not just about new occupations but also how existing roles have changed, both in the composition and level of skills required. For example, the Pharmacy Guild of Australia believes the current codes do not reflect the occupations that are supported by their industry, in particular the code and title listed for pharmacy assistants. The code and occupation title fail to reflect the significant changes that have occurred to this role in the past decades. Pharmacy assistants now undertake a range of health support services under the supervision of a pharmacist. The title ‘Pharmacy Sales Assistant’ and the inclusion of this role in the sales sector of ANZSCO codes fails to reflect the activities performed by pharmacy assistants and their critical role in the provision of health services to the community.

According to the ABS Forward Work Program released October 2018, the resource required to fully implement the review, is $4 million. The last review (major or minor) of the ANZSCO was issued in 2013 based on consultation over 2011-2012. During the release of the 2013 ANZSCO, the ABS noted, “The ABS and Statistics New Zealand (SNZ) have completed a review of the Australian and New Zealand Standard Classification of Occupations (ANZSCO). The resulting classification (ANZSCO Version 1.2) builds on a review conducted in 2009 (ANZSCO First Edition, Revision 1) following the classification's introduction in 2006.” In summary, it was adopted in 2006, reviewed in 2009 and then in 2012-13. This timeframe broadly meets their original commitment of every 2 to 3 years, and suggests the next review was due in 2016. The discussions we have had with ABS over the years is that they considered that the 2016 review was planned as the ‘major review’, given the last two reviews were only ‘minor reviews’.

We consider a review of the ANZSCO overdue by over four years since it should have been initiated in 2015 at the latest. A commencement of a review after 2021 would mean by the time it is issued, it will be over 10 years since the last review was published. This does not in any way reflect the ABS’s own commitment to keep the classifications updated.

ACCI has provided the ABS with feedback from industry that reflects the urgent need for a review to commence immediately. It reflects the outdated nature of the classifications and consequent issues faced by business. We recommend that ABS be funded to commence a review of the ANZSCO immediately.

Skilling Australians Fund (SAF) Migration Training Levy

Although a training levy was recommended by the 2014 457 Visa Integrity Review to replace the previous training benchmarks used in the migration program, the mechanism and quantum of the SAF levy applying to skilled migration was an unwelcome surprise in the 2017 Budget. The amounts of $1200 per year for small business and $1800 per year for large business were well in excess of the Review’s recommendation of $400 per visa holder per annum for the temporary skills shortage visa. In addition, the SAF Levy is paid upfront for the whole term of the visa, which was also against the recommendation of the Integrity Review, which recommended annual invoicing. The 2017 Budget also included a levy for employers using the permanent Employer Nomination Scheme, $3000 for small business and $5000 for large business paid up front.

The quantum of these levies and how they are applied have had a material impact on access to the migration program. Although there was some shift in the refund policy in the 2018 budget, it is still inequitable that a sponsoring employer cannot obtain a refund of the training levy if their application is unsuccessful other than on health or character grounds. A refund of the training levy should be available in all cases where the application has not been successful. If the nomination or application is unsuccessful, no migrant enters Australia and the justification for the training levy no longer exists as it was collected solely for the purpose of training Australians as a balance against accessing foreign skilled workers.

The hypothecation of the training levy to the Skilling Australians Fund should not have been a replacement for monies already invested by the Federal Government on VET. The use of the fund to strike a new COAG skills partnership agreement given that the previous agreement was funded out of consolidated revenue was a decline in investment in VET by the Federal Government. The connection between the training levy and the partnership agreement has not worked. It created funding uncertainty, which impacted the outcomes of the negotiations for a partnership agreement. This hypothecation also creates a problem in addressing the quantum of the levies, which should be half of what they are currently.

ACCI recommends that the SAF levy be halved for both temporary and permanent skilled employer nominated visas and that the refund criteria be expanded to include any unsuccessful applications. As a consequence, it is also recommended that investment in VET including the SAF apprenticeship arrangements be funded out of consolidated revenue.

Recommendation
• Restore Permanent annual migration levels to 190,000. • Fund Industry Outreach Officer Initiative within the Department of Home Affairs. • Fund the ABS to commence a review of the ANZSCO immediately. • Halve the SAF Levy for temporary and permanent employer nominated visas. • Improve the refund policy for the SAF levy so that a refund is available in all cases where the application has not been successful. • Remove the hypothecation of the SAF levy with VET and ensure VET is appropriately funded from consolidated revenue.

4. Industrial Relations

4.1 Tackling underpayment

There are serious concerns regarding the integrity of and compliance with Australia's employment laws for some employees, particularly in ensuring employees are properly paid in accordance with minimum wages, awards and agreements.

Additional obligations, liabilities and sanctions are under active consideration by Government, which ACCI has engaged with separately.

However legal liabilities can be only part of an effective response to underpayment. A wider range of integrated initiatives, across a range of fronts are required if there is to be any significant shift towards more universal time and wages compliance, and fewer working people being underpaid.

Employers are responsible for what they pay and complying with the law. However, Government expenditures, measures and services have a vital role to play in supporting compliance and assisting employees and families, and employers. It is important in 2020 that Government additionally invest to ensure Australia's compliance and enforcement regime can be more effective.

The Fair Work Ombudsman (FWO) plays a key role in the enforcement of compliance with the *Fair Work Act 2009*. The Australian Chamber commends the FWO on the performance of its functions during 2018-19, which led to the recovery of over $40 million for nearly 18,000 workers.

However, the FWO must be properly funded to perform its function to the extent the community expects in 2020-21 in the wake of significant media and community attention to underpayments.

Recommendation
• Fund the FWO to improve compliance with wages and conditions obligations.

4.2 Relaunch and rebrand the regulator

Consideration of rebranding the FWO was a specific recommendation of the Migrant Workers' Taskforce.

The FWO is a time and wages / industrial relations inspectorate, not an ombudsman. The title 'Fair Work' is also ambiguous. The current name can be confusing for both employees and employers and fails to adequately explain to users what the regulator offers. A clearer and simpler presentation of what the inspectorate does would better resonate with the Australian public and assist more Australians in checking their pay / checking they are paying correctly.

ACCI recommends a major relaunch and rebrand of the FWO to better reflect its regulatory role and better promote its services to employees, employers, families, young people students and migrants. Such a relaunch and rebranding would (along with investing in promotion and public awareness, recommended below, and the planned implementation of other recommendations of the Migrant Worker Taskforce) see the Government deliver an integrated package of measures to more effectively tackle underpayment.

Recommendation
• Rename and relaunch the FWO to increase its accessibility and enhance knowledge across the community of where to go for assistance and recovery.

4.3 National government advertising campaign

Australia's employment rights and obligations are complex and mistakes drive a substantial proportion of underpayments.

Most working Australians have very little understanding of their workplace rights and where to go for information and enforcement. Too few know that there are minimum wage obligations that differ by industry and job, and by when work is performed, and very few Australians could be confident that they could read and correctly apply a modern award.

To our knowledge there has never been a major national information campaign on workplace compliance or advertising / promotion of what the Australian Government does to support employment compliance. There is an opportunity for Government to do more to bridge this information gap and to help more employees and employers check pay arrangements are correct, and identify and rectify small problems before they become major ones.

The targets for such advertising may include employees, young people, migrants, parents and employers. The goal would be more Australians checking their pay, or what they are paying people.

Recommendation
• Deliver a significant ongoing national government advertising campaign to increase the familiarity of Australians with: ○ Rights to minimum wages / obligations to pay minimum wages, and that minimum wages differ (often very complexly) based on hours worked. ○ Where to go for information and support (e.g. the rebranded and relaunched FWO). ○ The need for all Australians to check their pay, and ensure small problems are identified and addressed prior to becoming big ones, and for employers . ○ Tentatively this could be along the lines of a "Now is the time to check your pay / what you pay" campaign. • Targets for such a campaign may include employees, young people, migrants, parents and employers.

4.4 Increase inspector numbers

An integrated and more effective approach to improving compliance should extend beyond further increasing penalties (a portfolio matter upon which ACCI has recently addressed the Government in detail), to also increase visibility of inspectors, direct contacts with employers and employees, and employers, employer and community perceptions that regulators will take action to enforce the law.

More inspectors have made a real difference in recent years following the Coalition injecting an additional $20m into the FWO, however there is clearly a need for a better and more fully resourced inspectorate and more inspectors working with more employers and employees, on both the promotional and enforcement dimensions of compliance.

Recommendation
• Hire 50 more workplace inspectors to ensure that more complaints can be acted on, more workplaces visited and more prosecutions pursued.

4.5 Additional, innovative, new compliance services

The FWO works extensively to support employers in complying with workplace laws. As the application of the law to particular circumstances has become more complex, there is a growing demand from employers for clearer and more reliable declarations of what they must pay (or do or not do).

Recommendation
• Fund the FWO to pilot a form of authoritative ruling, akin to the rulings the ATO is empowered to provide on taxation, which could be relied upon by employers in applying awards and agreements in their workplaces. • Consideration be given to new, innovative compliance services, to assist employers in understanding and complying with their obligations and thereby addressing underpayments, such as:

- Review my roster to allow an employer to run their roster by the FWO and validate the rates applied for particular patterns of hours, without triggering compliance activities.
    - Accredited auditing providers, who would be able to audit and certify employer compliance, and for this to be relied upon by the FWO. Consideration should be given to registered organisations of employers being able to play such a role, whilst at all times the choice of accredited audit provider would remain with the business concerned (who might be able to pick from a list of accredited auditors).
- Work with industry to pilot / roll out a form of accreditation that employers are taking measures to ensure they comply with wages and other obligations. This might initially be pursued in one or more of the priority industries or regions, and would see the FWO inject seed funding and work with organisations of employers to develop a trusted and viable accreditation scheme.

4.6 Tackle workplace sexual harassment

With the report and recommendations of the National Inquiry into Sexual Harassment in Australian workplaces set to be released prior to the 2020 budget, the Government will be asked to consider additional and enhanced measures to help address sexual harassment in Australian workplaces, which will in turn require additional financial, staffing and other resources from the budget.

While it will be important that all parties be given the opportunity to engage with the final recommendations in detail following their release, ACCI can offer the following as part of a budgetary consideration at this point.

Recommendation
• Fund a major national advertising campaign, supported by other complementary initiatives, to change attitudes and behaviours to prevent / reduce the incidence of sexual harassment in workplaces. Such an information campaign should aim to: ○ Change attitudes towards women and girls in particular

- Educate Australians about what constitutes sexual harassment.
    - Educate Australians about what types of behaviour are and are not appropriate in any context.
    - Promote respectful relationships and appropriate behaviours.
    - Promote a culture in which victims of sexual harassment are treated with respect.
    - Encourage bystanders and peers to call out sexual harassment.
- Support industry and multi-industry representative bodies, such as chambers of commerce and industry associations, to develop and implement voluntary industry driven codes of practice, independent complaint mechanisms, or other comparable initiatives to acknowledge and seek to reduce sexual harassment in workplaces, particularly SMEs lacking capacity to do so on a stand-alone basis.

4.7 Additionally fund the Registered Organisations Commission

At the time of writing, Parliament has before it the Fair Work (Amendment) Registered Organisations (Ensuring Integrity No.2) Bill 2019. This important Bill seeks to introduce a stronger response to those who repeatedly flout the law, misappropriate member funds and put their own interests before the interests of their members.

If the Bill passes the Parliament, the Registered Organisations Commission (ROC) will require additional funding to undertake an expanded role in monitoring and pursuing court actions.

Recommendation
• Fund the Registered Organisations Commission to ensure any additional functions allocated to it can be performed effectively.

4.8 Options for portfolio savings

This portfolio area will require additional net funding to address the matters identified above.

ACCI does not call for offsetting savings from within the portfolio. However, were such savings to be sought, areas to examine might include the Fair Work Commission (FWC) and work it is undertaking beyond its core functions. Such initiatives appear valuable, but it may not be deemed as important as improved actions on compliance or sexual harassment.

Opportunities for savings may arise in relation to (a) advisory services which replicate those provided by registered organisations, (b) seminars, conferences and international engagement, as well as potentially (c) other initiatives under the *What's Next* programme. ACCI encourages government to engage with the FWC and to appreciate the purpose and performance of any initiatives prior to any re-examination of funding.

ACCI understands the work of the Australian Building and Construction Commission (ABCC) continues to grow. We recommend that funding be maintained to at least current levels, to deliver the work of what is a lean and efficient regulator addressing vitally important work in the face of sustained law breaking in parts of the building and construction industry.

5. Work Health and Safety & Workers Compensation

5.1 Work Health and Safety & Workers' Compensation

Improving health and safety outcomes in our workplaces requires employers, workers, policy makers and regulators to work together and accept shared responsibilities. Making workplaces safer starts with education and support to build and maintain awareness of, and priority for, safe and healthy behaviours and processes.

ACCI supports the process of harmonisation and ongoing efforts to eliminate inconsistencies and duplication in WHS legislation across States and Territories. WHS information and support should be easy to access, easy to understand and easy to use for those in small business who are time poor and do not have dedicated WHS staff.

ACCI and our members consistently inform regulatory agencies that a 'one-size-fits-all' approach in regards to WHS regulation or implementation is not fully effective. We launched 'Part and Parcel - Working with Small Biz; It's in the delivery' in 2018 to generate awareness of WHS amongst small businesses and to draw attention to the barriers they face in improving health and safety.

Increasingly, employers are being asked to manage workplace issues with regard to more than one piece of legislation. Since the model WHS laws were introduced, the distinction between WHS regulation and public safety regulation has blurred. There is increasing duplication and confusion caused by the overlap of WHS regulation and industry specific and hazard specific safety legislation. This overlap adds layers of complexity and can make compliance more difficult as well as increasing the regulatory burden.

5.2 Safe Work Australia (SWA) - Social Partner Funding Arrangements

Safe Work Australia (SWA) is responsible for the development of policies to improve work health and safety and workers' compensation. SWA is jointly funded by the Commonwealth, state and territory governments through an Intergovernmental Agreement (IGA).

SWA comprises 15 Members including Members representing the Commonwealth and each state and territory, Members representing the interests of employers and members representing the interests of workers. As a SWA Member, ACCI helps determine the operational priorities of SWA.

Social partner engagement is fundamental to SWA delivering on its statutory functions.

If SWA is to deliver sound and workable WHS and workers' compensation policy, it is essential employers and employees be fully represented and able to properly contribute ideas, input and experience.

Government previously recognised this and sought to partner with employer organisations and unions at the peak level to secure the consultation input (and distribution of information) it needs to properly and effectively regulate safety and compensation in line with community expectations.

For 30 years (1984-2014) ACCI and the ACTU were funded by the Commonwealth to provide a policy and regulatory interface between employers / unions and SWA (most recently $375,000 per year for three years). This was a proven mechanism to facilitate the dialogue and social partner engagement SWA needs to do its work.

Restoring this funding would also be consistent with Australia's obligations under ILO standards and COAG Principles for Best Practice Regulation.

The case for facilitating input to government on safety has been strengthened by the sheer volume of work being undertaken in this area. Since funding ceased in 2014 there has been a COAG Review into the implementation of model WHS legislation, a statutory review of SWA's role and functions, numerous state and territory WHS and Workers' Compensation legislative reviews, a revision of the Australian WHS Strategy and an inaugural National Return To Work Strategy. Most recently, we have seen the first review since implementation of the model WHS laws.

These reviews recommend changes, which again demand significant employer engagement and input. It is critical that there be fit-for-purpose communication mechanisms and implementation support, to complement and advance policy. This is what the previous grant facilitated and it is one of the areas where reduced capacities have reduced services, in particular to support the representation of smaller businesses.

The Enabling Safe and Healthy Workplaces for Small Business report confirms the need help to translate WHS regulations into their own context and help in implementing them.

Regulators also need to know more about the management of WHS within SMEs, particularly micro-SMEs, and the effectiveness of regulation in enhancing organisation performance. Greater capacity for policy development, consultation and engagement is crucial for improving WHS practices and regulation in SMEs. Previous grant arrangements facilitated this.

Renewal of funding ACCI would allow broader consultation and an even greater range of industry views at the SWA table, it would allow us to address policy issues SWA are unable to cover and share this with employers. Furthermore, we would be in a position to turn policy and research produced by SWA into practical and meaningful actions and outcomes in more workplaces.

ACCI proposes that the federal government reinstate the contract arrangements to enable ACCI to provide a more effective and coordinated response, and input into, the achievement of the governments objectives as set out in the SWA terms of reference, to assist businesses and particularly small business with ongoing WHS and Workers' Compensation regulatory challenges and to pioneer practical and meaningful programs to address emerging issues by turning theory into practice.

Recommendation
• Continue to fund Safe Work Australia to provide effective policy and services. • Support ACCI to provide information and representation to Australian employers, within and beyond its network, and to leverage ACCI's research and programs to support WHS awareness and compliance in small business.

6. Trade

ACCI is a champion of free trade and investment and recognises the importance of getting more Australian businesses internationally engaged. We support the Government's efforts to assist the development of Australian international trade by securing improvements through the multiple fora of unilateral reform, multilateral agreements, regional and bilateral trade and investment treaties.

The benefits of free trade to Australian businesses are about more than just increased exports. While boosting exports increases income, importing attractively priced goods, services and IP benefits Australian businesses by lowering costs. This can boost profitability or increase production by improving competiveness and opportunities to participate in the production of different goods and services through 'global supply chains'. Free flow of investment both in and out of Australia also provides access to new capital for domestic businesses, income generating opportunities overseas, and cutting-edge business practices.

6.1 The importance of trade data

The ABS[17] details the Characteristics of Australian Exporters, with 2017-18 the latest year available:

[17] ABS report 5368.0.55.006, https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5368.0.55.006Main+Features12017-18?OpenDocument

- The number of exporters of goods in 2017-18 was 53,015, an increase of 2% from 2017-18.
- The number of goods exporters remained relatively stable across most industries, with small increase in agriculture, fisheries and forestry (3.7%), construction (3.2%), Transport postal and warehousing (1.9%), wholesale trade (1.5%) and manufacturing (1.1%) exporters.
- The total value of goods exports increased to $314 billion in 2017-18, up 8% from 2016-17. The increase was driven mainly by an increase in good exports by the mining industry (up $19 billion or 11%), manufacturing (up $6.4 billion or 9%), agriculture fishing and forestry (up $441 million or 12%) and retail trade (up $350 million or 14%), but this was offset by falls in wholesale trade (down $2.7 billion or 6.3%).

Unfortunately, the same level of statistics are not available for Australian importers. The only figures available relate to 2003-4[18]. This report noted:

> *The number of goods importers was estimated to be 60,661 in 2003-04, an increase of 3,328 (6%). The increase was mostly in importers in the $10,000 and less than $100,000 category, up by 2,209 (7%). The number of service importers fell by 91 to 2,150. Of the businesses engaged in service imports, 1,179 (55%) were also goods importers. Adjusting for the duplication, the total number of importers was derived at 61,632.*

We understand that the Department of Home Affairs collects import information and it is assumed that data exists but it appears that it is not publicly released.

Australians would benefit from expanding the number of internationally engaged Australian companies, and a better informed basis for policy development will support that.

[18] http://www.abs.gov.au/ausstats/abs@.nsf/featurearticlesbytitle/0FFC229C8BE12B60CA256F85007A1602?OpenDocument

Recommendation
• Release timely data on both importers and exporters to improve the understanding of the characteristics of these companies and to aid policy-making and support services.

6.2 Make trade agreements more accessible to business

ACCI has welcomed the investment by the Government in recent years, of programmes committed to helping Australian business better understand Trade Agreements. Partly this will be used to support outreach seminars advising of the availability of each of the three North Asian deals, along with support for the development of an Australian online platform/portal that will enable the FTA content to be more accessible to Business. Alongside these developments however we would welcome a closer ongoing relationship between ACCI, our members and the Government agencies in this field, to support the creation of an internationally engaged commercial sector and to avoid any crowding out of private sector initiatives.

Members of ACCI deliver a range export development programs and services including, export documentation services, migration services, various export support programmes both domestically and off shore. ACCI and our member organisations would welcome the opportunity to partner with the Government to deliver Government services and reduce duplication.

Recommendation
• Work with private sector representative bodies such as ACCI and its extensive network of business organisations to deliver improved services to exporters in a collaborative approach to improve the reach of initiatives and reduce the risk that Government actions “crowd out” private sector led initiatives.

6.3 Increased promotion of government-developed tools to make trade simpler and faster

The efforts by the Federal Government to support increased understanding of Preferential Trade Agreement content are to be commended. The Department of Foreign Affairs and Trade ‘FTA Portal’ is a good example of collaboration between Government and Industry to develop a widely available tool that improves the accessibility of the PTA benefits to businesses. The success of this tool indicates that improving education (particularly amongst SMEs) with respect to PTAs, is a viable method of reducing Non-Tariff Barriers.

We support the Federal Government’s decision to provide $10.5 million in 2018-19 to the Department of Home Affairs to ‘transform and modernise Australia’s international trade supply chain to deliver more efficient and secure trade processing.’ This will be dedicated in large part to the ‘completion of an initial business case to provide a ‘single window’ for international trade documentation, creating a system that is seamless, digital, automated and user-friendly.’[19] We would like to see further and faster progress on the “Single Window”.

Industry is taking the initiative, with ACCI partnering with PwC and Port of Brisbane, to develop a “Trade Community System” through the use of Blockchain Technology. When fully implemented, this will save on average about $450 per container, or at least $1 billion annually to the Australian economy.

However, it is important that the ‘single-window’ approach is developed with the assistance of peak bodies and industry members, so as to ensure that the functional aspects of the program leverage industry best practice and interoperability.

We would welcome further collaboration to develop and promote these simple tools for SMEs wishing to engage in international trade.

[19] Budget Paper 2, 2018-19 – Budget Measures, p. 133.

Recommendation
• Continue to collaborate with industry representatives, including members of the ACCI network, to develop and deliver simple resources for SMEs to capitalise on Free Trade Agreements. These resources should be easily accessible to the public and reduce Non-Tariff Barriers to international trade. • Accelerate work on the "Single Window" by incorporating private sector initiatives in trade modernisation.

6.4 Objective, independent economic analysis

The rationale for trade agreements is to generate net economic benefits and an increase in aggregate trade flows between countries. Objective economic analysis, independent of the negotiating parties, needs to be conducted to provide confidence to both the Parliament and the public of the benefits to Australia of the range of agreements in place and being pursued.

Australia now has 11 FTAs in force with 18 countries, 5 FTAs concluded by yet to enter into force and continues negotiating for 6 new bilateral and regional FTAs. With the outcomes from the UK, it would seem that an additional agreement with the UK is also likely to commence in the near term. Many of these agreements are with the same nations and a stock of agreements is building up and needs to be rationalised. For example Australia has now 5 agreements covering Malaysia.

On the other hand, Australia has begun to rationalise our stock of bilateral investment treaties as more modern FTAs are covering these topic areas. We urge the Government to review and potentially rationalise the number of trade agreements we have with any given nation and ideally consolidate these so that business experienced reduced red tape and greater predictability in the trading environment.

ACCI is a staunch advocate for free trade and a strong supporter of the efforts of successive Coalition and Labor governments to liberalise trade and investment and open our economy. We have consistently raised concerns about aspects of Australia's treaty making processes and have monitored the response of government to recommendations from recent treaty inquiries. ACCI continues to recommend that these processes be reformed in a way that meets these concerns, including by engaging the private sector, the main provider and creator of jobs in Australia, and a tax payer, more closely in the negotiation of trade agreements.

Recommendation
• Undertake economic assessment [20] of our existing and proposed trade agreements to ensure they are delivering (or likely to deliver) economic benefits to Australia. • Streamline trade agreement benefits by undertaking a "stocktake" of the value of maintaining bilateral preferential trade agreements where the same nations are party to wider regional agreements.

6.5 Non-Tariff Barriers

Despite the preferentially reduced tariffs for qualifying goods in certain markets under various Preferential Trade Agreements, increasingly we are hearing from businesses in our extensive network that non-tariff barriers (NTBs) are becoming a greater concern.

These issues are raised in global forums too, for example the B20 noted: *Of particular concern to the business community are non-tariff barriers related to localisation measures, state-owned enterprises (SOEs) and public procurement*[21]

NTBs that are preventing many businesses from accessing export opportunities include:

- Challenges identifying and developing relationships with distributors and customers.
- Difficulties navigating local languages, cultures, customs and business practices.
- Costs and uncertainty around the protection of intellectual property.

[20] http://www.pc.gov.au/news-media/speeches/free-trade-agreements

[21] *B20 Trade Taskforce Policy Summary* http://www.b20australia.info/Documents/B20%20Trade%20Taskforce%20Report.pdf

- Difficulties complying with local laws and regulation (in particular labour and tax laws).
- Restrictions or delays in the repatriation of funds to Australia.
- Resource intensive in-country product testing and validation requirements, some of which may be inconsistent with Australian requirements and practices.

Export quotas as well as sanitary and phytosanitary (SPS) measures also pose restrictions on trade, particularly for exports of agri-food products. These measures can significantly limit market access, regardless of whether an FTA is in place.

It is of considerable concern that nations that espouse “free trade” and sign agreements to this effect, also seek to create and implement novel and often much less transparent protectionist measures to support their local industries.

ACCI is part of the DFAT NTB advisory group which deals with international barriers to trade, however at present the mandate of that group is not to consider the barriers that Australia applies to others and impose additional costs on domestic businesses and consumers.

Australia’s domestic barriers include maintaining “nuisance” tariffs, various Australian standards and market entry barriers contained local regulations. These all need review in order to assist to lift our productivity.

Recommendation
• Continue to identify, and where feasible reduce or eliminate, non-tariff barriers that adversely affect trade, both domestic and international, both in Australia and our overseas markets.

6.6 Trusted Trader Scheme

The Department of Home Affairs is implementing a “Trusted Trader” (TT) scheme and currently around 350 companies have become “Trusted Traders”. The Department seeks to dramatically increase this level of participation.

ACCI supports the intent of this scheme and suggests improvements for it to work even more effectively:

- While “trusted” traders may be part of this scheme, it automatically implies those not in the scheme in the “untrusted” group, even though they don’t pose any particular risks. Anecdotes indicate that international buying companies are beginning to enforce TT compliance as a requirement for commercial dealings. This means it is becoming a barrier to trade.
- The scheme adds costs and red tape to otherwise compliant companies.
- We propose the scheme be changed to assume compliance for all companies unless they demonstrate non-compliance. That is, a demerits based scheme rather than a merits based scheme. Points would be removed from full compliance based on indiscretions rather than needing to demonstrate compliance in the first instance. Such a scheme would mean all traders were “trusted” until proven otherwise – an approach consistent with common law.
- We suggest the existing DFAT Certificate of Origin registration process and engagement, provides the basis for the “know your client” components necessary to create the foundations for such a scheme. This would harness the “tell us once” edict of the Digital Transformation initiative of the Government. ACCI would be pleased to work with the Department of Home Affairs on ways to improve the scheme – particularly for SMEs.

Recommendation
• Consider how to include as many as possible of the thousands of companies who are already “known” within the DFAT managed certificate of origin registration system to dramatically escalate the number of companies to benefit from the Trusted Trader system.

6.7 Competing in developing markets

Increasingly global trade is being dominated by global supply chains. Products are “made in the world” not in one country or another. Similarly, services are increasingly delivered through cross border supply and the internet. Australia is a long way from major markets and those we regard as in our neighbourhood are also being targeted by other competitors. Australia cannot rely on reputation alone as our key competitive characteristic. We must continue to strive to reduce costs and add value, including through innovation in order to build our globally competitive position.

We encourage the Government to support Australian businesses to deeply engage in global supply chains through appropriate programs. ACCI, with its unparalleled international network, would be a willing partner in such an initiative.

The Export Market Development Grants (EMDG) scheme, administered by Austrade, partly supports export promotion expenses of eligible enterprises in order to boost exports of Australian produced goods and services. In recent years the EMDG scheme funding has fluctuated between $125 million and $200 million. The 2015 review of the EMDG found that for every one dollar invested, seven dollars were returned to Australia. In our efforts to drive growth and jobs, such a scheme cannot be underfunded.

Along similar lines, TradeStart has become an essential front line delivery program for Austrade which engages the SME exporter and delivers substantial contribution for Australia. Continued underfunding to the TradeStart budget and limitations on the ability to deliver services to emerging exporters has seriously diluted the ability to grow our SME export community and previous funding and delivery models be re-instated.

Recommendation
• Support exporters by leveraging the international business linkages available through the ACCI network of chambers of commerce and industry associations. • Boost export markets by restoring the Export Market Development Grants scheme to $200 million, and streamline and improve scheme administration. • Restore Tradestart to the previous funding and delivery models.

6.8 Official Development Aid

ACCI is supportive of Aid for Trade approaches where aid investments assist to improve trade facilitation and market access for Australian products and services. The principle means for alleviating poverty is economic development.

Australia had previously committed under the Millennium Development Goals to provide 0.5% of GDP in Official Development Aid. While this is a worthy goal, in the context of improving the federal budget position and building a sustainable surplus, Australia needs to retain a prudent approach to reaching this goal.

Australia's current (2018-19 budget) for ODA is $4.2 billion and we have discontinued funding for the Green Climate Fund. However, Australia also has a new trade agreement with Indonesia which includes an economic cooperation initiative which needs appropriate support. ACCI also seeks improved engagement in the Indian Ocean Rim and so we would be pleased for the Government to consider a small increase in overall expenditure in aid in these two areas.

Recommendation
• Cap 2020-21 aid funding commitments, inclusive of climate change funding, at $5 billion. Beyond that, defer the trajectory in increased aid until such time as the budget provides a secure and ongoing surplus. • Provide additional resources to advance Australia's economic cooperation with Indonesia under the Indonesia Australia Comprehensive Economic Partnership Agreement (IA-CEPA). • Support Indian Ocean Rim initiatives supporting trade and investment as drivers to economic development.

6.9 Anti-Dumping Commission

"Dumping" is a system of price discrimination where other nations often offer State support to maintain the revenue of a producer while undermining the price in a destination market. It is a tool that is used to "buy" market share at the expense of local producers and other competitors in a target consumer market. However, when this occurs, consumers in the target market can also benefit from the lower process on offer. There may be a wider range of reasons why companies choose certain pricing levels to support their entry into a new market – these are mostly not related to "dumping".

Members of the WTO, such as Australia, are able to maintain countervailing systems through the Anti-Dumping Commission to ensure that competition in market economies is fair.

"Normal" competition is welcomed by ACCI, but we reject efforts by other nations to manipulate the local market in order to force out local producers. There is a clear place for an anti-dumping regime in Australia. However, Australia is among the leading users of this trade measure. It is interesting to note in the evidence available from the OECD / WTO/ UNCTAD Reports on G20 Trade And Investment Measures — mid-May to mid-October 2018)[22] that Australia has not recently utilised the Safeguard mechanism and has rather relied upon the anti-dumping mechanism available under the WTO.

While Australia needs to be vigilant about the risks of the trade-distorting activities of others, it also need to be vigilant that anti-dumping regimes do not become vectors for increased protectionism, which would ultimately reduce the benefits to Australians by negatively impacting on the Australian economy. Hence, ACCI sees a place for the inclusion of an Economic Benefits Cost Analysis (ECBA) within the operations of the ADC.

As the ADC operates within a regime administered by the Government, it doesn't make the rules by which it operates. Thus, it is necessary for the Department of Industry, Innovation and Science to undertake a consultation process on the regulations under which the ADC operates to require an EBCA be undertaken before an anti-dumping case can be initiated.

Recommendation
• Investigate the merits of including an Economic Benefits Cost Analysis in decision-making by the Australian Anti-Dumping Commission

[22] OECD, *Reports on G20 Trade and Investment Measures,* 22 November 2018 <http://www.oecd.org/investment/investment-policy/20th-Report-on-G20-Trade-and-Investment-Measures.pdf>

About the Australian Chamber of Commerce and Industry

ACCI represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, the businesses in our network employs millions of people.

Our vision is to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

Our purpose is to mobilise the ideas, influence and passion of people in business to achieve policy outcomes in the national interest. The combined power and influence of the peak business group in every state and territory – the chamber network – gives ACCI unrivalled geographic representation and reach. Our industry association members bring sectoral horsepower and expertise at natural, state and territory level. Chambers and industry associations together represent the breadth and depth of the Australian economy and businesses that drive it.

ACCI seeks to create an environment in which business people, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economic reform, trade, workplace relations, work health and safety, and employment, education and training.

ACCI advocates for Australian business in public debate and to policy decision-makers, at the national level and in international forums.

Working for Business. Working for Australia

Telephone 02 6270 8000
Email info@australianchamber.com.au
Website www.australianchamber.com.au

Canberra Office

Commerce House
Level 3, 24 Brisbane Avenue
Barton ACT 2600 PO BOX 6005
Kingston ACT 2604

Melbourne Office

Level 2, 150 Collins Street
Melbourne VIC 3000

Sydney Office

Level 15, 140 Arthur Street
North Sydney NSW 2060
Locked Bag 938
North Sydney NSW 2059

ABN 85 008 391 795

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- ARTA
- Consumer Healthcare Products Australia
- Australian Steel Institute
- ATEC Australian Tourism Export Council
- VACC You're in good hands
- ATA Australian Trucking Association
- AVA Australian Veterinary Association
- BIA
- BIC Bus Industry Confederation moving people
- Business Council of Co-operatives and Mutuals
- Caravan Industry Association of Australia
- CCA Cement Concrete & Aggregates Australia
- Chemistry Australia
- CMAA
- Consult Australia
- Consulting Surveyors National
- CPA Australia
- CLIA Australasia
- Customer Owned Banking Association
- Direct Selling Australia
- Exhibition & Event Association of Australasia
- Fitness Australia
- ATIC
- gta
- Governance Institute of Australia
- HIA
- IHEA Independent Higher Education Australia
- iteca Independent Tertiary Education Council Australia
- LFRA Large Format Retail Association
- Live Performance Australia
- Master Builders Australia
- master plumbers Expert. Committed. Professional.
- MTAA Medical Technology Association of Australia
- Medicines Australia
- NALSPA
- NDS National Disability Services
- neca national electrical and communications association
- National Fire Industry Association
- NRA National Retail Association
- ACFA Australian Cabinet and Furniture Association
- NRMA mynrma.com.au
- NSW HCA The voice of the Hire Car Industry
- NSW Taxi Council
- Outdoor Media Association
- The Pharmacy Guild of Australia
- afta Australian Federation of Travel Agents
- Print & Visual Communication Association of Australia
- rcsa Leading in the world of work
- Restaurant & Catering
- SAP
- Think Brick Australia
- Tourism Training Australia
- ieaa International Education Association of Australia