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EMPLOYERS RELEASE A ROADMAP TO RECOVERY

5 September 2020

The October federal budget is a crucial opportunity to build on Australia's strong starting position and outline a practical recovery roadmap that puts the country on track for the future, according to the Business Council of Australia's pre-budget submission released today.

"We have managed the COVID crisis relatively successfully compared with other countries, but we can't waste a moment to prioritise the creation of new jobs, help people back into work and get businesses back up and running," Business Council of Australia Chief Executive Jennifer Westacott said.

"Every dollar we spend must focus on creating new jobs, increasing investment, growing the economy and solving major social challenges. Every dollar must enable the country to recover and move forward.

"Our economic recovery depends on finding ways to work alongside the virus while measures to control the health impacts continue.

"The job creation task ahead of us is massive. We need to generate about 1.5 million new jobs – more than 10 per cent of the pre-COVID workforce - to replace the jobs and hours lost during the pandemic and the jobs at risk as the economy restructures.

"Every month of delay is a lost opportunity. One month of emergency supports costs more than one year of tax reform.

"Our budget submission calls for an injection of fresh energy on creating new jobs, building new industries and new markets so we can rebuild our economy on the other side of this crisis.

"Now is the time to shift from emergency support to funding sustained growth and taking the crucial steps to strengthen the economy and make it more internationally competitive.

"We need to act now, not sit in the slow lane while the rest of the world moves on with recovery.

"Recommendations include a 20 per cent investment allowance, which would lift business investment by about \$200 billion and create about 500,000 additional jobs over a decade.

"An investment allowance would cost about \$10 billion a year – less than the cost of one month of JobKeeper payments. It would turn around our investment drought and create jobs versus standing still.

"To protect existing jobs and create new ones, we need to immediately take steps to reverse the dramatic freefall in business investment and halt the exodus of investment offshore.

"For the next three to five years, we will need to learn to live with debt, but only where it is an investment in rebuilding our economy and society."

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ROAD TO RECOVERY SUMMARY



The recovery and jobs creation task is massive – we need to create 1.5 million new jobs.

Australia's strength and resilience has helped us in the past but we have never seen a crisis like this. Responding to it will require us to build on our strengths and consider new strategies.

We need to get in front of the world, not fall behind.

For the medium term, we will experience higher debts and deficits. As a result, every dollar we spend needs to position the country to rebuild and move forward by prioritising policies and programs that:

- create jobs
- increase the rate of growth
- make Australia more competitive
- increase productivity, and
- solve major social challenges.

Increasing business activity is the only way to create jobs and grow incomes.

Business is ready to get on with the job of recovery.

Our submission is focused on getting the economy moving again and supporting demand through practical measures that can be implemented quickly to build confidence, create jobs and speed up the recovery.

Increasing productivity growth to 90s rates =
wages 8% higher over 5yrs =
boosting annual wages by \$5,500

Reopen the economy

Protecting community health must continue to be the priority but our economic recovery cannot wait until the health crisis has been completely resolved. We need to find ways to work and live alongside the virus while measures to control the health impacts and suppress outbreaks continue.

Snapshot of recommendations

- Develop protocols through National Cabinet to manage virus outbreaks and state borders that are predictable, consistent and promote confidence.
- Focus on localised containment with a three-month plan to reopen domestic borders.
- Only use domestic border closures as an emergency management tool in extreme circumstances, not as a permanent COVID control measure.
- Set out a six-month, controlled approach for opening international borders, with priority access for international students and in-demand skilled workers.
- Gradually develop travel corridors with other countries.

\$8.3b lost every month that international borders remain shut

Staying open for business

Maintaining our strong relationships with trade and investment partners and keeping our doors open is critical to the recovery.

Snapshot of recommendations

- Immediately remove the temporary zero-dollar Foreign Investment Review Board screening threshold.
- Tightly target tougher measures to address national security concerns while ensuring the longer-term FIRB settings are welcoming to foreign investment.

Trade = **1 in 5** Aust jobs
Foreign investment = **1 in 10** Aust jobs

Get rid of barriers to doing business

During COVID, governments jettisoned unnecessary red tape. It doesn't make sense to go backwards and reintroduce these handbrakes on job creation.

Snapshot of recommendations

- Stay the course on removing antiquated and unnecessary regulation including freight curfews, and reforming major project approval processes and retail trading hours.
- Modernise the way business is done by retaining temporary amendments to the Corporations Act that allow electronic signatures, virtual AGMs and the electronic distribution of documents.
- Retain changes to shareholder class actions in combination with strong disclosure obligations.
- Retain the workplace flexibility that has helped saved thousands of jobs during the pandemic for as long as it takes businesses to recover.

Switch stimulus to job creation

Get the economy moving again in a way that uses the strength of the public balance sheet to create jobs and put money back in people's pockets but doesn't harm the structural budget position going forward.

Snapshot of recommendations

- Bring forward stages 2 and 3 of the personal income tax cuts.
- Benchmark JobSeeker to more than 75 per cent of the age pension.
- Extend the 80 cents per hour shortcut method for claiming deductions for working from home to 30 June 2021.
- Encourage the states and territories to extend payroll tax relief for 12 months.

Cost of 1mth of JobKeeper = **1yr of tax reform**

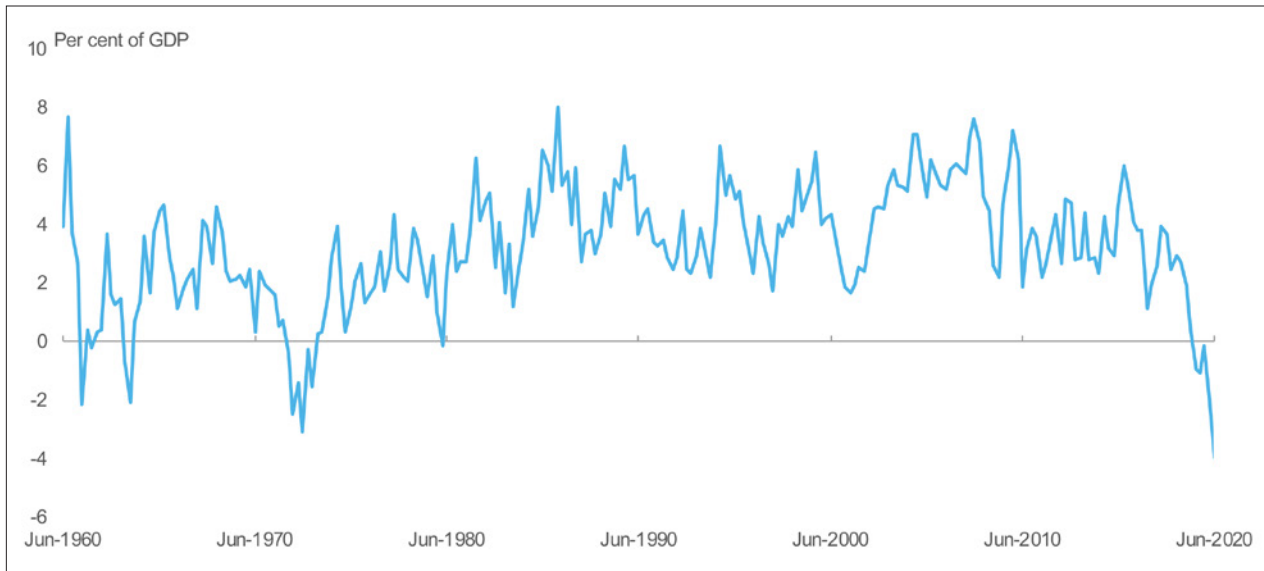
Bringing forward stages 2&3 of personal tax cut
injects \$10-15b into people's pockets

Create incentives for companies to invest again

We need to reverse the freefall in business investment. Incentives to get firms to invest early in the recovery would have a powerful effect in lifting growth and confidence.

Investors moving offshore

Net capital account position



Over the longer term, reforms to make the company tax system more competitive would send a strong message to global markets. Australia currently has the third highest company tax rate among the 37 OECD member countries. We recommend a review of the corporate tax system to improve competitiveness, examining options around the tax base and tax rates compared with our global competitors.

Snapshot of recommendations

- Introduce a 20 per cent investment allowance to speed up the recovery and job creation process.

Investment = jobs

20% investment allowance could create

500,000 jobs over 10yrs	\$200b of investment over 10yrs
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Unleash the balance sheets of business and government

Major infrastructure projects not only create thousands of jobs, they transform the nature of the economy, improving economic growth, liveability and population growth.

Projects that drive export opportunities, support lower emissions and decarbonisation, reduce congestion, support regions, promote innovation and growth precincts, and provide social benefits should be prioritised.

Snapshot of recommendations

- Identify a continuous 10-year National Revitalisation Plan with a pipeline of quality infrastructure projects funded by the federal and state governments.
- Implement best practice strategic planning and planning approvals systems that lead to faster and lower cost approvals for projects of all sizes.
- Encourage all jurisdictions to regularly report on their planning approval timeframes, including for consent and referral agencies and local councils.

Invest in a new energy future

Driving down electricity and gas prices will be central to our ability to recover. At the same time transitioning to our future energy fuel mix must remain a priority and presents an opportunity to invest in new projects and create new jobs and industries, as well as tackling the long term challenges presented by climate change. The best way to do this is to unleash the pipeline of queued up private investment in the energy sector.

Snapshot of recommendations

- Commit to a net-zero by 2050 target across the economy.
- Fast-track projects that will speed up decarbonisation and increase reliability, and remove government programs that discourage private investment, such as the Underwriting New Generation Investment Program.
- Remove moratoriums on conventional and unconventional gas exploration and development.
- Expand the scope of ARENA and the CEFC to include a wider remit of low and zero emissions technologies and provide stable long-term funding.

Up to \$53 billion in investment
over time to keep the lights on and drive down energy prices
as we transition to new energy future – with some \$100 billion
of potential energy projects in the pipeline

Accelerating the transition to a digital economy

The crisis has accelerated the uptake of digital technologies and the community now has a greater appreciation of their benefits across the economy.

Snapshot of recommendations

- Retain the current instant asset write off policy past 31 December 2020 for eligible digital and telecommunications business assets only.
- Introduce an accelerating digitisation grant for SMEs.
- Invest to create the required national e-invoicing infrastructure and encourage all businesses to adopt e-invoicing and overtime make it mandatory.
- Prioritise funding for public sector digital capabilities.

SMEs with advanced levels of digital engagement achieved
28% more revenue growth and
60% more revenue per employee than SMEs with basic levels

Skills for the future

The skills system has an enormous role to play in our recovery and we need to make it easier for people to learn new skills and be job ready.

Snapshot of recommendations

- Continue skills reform which includes:
 - strengthening the role of VET and TAFE
 - costing skills that are in demand
 - introducing a national micro-credentialing system
 - dramatically improving careers guidance, and
 - revitalising the apprenticeships system.
- Improve the job matching system including consolidating information into a set of online portals so people can see the jobs that are available and the skills they need.
- Give people on JobSeeker and JobKeeper priority access to short courses and microcredentials tailored to meet demand.
- Prioritise tertiary funding to areas of employment demand such as digital skills, automation, data analysis, statistics and project management.
- Create digital apprenticeships.

COVID will
leave us with

1.3m
unemployed

1.5m
underemployed

and **300,000**
students graduating
with no jobs

Unlocking the potential of our regions

Ramping up infrastructure and investment in regional Australia helps to drive economic activity, population growth and encourage businesses to onshore their operations post-COVID.

Snapshot of recommendations

- Leverage City Deals and the Special Activation Precincts model to identify the regional places that will deliver new projects that maximise economic and community benefits.
- Use this model to encourage business to relocate to the regions, including creating skills hubs through the regional targeting of the skilled migration program.
- Get Infrastructure Australia to audit and produce a list of major infrastructure projects of significance to regional areas that can be fast-tracked and deliver economic benefits.

Australia's exports of resources and rural goods = **70% of all exports**

Planning for the future

The COVID crisis has focused a spotlight on supply chains and Australia's capacity to deliver goods and services when these are disrupted. We need to maintain open channels for trade and investment to access reliable global supply chains as well as identify where Australia can play to its strengths and best add value to global supply chains.

Snapshot of recommendations

- Revise amendments to the R&D Tax Incentive to preserve incentives to invest in R&D. Do not proceed with the proposed intensity test in its current form.
- Develop a set of national research and commercialisation priorities that deliver on:
 - our ability to value add and enter premium markets
 - solve national challenges
 - developing the capabilities in high demand that will service global supply chains, and
 - carefully examine sovereign capabilities.
- Prioritise funding and support for these national research and commercialisation priorities.
- Apply national priorities at a precinct level with co-investment from governments and industry to deliver on commercialisation and job creation.

The way ahead

We can't solve all of Australia's problems in one budget.

The fiscal task ahead will be challenging. While fiscal consolidation should not be the priority of this budget there will ultimately need to be a plan to pay down the debt.

Our suggested measures in this submission would help shift the dial on productivity and growth.

A credible fiscal consolidation path will also need to be supported by a tax system that can deliver sustainable revenues into the future. The current tax system is not fit for purpose in this respect. A fundamental review of our tax system, with policy action, is overdue.

We should do everything we can to maintain Australia's openness to trade and investment. The biggest opportunities to grow the economy and increase the incomes of Australians will come from the global economy.

Maintaining strong population growth, including through immigration, will also be important to growing our way out of debt.

If we achieve 2 plus %
productivity growth rates (like we did in the 90s)
over a decade we would
add \$2 trillion GDP and \$500b revenue