

Top 10 in 10

**TEN STEPS TOWARDS A MORE
COMPETITIVE AUSTRALIA**
BUSINESS PRIORITIES FOR THE 2016 FEDERAL ELECTION



Australian
Chamber of Commerce
and Industry



Working for business. Working for Australia

The Australian Chamber of Commerce and Industry speaks on behalf of Australian business at home and abroad.

Our membership comprises all state and territory chambers of commerce and dozens of national industry associations. Individual businesses also get involved through our Business Leaders Council.

We represent more than 300,000 businesses of all sizes who employ over four million people, across all industries and all parts of the country, making us Australia's most representative business organisation.

The Australian Chamber strives to make Australia a great place to do business in order to improve everyone's standard of living.

We seek to create an environment in which businesspeople, 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 economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, all members of federal parliament across all political parties, ministerial policy advisors, parliamentary secretaries, regulators and national agencies. We also represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.



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MAY 2016

Australia is a great place to live, but we cannot be complacent. Our living standards are rising more slowly than they have in the past and people are struggling to build a better future

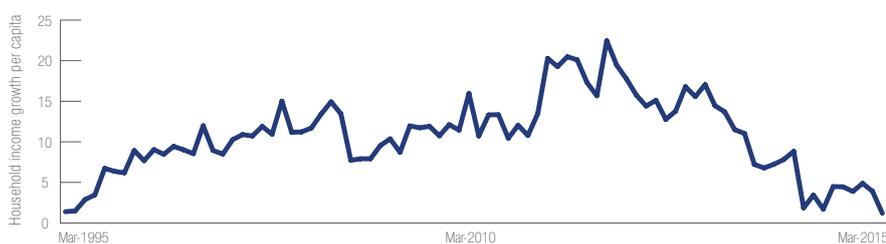
While other nations are embracing policies to increase the competitiveness of their economies, Australia is unable to commit to sensible reform to allow us to compete in the global marketplace. Over the past decade Australia has fallen from 10 to 21 on the Global Competitiveness Index, with our biggest weaknesses being innovation, tax and workplace relations. This means less investment, fewer jobs and missed opportunities.

The good news is we can do something about it. Whichever party becomes the government after this election can take practical steps to improve Australia's global competitiveness, and so make local businesses more dynamic and Australia a more attractive destination for international investors.

That's why this election we are asking all parties to commit to these 10 steps so we can become a top 10 country within 10 years. These commitments are practical and achievable, and need to start straight after the election.

By committing to our Top 10 goal, and the steps to get there, our leaders can help to create a more competitive Australia.

Living standards are rising more slowly

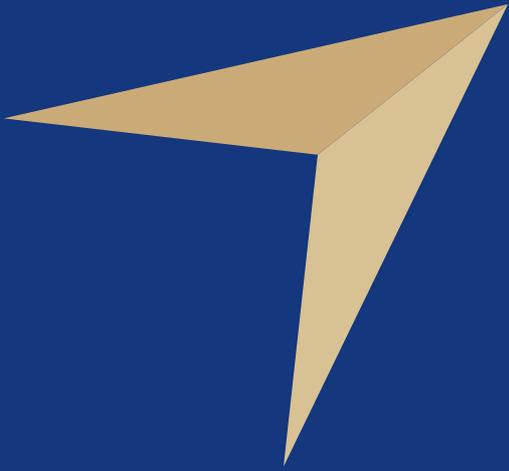


Source: ANU Centre for Social Research and Methods

Global Competitiveness Index

1st	Switzerland
2nd	Singapore
3rd	United States
4th	Germany
5th	Netherlands
6th	Japan
7th	Hong Kong SAR
8th	Finland
9th	Sweden
10th	United Kingdom
11th	Norway
12th	Denmark
13th	Canada
14th	Qatar
15th	Chinese Taipei
16th	New Zealand
17th	United Arab Emirates
18th	Malaysia
19th	Belgium
20th	Luxembourg
21st	Australia

Source: World Economic Forum, Global Competitiveness Index 2016-16



1 Give young people a chance to succeed by making it easier for employers to take on apprentices and trainees

2 Ensure government spending is sustainable by reducing it to less than 25% of GDP

3 Help industries grow through workplace regulation that better responds to their needs

4 Let entrepreneurs get on with growing their businesses by reducing government red tape each year

5 Create jobs by allowing employers and employees to negotiate workplace arrangements that best meet their needs



6 Boost incomes by cutting the company tax rate to 25% within ten years through annual reductions

7 Build the transport, communications and energy facilities we need by backing the independent plan of Infrastructure Australia

8 Lower building costs by bringing back and retaining the Australian Building and Construction Commission

9 Encourage innovation and value for money by facilitating greater competition in government-funded education, health and aged care services

10 Welcome more international visitors by making visas cheaper and easier to obtain

These 10 steps are all important and are not necessarily presented in priority order



1

Give young people a chance to succeed by making it easier for employers to take on apprentices and trainees

For many young people an apprenticeship or a traineeship is the first rung on their employment ladder, helping them to make the transition out of the school system and giving them the skills they need to develop a career. Those young people rely on employers willing to provide the structured learning and real work-based experience they need.

But in recent years the number of opportunities has fallen sharply – four years ago there were 516,000 people undertaking apprenticeships and traineeships, but that number has fallen to just 295,000. The major reason for the decline is that changes to government incentives have made it a lot less affordable for employers to take them on.

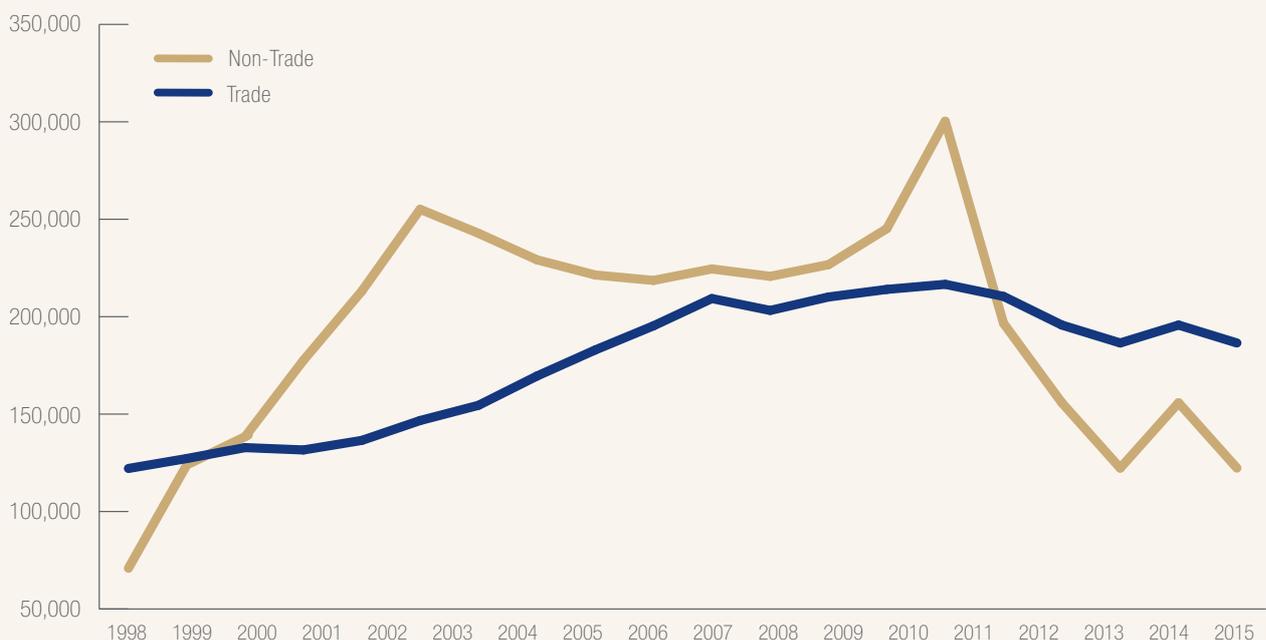
Governments have long pledged their support for apprentices and trainees, but words are not enough. Australia needs a government willing to commit to the long-term future of young people by improving the business case for employers to take on apprentices and trainees. This is essential to reverse the decline.

A strong apprenticeships and traineeships system ensures our workforce has the skills it needs for the jobs of the future. It also ensures that young people, particularly from disadvantaged backgrounds, develop an attachment to the world of work so they are more likely to be able to support themselves later in life.

84% of people who finished an apprenticeship in 2014 were employed 6 months after training

Sources: Graduate Careers Australia – Gradstats, December 2015
NCVER's National Student Outcomes Survey, 2015

Apprentices in training 1998 - 2015 (year ending June 30)



Source: [1] NCVER 2015, Australian vocational education and training statistics: historical time series of apprenticeships and traineeships in Australia, from 1963, NCVER, Adelaide.

2

Ensure government spending is sustainable by reducing it to less than 25 per cent of GDP

Every day the Federal Government spends \$1.1 billion, but only raises \$1 billion in taxes. The \$100 million shortfall is money that Australia must borrow, and that must ultimately be repaid – with interest – by future generations.

Government spending is growing faster than national income, so revenue can only keep up if governments continually raise taxes.

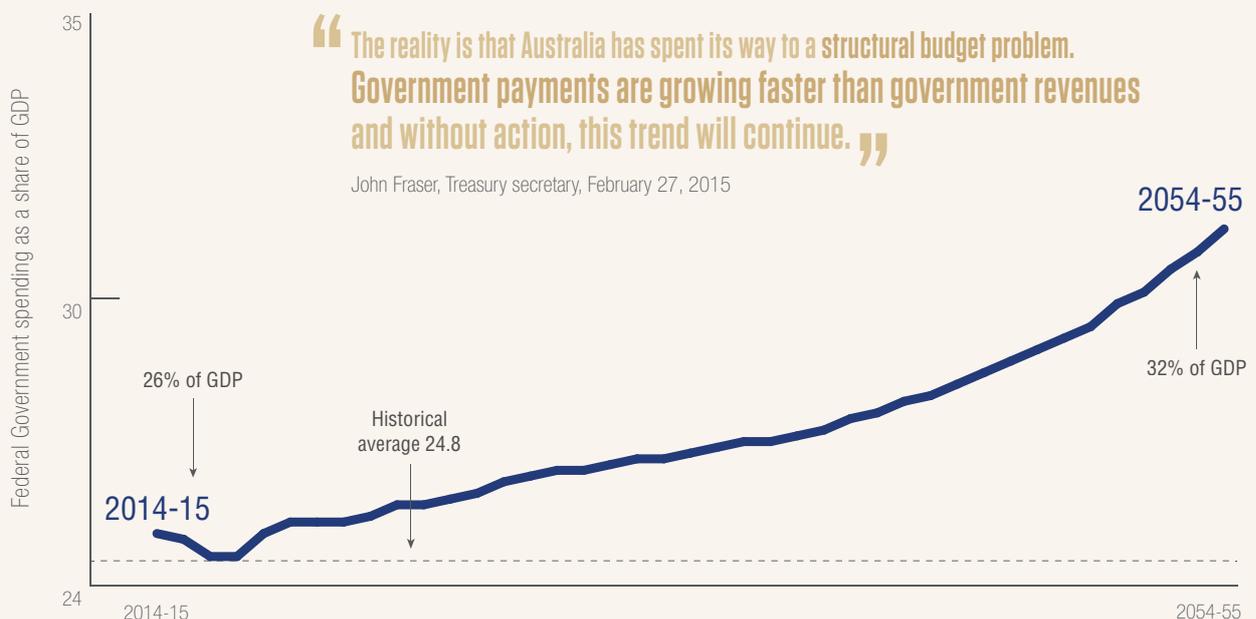
Over time the problem will only get worse and deficits will grow. As Australia's population gets older, there will be increased demand for government services, such as health, aged care and welfare, as well as the National Disability Insurance Scheme. Each of these will increase demand for tax dollars at a time when the proportion of the population that is working is falling.

If we do not ensure that this spending is targeted at people who really need it, then vital social programs will be put at risk. The sooner we act the easier it will be.

The best approach is to curb Government spending. Government payments as a proportion of GDP stood at 23.1 per cent in 2007-08 before rising to 26.0 per cent at the height of the Global Financial Crisis two years later. But even as the economy has recovered spending has remained high, at a projected 25.8 per cent in 2015-16.

A credible plan must be put in place to reduce government spending as a share of GDP to 25 per cent. This must involve greater public sector efficiency, tightened eligibility for government programs and greater competition in the provision of government services.

Spending is predicted to grow faster than the economy



Source: 2015 Intergenerational Report



3

Help industries grow through workplace regulation that better responds to their needs

Workplace regulation is a complex web of rules and requirements that many small business owners struggle to navigate without legal assistance.

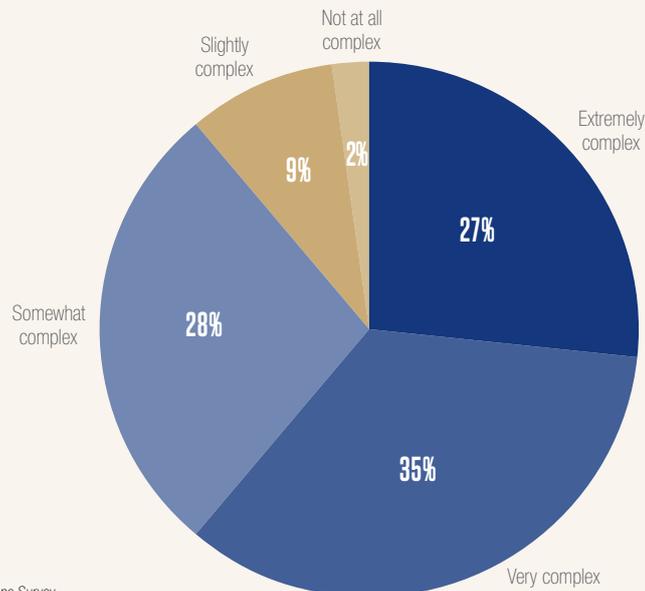
The Fair Work Act has 950 sections and 208,000 words, while there are 122 different modern awards. Many of these awards are prescriptive and daunting despite a recent effort to make them more accessible through streamlining. Layered over the award system, employers also face increasing regulation regarding matters including discrimination, privacy and work health and safety. These issues are important but add to the complexity of rules that govern workplaces.

Reforms are needed to ensure awards are pro-employment, do not exist as a barrier to the efficient structuring of working arrangements and set out standards appropriate to the industries and occupations they cover. We need to minimise inflexible requirements that create a disincentive to employ or make it harder to offer more work hours at times when a business is expected to trade.

We need to simplify the system by removing rules from a bygone era while providing necessary protections for workers.

We need a workplace relations framework that reflects the contemporary needs of businesses and their employees.

Complexity of regulations associated with employing staff



Source: ACCI 2015 National Red Tape Survey

4

Let entrepreneurs get on with growing their businesses by reducing government red tape each year

Excessive regulations mean that business owners spend more time complying with rules and less time finding ways to grow their enterprise and satisfy their customers.

In the Australian Chamber's latest National Red Tape Survey, more than one in four respondents said they spent 11 hours a week or more on compliance, with almost half putting the annual cost of compliance at beyond \$10,000. This leads to lower productivity, increased costs and stifled innovation.

Among the biggest headaches for business owners is the paperwork involved in complying with GST obligations, which costs businesses thousands of dollars more each year in Australia than it does in New Zealand, which has a GST.

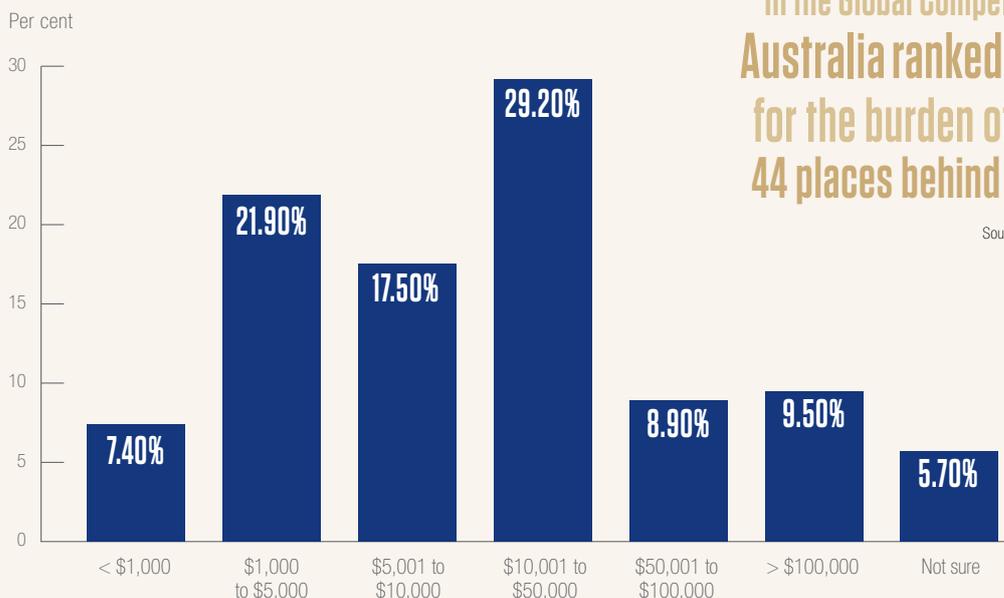
Rather than red tape, businesses should encounter blue-ribbon service when they deal with government. In recent years the government has set a target of reducing red tape compliance costs by \$1 billion each year. This target should continue, with annual report to parliament on progress.

And beyond targeting existing regulation, proposed regulation must be subject to a rigorous regulatory impact statement so that the true costs and benefits can be assessed.

GST compliance costs Australian small businesses more than \$13.7 billion a year. Small businesses spend an average of more than two full working weeks a year to collect GST.

Source: 2015 MYOB Business Monitor, The Hidden Costs of GST Hitting Small Business Hardest

Annual cost of red tape on business



Source: : ACCI 2015 National Red Tape Survey

In the Global Competitiveness Index Australia ranked 80 globally for the burden of regulation, 44 places behind New Zealand

Source: 2015 World Economic Forum

5

Create jobs by allowing employers and employees to negotiate workplace arrangements that best meet their needs

Right now the workplace relations system takes a one-size-fits-all approach and limits the ability for businesses and their staff to negotiate over arrangements that reflect their particular circumstances. This makes it harder for businesses to hire staff at a time when about 250,000 young people are out of work.

The current system of collective agreement making assumes that unions and their members negotiate collectively with employers. But the process can often be improved by employers and employees dealing with each other directly, rather than through a third party.

An adversarial approach is inconsistent with modern business practices, where managers and their teams share a common vision and work together for mutual benefit.

The workplace relations system should create an environment where wages and conditions are set by workplace agreements that can be negotiated collectively or individually, with or without a union. The expansion of bargaining options to reflect this reality will make businesses more competitive within Australian and export markets, allowing all parties to share in the benefits of a growing business.

“ Perfectly acceptable and long-established work practices that satisfy both employers’ management prerogatives and the wellbeing of employees, are being disrupted by Fair Work requirements designed for worst cases. ”

Source: Australian Business Foundation, Deepa Economics and ThinkEvans, Productivity and Fair Work, 2012

6

Boost incomes by cutting the company tax rate to 25% within ten years through annual reductions



When companies around the world are deciding where to set up and expand their operations, the tax rate they face is a major factor. For Australia to attract international businesses, and to encourage local businesses to remain on our shores, we need a company tax rate that is internationally competitive.

The benefits of Australia attracting more international investment flow right through the economy, including to local businesses, workers and consumers. In fact, economists at Treasury estimate that two-thirds of the benefit flows to households, mostly in the form of higher wages.

Australian businesses benefit from a growing economy. Workers benefit because the international investments make our workplaces more productive, leading to higher wages and more job opportunities. And consumers benefit because higher productivity means lower prices.

Right now, Australia has one of the highest company tax rates of all developed countries. Our current rate of 30 per cent (28.5 per cent for small businesses) compares to 12.5 per cent in Ireland, 22 per cent in South Korea and 28 per cent in New Zealand.

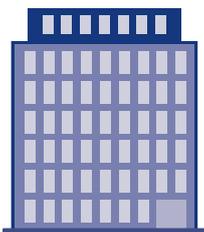
Our tax rate as a share of profits is down at 101st in the world, and the effect of taxation on incentives to invest is rated 91st.

Just as the surge in mining investment boosted the incomes of workers and small businesses, a cut in the company tax rate can deliver similar benefits across the whole economy.

Labor and the Coalition have acknowledged that the company tax rate is too high. However, we need both parties to commit to annual reductions to meet the target.

Cutting company tax to 25 per cent over a decade will leave Australia near the middle of the current international rates. This approach will deliver an up-front boost to the Australian economy because investment decisions are forward-looking. Once Australia reaches 25 per cent the Government should ensure our corporate tax rate continues to remain competitive.

Benefits from reducing the company tax rate



Company Benefits

- Growth in the economy
- International investments make our workplaces more productive
- Lower prices
- Boosts the incomes of workers and small businesses



Household Benefits

- Growth in the economy
- Workplaces become more productive, leading to higher wages
- More job opportunities
- Consumers benefit because higher productivity means lower prices.

7

Build the transport, communications and energy facilities we need by backing the independent plan of Infrastructure Australia

We all rely on high-quality infrastructure every day. From the road and rail links that criss-cross the country to the fast broadband in our offices, the energy that powers our factories and the ports that connect us to global markets, infrastructure helps to grow the economy.

But without proper investment in that infrastructure, our quality of life is at risk. As our population approaches an estimated 30 million people by 2031, we are at risk of having our cities overwhelmed with congestion.

Often the decisions about what infrastructure gets built and how it is funded are determined in an adhoc and partisan manner. This leads to public money being inappropriately spent on some projects while more productive projects remain unbuilt.

There is a solution. The independent body, Infrastructure Australia, has produced a plan for improving infrastructure planning and governance, including a list of infrastructure priorities that draws on rigorous evidence about how best to improve productivity and living standards. Projects on the list offer the greatest social and economic benefits for the least costs, and are shielded from political concerns.

The Infrastructure Australia plan should be enacted by the government to ensure Australia's future needs are met by closing the infrastructure gap.

The cost of congestion for Australian capital cities ballooned by 30% between 2010-15 to **\$16.5 billion**, \$8 billion of which is lost business time costs.

Source: 2015 BITRE Traffic and Congestion cost trends for Australian Capital Cities

“There are numerous examples of **poor value for money** arising from inadequate project selection, potentially costing Australia billions of dollars.”

Source: Productivity Commission inquiry into public infrastructure, 2014

8

Lower building costs by bringing back the Australian Building and Construction Commission

The building and construction industry is vital to our national economy, so we all pay a big price when there is industrial lawlessness on worksites.

Bullying and gross misconduct have been allowed to flourish in the building and construction sector. The Royal Commission into Trade Union Governance and Corruption documented the extent of the problem, leading to 93 referrals to authorities, more than half relating to potential criminal activity.

Left unchecked, industrial lawlessness results in delayed projects, lost production time, higher costs, less efficient spending of tax dollars and reduced job opportunities. Research shows that impunity on construction sites drives up the cost of building schools, hospitals and childcare centres by as much as 30 per cent.

From 2005 to 2012 the Australian Building and Construction Commission was effective in improving the performance of the sector. The growth in productivity in the construction industry outpaced the average across the economy, and the rate of industrial disputes was brought down (ABS data).

Bringing back the ABCC, and making sure it has the power to impose strong civil penalties for illegal behaviour, will help to restore integrity to the sector. And once it is in place, government needs to give it resources and support to get on with the job.

Since abolition of the ABCC, days lost to industrial disputes have increased by 34%

Source: ABS Data

From 2010 to 2015, the construction sector accounted for nearly 30% of all days lost to industrial disputes. The average between 2005 and 2009, when the ABCC had its full powers, was 10%.

Source: ABS Data

9

Encourage innovation and value for money by facilitating greater competition in government-funded education, health and aged care services

We know that competition is great for consumers by putting downward pressure on costs and encouraging innovation among suppliers.

But for too long many important government services, including education, health and aged care, have been shielded from competition. This means that they are less responsive to the needs of consumers and often cost taxpayers more than they should.

Government services in education, health and aged care can be provided more efficiently and effectively by giving consumers more choice in how they are delivered. Outcomes are often better when human services are delivered by a quality mix of providers, whether they are private sector, not-for-profits or government business enterprises.

For that competition to best benefit consumers, there must be minimum standards of delivery, good regulation and compliance, and information delivered by experts that are incentivised to focus on consumer needs. Governments can also ensure that access is equitable, universally available and of adequate quality.

Human services are the fastest growing areas of public and private spending so it is vital that government gets the delivery right. Recommendation 2 of the Harper Review into competition is a good place to start as it states that each Australian government should adopt choice and competition principles in the domain of human services, and sets out important guiding principles for implementation.

“ Much of the discourse over public services focuses on inputs rather than outputs. Cost reductions in the order of 20% to 25% are not unusual when services are first opened up to competition ”

Source: 2012 Sturgess, G, Diversity and Contestability in the Public Service Economy

10

Welcome more international visitors by making visas cheaper and easier to obtain

The visitor economy is a key driver in Australia's economic transition. Tourism, business travel and events employ nearly one million people and contribute \$100 billion to our national economy, and in coming years the sector is projected to grow 4 per cent annually, providing 123,000 additional jobs. But this is only possible if we have the right policies in place to attract visitors to Australia.

Right now Australia is an unnecessarily expensive place for international visitors; we were the second most expensive destination for taxes and charges in a recent study. We have made encouraging progress and last year we welcomed more than one million Chinese visitors, but our competitors are moving faster and getting even better results, particularly by targeting a greater share of the 200 million Chinese who will travel overseas each year by 2020.

Australia must speed up the introduction of e-lodgement of visas for visitors from China, India and Indonesia, with applications available in the languages of those countries. The cost of long-term multiple entry visas ought to be internationally competitive and the process streamlined for skilled-worker visas in sections of our economy that are struggling to find labour. Immigration authorities should work with the business events and convention industry to streamline visa processes for international delegates.

With the right policies in place, we can welcome more international visitors to enjoy the delights that Australia has to offer, boosting jobs and growth in Australian tourism businesses and building closer connections with people from around the world.

In 2015 the World Economic Forum ranked Australia 138th out of 141 for travel and tourism price competitiveness, including 127th for ticket taxes and airport charges

Australia is ranked 49th out of 141 for complexity of visa requirements for tourism visitation

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