

# GETTING ON WITH BUSINESS 2019



Australian  
Chamber of Commerce  
and Industry

## BUSINESS POLICY PRIORITIES FOR THE NEXT FEDERAL GOVERNMENT





## AUSTRALIA'S LEADING BUSINESS VOICE

The Australian Chamber of Commerce and Industry is Australia's largest and most representative business network. Our membership comprises all State and Territory Chambers of Commerce and over 70 Industry Associations. Our Business Leaders Council brings individual business leaders into our network

Our international arm, International Chamber of Commerce Australia, gives businesses of all sizes a platform to promote free trade and open markets; and influence economic, social and environmental policy decisions in global forums. We speak for business at the United Nations and the OECD; and give Australian employers a voice in the International Labour Organisation, where workplace principles, rules and obligations are decided that will impact Australian firms.

We represent more than 300,000 businesses of all sizes, who employ millions of Australians in every sector of the economy and in every part of our country. Our vision is to make Australia the best place in the world to do business. So Australians have the jobs, living standards and opportunities to which they aspire. Our members work with us to develop policy to advance the broad interests of employers in the private and not-for-profit sector. We focus on issues that impact on business, including economics, industry policy, trade, workplace relations, work health and safety, and employment, education and training. With our members, we ensure the voice of business is heard at every level of government across the country and across the world.



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ABN 85 008 391 795

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MAY 2019



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# Introduction

*We want Australia to be the best place in the world to do business. So Australians can have the jobs, living standards and opportunities to which they aspire. The Federal Government and Parliament can realise that vision for the benefit of all Australians.*

Australia is a good place to live and work. But for years government and the parliament have shown little appetite for significant economic reform.

Nearly three decades of uninterrupted growth saw Australia's national income per capita grow strongly. But our current prosperity is in large part the result of past reforms and a once-in-a-lifetime boom in prices for the commodities we produce and export.

Our economy is in transition and we face uncertainty at home and overseas.

Wages growth is lower than what we were used to during the mining boom. Property values in our capital cities are falling while household debt is high. Big increases in power prices are putting pressure on business costs and household budgets. Underemployment and youth unemployment remains stubbornly high while a declining number of people are being trained in the skills needed for the jobs of today and tomorrow. Our ageing population needs increasing support.

Public perceptions of big businesses have been damaged by revelations of poor individual and institutional behaviour and performance in the financial services sector. Politicians proclaim their support for small businesses, while criticising individual firms and sectors from the "big end of town".

There is continuing debate over how best to prepare for the future of work. In the face of sluggish productivity growth, the union movement wants to "change the rules" to make our complex and productivity-sapping workplace relations system even more rigid and uniform, and less responsive to the needs of individual workers and individual enterprises.

At the same time, businesses and individuals are looking for increased flexibility to compete successfully and take full advantage of new ways of doing business and new forms of work. We need to plan for and regulate new and disruptive business models in a way that encourages innovation, so we can attract investment and talent and provide good jobs.

Global economic uncertainty has increased. The global economy is slowing and Australia's net foreign debt is high. The global trade environment, so vital for a nation that depends on trade, is uncertain.

The uneven distribution of the benefits of globalisation has fuelled a rise in populist economic nationalism.

These stresses, and the reaction of many policy makers to them, have made it harder to win support for reforms that will maintain, let alone increase, the competitiveness of Australian businesses. Australia's international competitiveness is lagging. Australia risks falling behind.

The Australian Chamber is concerned for Australia's ability to sustain long term economic growth, increase national income and raise living standards.

The next federal government and parliament have a responsibility to improve the productive capacity of the economy, our ability to withstand external economic shocks and improve our international competitiveness. That can be done by helping to create a competitive environment for business in an economy that is strong, growing and resilient.

Our policy recommendations in Getting on with Business reflect the collective wisdom, experience and ambition of a network representing over 300,000 businesses, large and small, from every corner of the country and in every sector of the economy.

They touch on these areas that impact business: workplace relations, safety, energy, tax, budget management, red tape, education, employment, infrastructure, trade and climate change.

These recommendations include policy measures that deliver a better business environment for Small Business. That's driven by the vital role that Small Businesses play and the support they require, and it is echoed in our ongoing campaign [Small Business is a Big Deal](#).

98% of all businesses are small businesses. They employ five million Australians and give many young people their first job, as well as training 40% of apprentices. Small Business is a Big Deal.

Our policies are organised in Getting on with Business to make it easy for policy makers, advisers and influencers to find quickly the policy areas for which they are responsible and most interested in.

We want Australia to be the best place in the world to do business. So Australians have the jobs, living standards and opportunities to which they aspire.

Getting on with Business sets out our recommendations for Australia's next federal government and parliament, to realise that vision. For the benefit of all Australians.



**James Pearson**  
Chief Executive Officer  
1 May 2019

# 1 Workplace Relations

*Australia needs a simpler, more practical, and more efficient workplace relations system. One that is fit for purpose for the future and meets the needs of today's and tomorrow's employers and employees. We cannot afford to retreat to the ideologies and disputes of the past.*

## **Australia needs a genuinely fair and balanced workplace relations framework that is practical and understandable, supports employers in creating more jobs, and helps advance the living standards of all Australians.**

Our workplace relations laws should not be mired in the ideological divisions of the past. They must be reformed to help Australia's employees and employers cooperate to meet the challenges of the future. Our existing Fair Work laws fall short of what employers, employees, and our economy and society need.

The Fair Work Act is increasingly unsuited and damaging to our modern economy and the changes and challenges Australians face. Our existing workplace relations laws, through the Fair Work Act 2009:

- fail the needs of most employers and employees, and put too many barriers in front of people wanting to negotiate a better work-life balance;
- are complex and inefficient and a disincentive to hiring people;
- are delivering a decline in enterprise bargaining, which can be solved by fixing the rules for bargaining, not destroying it by introducing a competing industry-wide system; and
- have increased the cost of compliance due to the complexity of the law, especially for small business, increased delays, and created uncertainty for users.

The World Economic Forum's Global Competitiveness Index<sup>[1]</sup> starkly illustrates the unacceptable performance of our workplace relations system under the current Fair Work Act:

- Australia ranks 72<sup>nd</sup> for 'Cooperation in labor-employer relations', behind Rwanda, Guatemala and Kazakhstan, and well behind New Zealand (6), the United Kingdom (19) and Canada (15);
- Australia ranks 109<sup>th</sup> for 'Flexibility of wage determination', behind Venezuela, Russia and Yemen, and well behind New Zealand (16), the United Kingdom (14) and Canada (25); and
- Australia ranks 110<sup>th</sup> for hiring and firing practice, behind Sierra Leone, China and Saudi Arabia, and well behind the United Kingdom (8), New Zealand (15) and Canada (10).

Our workplace relations system makes it too hard for employers and employees to negotiate arrangements that suit them and to cooperate in organising their work.

The complexity of our award system and the limits it places on employers make it harder than it should be to hire staff. This is complicated by overlap and confusion between the roles of awards and statutory employment standards.

Agreement making is too often complicated and costly. Agreement approvals are delayed and the outcome often uncertain. Too often employers and employees cannot turn what they jointly prioritise and vote for into reliable, enforceable outcomes. In too many cases, it is too time-consuming, expensive and ultimately unsuccessful to attempt bargaining, or to consider reorganising work to be more efficient and competitive. The only practical option open to many employers to reorganise work is redundancy.

Our workplace relations framework needs to be adaptable, nimble, facilitative and better reflect our contemporary workforce, market and competitive challenges, and the realities and expectations of modern life. Our workplace relations rules need to encourage collaboration, not reward deliberately divisive ideology. Poorly executed protections mixed with complexity lead to employers and employees turning their backs on enterprise bargaining.

Our workplace relations rules should allow wages and conditions to be set by workplace agreements that can be negotiated collectively or individually, with or without a union.

Expanding bargaining to provide employers and employees with more options will help make Australian businesses more competitive at home and abroad, and help employees and the wider community share the benefits.

Small business people and employees need to be able to understand and navigate our workplace rules without legal assistance. The Fair Work Act has 800 sections and over 214,000 words, plus 122 different modern awards on top of that. Many of these awards are prescriptive and daunting. Australia's employment laws should be written in terms that business people and employees can understand. Other OECD countries do not need a set of complex laws the size of a phone book to guarantee fundamental work rights.

We need to encourage employers to take on new workers, particularly young people, so that everyone has the best chance of participating in work. The costs and risks of hiring must be reduced, so that businesses are encouraged not inhibited from creating more jobs.

Our workplace rules need to allow more adaptation and flexibility, and enable businesses of all sizes to respond to the changing needs of global and domestic markets. They should encourage investment, growth and job creation. They should enable employers and employees to work together cooperatively to negotiate arrangements that meet each other's needs.

## RECOMMENDATIONS:

1.1 Sensible, balanced, comprehensible and practical workplace relations laws that provide a clear minimum safety net for employees, encourage increased productivity and competitiveness, and encourage investment, doing business and job creation:

- remove or reduce unnecessary red tape such as the requirement on employers to provide a mandatory one-page Fair Work Information Statement which carries civil penalties for non-compliance;
- ensure that minimum standards in awards and the statutory National Employment Standards are a safety net that protects core employment rights, but also encourages agreement making to address matters of detail and process, and any higher benefits and standards;
- reformulate statutory National Employment Standards to be clearer and more comprehensible to employers and employees in workplaces, particularly in small businesses, without changing their scope or minimum safety net role;
- ensure awards set standards appropriate to the industries/occupations they cover, and do not create barriers to the efficient structuring of work, or to employers and employees agreeing on the organisation of work to meet their needs and priorities; and
- clarify the roles of awards and agreements, and delineate the regulation of terms and conditions through the appropriate mechanism.

1.2 Provide options for employers and employees to negotiate workplace arrangements that best meet both their needs, and the needs of the workplace:

- restore enterprise bargaining rules that put more decisions in the hands of employees and employers;
- ensure statutory tests for agreement approval are practical and navigable, enable the Fair Work Commission to protect a fair go in approving agreements, and make agreement approval speedier, more reliable, and more predictable;

- provide a dedicated, straightforward enterprise agreement option for small business, which is simple to negotiate, approve, implement and comply with;
  - provide expanded options for enterprise and individual level agreement making, and for greenfield agreement making, based on agreement between employers and employees; and
  - allow employers and employees to apply the safety net flexibly by agreement.
- 1.3 Ensure enterprise agreements are focused on terms and conditions of employment, and can only address matters relevant to the employment relationship:
- prohibit enterprise agreements from being misused to restrict an employer's right to choose an employment mix best suited to the business (for example through prohibitions or restrictions on casual employment, labour hire or independent contractors); and
  - prohibit matters relating to dealings between employers and unions being included in enterprise agreements.
- 1.4 Protect the legitimate right to strike but don't create further incentives or rewards to strike:
- penalties for unlawful industrial action should be increased to be proportional to the harm associated with that action.
- 1.5 Restore the balance that existed prior to the Fair Work Act 2009 on powers for union officials to enter workplaces.
- 1.6 Ensure workplace laws encourage rather than discourage new owners from retaining existing staff when businesses change hands.
- 1.7 Ensure unfair dismissal laws deliver on community expectations of balance and a fair go for both employers and employees:
- strengthen deterrents against claims that are frivolous, vexatious or without substance, and discourage speculative applications and unmerited "go away money";
  - back employers who act to meet their legal obligations by taking action against employees who sexually harass, discriminate or breach safety duties;
  - reform the small business unfair dismissal code so that it delivers genuinely balanced outcomes for small business employers and employees. Ensure procedural errors alone are not sufficient grounds to award compensation or restore employment in what would otherwise be a valid dismissal; and
  - reform the general protections laws, which are too broad, confusing and duplicative.
- 1.8 Ensure the Australian Building and Construction Commission continues to exist in order to protect over 360,000 small businesses and over one million construction workers on building sites from bullying, coercion and stand over tactics.
- 1.9 Continue to set minimum terms and conditions in the trucking industry through the same agreement and award arrangements that are available to industry generally, and address very serious road safety challenges cooperatively with industry through appropriate forums. Do not repeat the Road Safety Remuneration Tribunal's discredited remuneration orders.

# 2 Work Health & Safety

*We need to work together to improve health and safety in Australian workplaces. Safe, healthy and productive workplaces benefit employers and workers, customers and the community.*

**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.**

Processes to prevent and manage risks should be supported by realistic, practical and supportive guidance and regulation suitable for all workplaces.

New forms of work are emerging as digital technologies are applied more widely. This will affect Work Health and Safety (WHS). Our regulatory systems need to be designed to meet the emerging needs associated with these changes. Blanket 'one-size-fits-all' approaches to emerging risks are ineffective. The emphasis should be on empowering and assisting employers and workers to effectively manage the risks relevant to their individual work contexts.

WHS legislation and guidance must take a practical and evidenced-based approach to the emerging area of work-related psychological risk. Work-related psychosocial hazards and psychological injury are complex issues and continued research is needed into best practice prevention and mitigation strategies.

Recommendations must be capable of practical implementation in a diverse range of business environments, including small and family businesses. Legislation should be non-prescriptive, flexible and adaptive to new evidence. This is even more relevant in the context of the changing nature, and future, of work.

The Australian Chamber supports the process of harmonisation and ongoing efforts to eliminate

inconsistencies and duplication in WHS legislation across States and Territories. The model WHS Act, Regulations and Codes must focus on improving safety outcomes. Legislative tools should be justified, practical and nonprescriptive, in line with COAG principles.

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.

The Australian Chamber 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. It increases the regulatory burden for business without evidence of any improvement in safety and health outcomes.

Any proposed changes to WHS laws or regulations must be well considered and evidenced-based. Proposed changes should be assessed to determine if they will achieve better WHS outcomes, and whether improved WHS could be achieved through alternative, non-regulatory approaches. Alternative policy tools should be considered before adding new regulation.

The Australian Chamber supports the tripartite structure of Safe Work Australia (SWA), the statutory authority providing a focus for national direction in WHS and in workers' compensation.

Involving employee and employer representatives directly in policy considerations and development of legislation is fundamental to making our workplaces safer and ensuring practical outcomes.

If SWA is to deliver sound and workable policy solutions in WHS and Workers' Compensation to Australian workplaces, then it is essential that business is fully represented and its position on issues properly articulated and understood. Government previously recognised this and partnered with peak employer organisations and unions to secure input and distribution of information to properly and effectively regulate safety and compensation in line with community expectations.

For 30 years (1984-2014) the Australian Chamber and ACTU were funded by the Commonwealth to provide a policy and regulatory interface between employers / unions and SWA. This is a proven mechanism to facilitate the dialogue and social partner engagement SWA needs to do its work and should be resumed.

- 2.5 Ensure external references in WHS legislation are easily and freely accessible.
- 2.6 Limit cross-agency, and cross-legislative and regulatory duplication into WHS areas.
- 2.7 Prioritise practical measures to assist employers, such as guidance material and practical implementation support, in response to new or emerging risks such as psychological risk.
- 2.8 Develop tools and targeted resources for employers to facilitate effective early intervention strategies and return to work for injured workers.
- 2.9 Provide resources to employers to easily identify support services and referral pathways for workers throughout the workers' compensation claims process.

## RECOMMENDATIONS:

- 2.1 Support the tripartite structure under Safe Work Australia and re-establish social partner funding to progress national harmonisation of WHS laws across Australia and a national approach to workers' compensation.
- 2.2 Consult with the Australian Chamber as the most representative employer association. Partner with the Chamber and its members to ensure consistent messaging from regulators, advisors and industry.
- 2.3 Promote non-regulatory approaches to improve WHS. Reduce the overall regulatory and compliance burden on business.
- 2.4 Ensure WHS legislation remains underpinned by risk-based principles with minimal prescription. Allow organisations the flexibility to tailor their approach to safety to suit individual circumstances.



# 3 Education & Training

**Education and training policies should operate holistically not in silos. Funding changes and regulatory approaches need to be coordinated and managed to maximise benefit. An overarching workforce development strategy is required to analyse skill and labour needs, and identify gaps in the education and training system.**

Over the last decade, there have been substantial increases in Federal Government investment in early learning, schools and higher education, but a reduction in investment for the Vocational Education and Training (VET) sector.

This needs to change. There needs to be a strategic overhaul in the roles of the Commonwealth, State and Territory Governments in all levels of education and training to minimise duplication and cost shifting across the system. Lack of clarity, particularly in VET, over roles and responsibilities in the federal system undermines the efficiency and effectiveness of the investment.

Students should leave school with the literacy and numeracy skills they need to be productive in the workplace. Employers value the VET system due to its emphasis on practical job skills required in modern workplaces. This is why the system needs to be industry-driven and responsive to changes in industry's needs. Over the past 20 years, apprenticeships have expanded beyond trades, providing successful transition pathways from school to work and assisting young unemployed people.

State and Federal Government policy decisions in recent years, including cuts to employer incentives and support for union-driven wage increases have undermined this pathway. That has resulted in a sharp fall in non-trade apprenticeship and some trade apprenticeship commencements.

*Australia needs a more efficient education and training system to deliver the skills needed in our modern economy.*

At the federal level, there is a need for a whole-of-government approach to career information, including a rationalisation of public facing career websites. Industry knowledge needs to be more efficiently made available to career planners, students and job seekers.

## RECOMMENDATIONS:

- 3.1 Introduce national minimum standards for literacy and numeracy for all school leavers that relate to the standards required for work.
- 3.2 Consolidate resources focused on labour market and skills needs analysis and allocate sufficient resources to deliver an updated workforce development strategy regularly.
- 3.3 Rationalise and improve federal government career and labour market websites, upgrade the school facing career education strategy to a career development strategy for lifelong career advice and information, and make it easier for industry knowledge to become available to career planners, students and job seekers.
- 3.4 Establish a National Apprenticeship Board and target an increase of one third in annual apprenticeships and traineeships commencements to 215,000 over the next three years.
- 3.5 Establish a program to assist each industry in identifying the most appropriate pre-apprenticeship and school-based pathways into their industry and deliver the best outcomes for students and job seekers.
- 3.6 Affirm the core principle of the VET sector as an industry-led competency based system built around occupational skill standards.
- 3.7 Implement a national approach to VET funding and policy development to improve consistency and outcomes. Minimise inefficiency and duplication between the activities of the Federal, State and Territory governments.
- 3.8 Increase the caps on VET Student Loans where evidence demonstrates inadequacy in covering the cost of delivering quality courses that meet industry needs.
- 3.9 Better promote apprenticeships and VET to students, job seekers and employers. Put in place a national communications strategy and a coordinated and well-funded campaign to promote apprenticeships, traineeships and the VET sector overall.
- 3.10 Support student and employer choice of VET provider to ensure providers perform to the standards required by industry and remain responsive to the needs of students.
- 3.11 Reform higher education based on evidence of graduate outcomes and the extent to which the education system meets the needs of the labour market.

# 4 Employment & Migration

*We need to assist people into jobs and help them stay employed. We need to supplement our efforts in education, training and employment with a well-managed and accessible migration program.*

**Employment services provided by the Federal Government need to be better focused on employer needs and demand for staff. We need to better prepare young Australians for work; and we need migration to be more responsive to the needs of employers, our aging population and our growing economy.**

The Government funded employment service needs to use new technology to assist in better servicing, compliance and job matching and provide more support for those long term unemployed who are most in need of assistance. These services need to tap into the mainstream job market, rather than relying on providers delivering a 'supply-side' service to a very small number of employers.

Youth unemployment is unacceptably high even though the national unemployment rate has fallen. We need to help young people become job-ready, improve the information given to them about job opportunities, provide more work experience options, and invest more in vocational training and apprenticeships.

The migration program has become far less responsive to skill needs. Costs have increased and the number of occupations available for temporary and permanent migration has decreased. The drop in employer-sponsored skilled migration is particularly disappointing; despite evidence that shows that it is most successful in terms of outcomes and adds to Australia's economic well-being as well as reducing the age profile of our workforce. The reduction in the permanent migration annual cap from 190,000 to 160,000 flies in the face of evidence of the economic and demographic benefits that migrants bring to Australia. Our ['Migration works for all of Us'](#) policy released in December 2018 sets out a proactive path to improve migration outcomes for Australia.

## RECOMMENDATIONS:

- 4.1 Deliver publicly funded employment services that meet the needs of employers in each industry. Providers should work in partnership with industry bodies. Services dedicated to the needs of job seekers and employers should make better use of available technology to provide improved matching and links to the existing job market.
- 4.2 Encourage greater collaboration between Federal and State & Territory Governments to better coordinate employment assistance programs.
- 4.3 Pursue strong policies that improve transitions for young people from education to work. That includes a well-designed youth employment program, better career development, greater job readiness, creating work experience opportunities, promoting apprenticeships and improving workplace regulation.
- 4.4 Change the migration program to improve its accessibility and responsiveness in order to better meet skill and labour needs. Employer-nominated temporary and permanent migration should be able to access all skilled occupations.
- 4.5 Restore the permanent migration annual cap to 190,000. Review the cap according to evidence of maximum benefit, including an assessment of economic, fiscal and demographic outcomes.



# 5 ENERGY

*We need to reverse the rapid rise in electricity and gas prices over the past decade.*

**Affordability and reliability of energy must be at the heart of Government energy policy. The price of power needs to come down and stay down, while ensuring supply is reliable. At the same time, a long term, bipartisan, nationally agreed policy is needed to meet Australia's emission reduction commitments.**

The cost of electricity has increased 56% in real terms over the past decade, with increasing network and wholesale costs the main drivers.<sup>[2]</sup> The Australian Competition and Consumer Commission (ACCC) Retail Electricity Pricing Inquiry in 2018 observed the market concentration of electricity generation and network distribution assets contributes to a lack of market competition, leading to higher prices.<sup>[3]</sup>

There has been progress in implementing some of the ACCC's recommendations, including progress in developing a framework where the Australian Government enters into low-fixed price energy off-take agreements in later years of a generation investments; the removal of the limited merits review of Australian Energy Regulator (AER) revenue decisions; and progress in setting network reliability based on a value of customer reliability methodology.

The Government needs to roll out other key ACCC recommendations that boost competition in generation and retail markets and lower supply chain costs.

The Australian Chamber does not support fixing a Default Market Offer. The Default Market Offer will stifle competition by narrowing the price gap between the standard tariff and the lowest tariff. A better result can be achieved through greater price transparency. A reference price based on the median market price will enhance competition and lead to lower prices.

The best path to resolving cost, reliability and emissions reduction issues in the energy sector lies in implementing many of the main ACCC Retail Energy Price Inquiry recommendations, in combination with the National Energy Guarantee (NEG). The NEG embraces the goals of lower energy costs and increased reliability of our power supply, as well as lower emissions. It provides a level of certainty to investors in new generation and transmission assets that are necessary to increase supply and competition in the market, in a way that is technology neutral.

Until Australian Governments - Federal, State and Territory - reach an aligned and bipartisan position on carbon emission reduction policy, uncertainty will continue to hamper private investment in electricity generation assets. Domestic policy initiatives – at Federal, State and Territory level - to reduce carbon emissions should align with our global commitments.

Average east coast gas prices have fared worse than electricity prices, with commercial and industrial gas users in the Victorian gas market experiencing a 121% increase in the average retail prices over the past three years – from an average of \$4.12/GJ in 2015 to \$9.11/GJ in 2018.<sup>[4]</sup>

Gas supply constraints are hurting gas users. Many businesses (commercial and industrial customers) have indicated that even at these elevated prices, they are unable to contract supply, and even where gas can be secured, contracts are only short term (1-3 years). Many businesses, which rely directly or indirectly on gas for processing or power generation, face closure or relocation overseas if they cannot continue to operate at current gas prices.

We need to open up new sources of gas supply. Greater competition is needed in the gas market, with more suppliers and greater transparency in pricing. A first step to increasing supply would be for State and Territory Governments to remove blanket moratoria on gas exploration and development in their jurisdictions. Proposed gas exploration or development projects should be assessed on a case-by-case basis.

The Australian Domestic Gas Security Mechanism (ADGSM) was put in place to ensure sufficient gas resources are allocated to the domestic market and stabilise the gas price for domestic users. This is a significant market intervention and should be used only if needed, and temporarily, until the gas market recovers.

## RECOMMENDATIONS:

- 5.1 Adopt electricity policies that effectively address the energy trilemma (affordability, reliability and carbon emissions), through the implementation of the National Energy Guarantee in conjunction with most of the recommendations of the ACCC Retail Electricity Pricing Inquiry (NEG-plus).
- 5.2 Reduce the cost of gas, by ensuring consumers and business have access to a functioning gas market. Increase gas supply by encouraging investment in gas infrastructure and remove gas market constraints.

# 6 Taxation

A close-up photograph of a hand holding several Australian 100 dollar banknotes. The notes are green and white, with the number '100' prominently displayed. The background is a dark blue gradient with a subtle pattern of radiating lines.

*We need to reform Australia's tax and transfer system. It has become too complex and expensive to administer and comply with. It is amongst the least competitive in the world. It must be made fit for purpose.*

**Successive governments have seen reform of the tax and transfer system as too hard, placing many necessary reforms off limits. Taxation should incentivise, not penalise, people to earn and invest, and businesses to grow.**

A wholesale review of the tax and transfer system is needed to ensure Australian businesses remain competitive in increasingly global markets. The review should look at broader tax reform beyond 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 service and product suppliers to ensure they are complying with their tax obligations.

A review needs to include the transfer system, as the complex mix of tax rates and welfare benefits delivers a total picture of the net financial impact on the Australian people.

While tax reform is difficult, with the right policy settings and an appetite for meaningful change, it can be achieved. Tax reform should not disadvantage the vulnerable nor unfairly penalise the prosperous. It should focus on maximising growth, efficiency and productivity, while also encouraging workforce participation.

Improving the efficiency of the tax system has the potential to boost Australia's national income by tens of billions a year. It will also ensure the Australian economy is in a strong position to prosper in an increasingly volatile, uncertain and complex environment; and provide funding support for those who need it.

The Government has made progress in reducing the company tax rate in the last few years. Bipartisan support to bring forward the timetable to lower the company tax rate to 25% for firms with turnover up to \$50 million will make a material difference to the competitiveness of medium, small and family businesses and their ability to invest, to grow and to employ more people.

However, the job is not done. While not predicting the outcome of a broader tax and transfer system review, the Government should incrementally lower the tax rate to 25% for all businesses, to remove the disparity between the tax rates for small and larger businesses.

This will deliver maximum benefit to the economy and eliminate the disincentive now created for companies not to grow above \$50 million turnover. Extending the tax cuts will encourage larger businesses to undertake more investment – to grow and, employ more people. Ultimately, small businesses rely on big businesses using their services and buying their products, so providing a lower tax rate only for small business holds back the growth of all businesses.

Much of the opposition to extending the lower company tax rate to all businesses focuses on the revenue impact. However, the history of company tax revenue, shown in the chart on the next page, indicates that when the company tax rate is reduced, following a brief reduction in revenue collected, there is a strong recovery in revenue.

The instant tax write-off for purchases of assets up to \$30,000 for small and medium businesses (up to \$50 million turnover) should be a permanent part of the tax system. An instant asset write-down of 20% for eligible depreciable assets valued above \$20,000 for all businesses should also be supported. While it doesn't change the overall taxable amount associated with investment in an asset, it improves company cash-flow. This targeted and direct approach stimulates investment in machinery, plant and equipment and competitive new technology, particularly for investment intensive industries.

Government support for Research and Development (R&D) compares unfavourably with the level of support available in other advanced economies. Frequent reviews have created uncertainty, and the most recent revision of the R&D tax incentive has reduced overall government expenditure to levels below what is required to stimulate research and innovation in the business community. Further improvement is needed, including a decrease in program complexity, to encourage investment, particularly by smaller businesses.

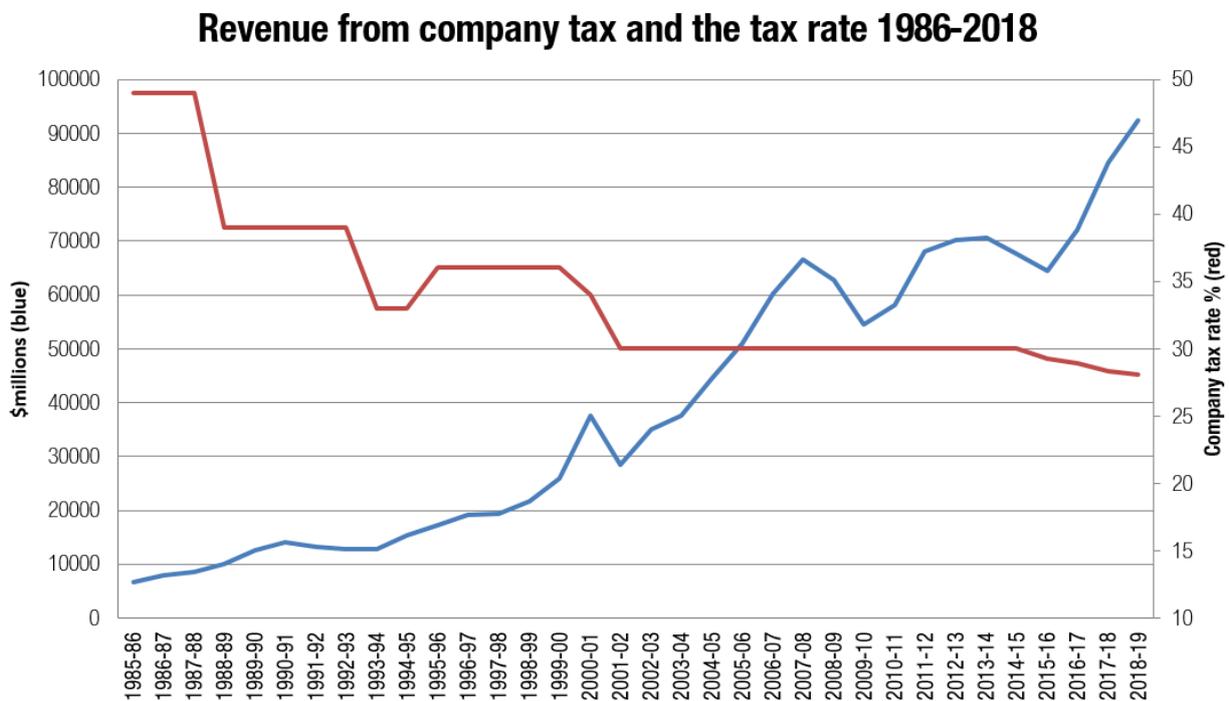
We place too much reliance on indirect support for R&D via the tax incentive and little to no support via direct government spend. Direct investment will stimulate more local industry, particularly smaller businesses, to collaborate and partner with research institutions on R&D.

## RECOMMENDATIONS:

- 6.1 Undertake a wholesale review of the Australian tax and transfer system, including a review of the tax contribution of offshore service and suppliers.
- 6.2 Implement a single company tax rate of 25% for all businesses by 2024-25.

6.3 Make permanent the instant asset write-off on new investment up to \$30,000 for businesses with a turnover up to \$50m and introduce a 20% instant asset write-down for new investment in eligible depreciable assets valued above \$20,000 for all businesses.

6.4 Restore the R&D tax incentive to previous levels, explore complementary 'direct measures' in order to boost business expenditure in R&D and create more investment certainty by committing to implement no further cuts.



Source: ABS 5506, Treasury for 2017/18. 2016 to 2018 are estimated average tax rates as two rates are in operation depending on business size. Company tax collection in the past few years has also been impacted by the extension of the instant asset write off for small business.



# 7 Budget Management

*The Budget needs further repair and more ambition is needed to pay down debt. Government can spend taxpayers' money more efficiently as part of this effort. The projected Budget surplus for 2019-20 is a good start.*

**After years of deficits the 2019-20 Budget is projected to deliver a surplus of \$7.1 billion — equal to 0.4 per cent of GDP.<sup>[6]</sup> The annual interest bill on government debt in 2018-19 is \$14.1 billion — monies that could be better directed to investments to enhance productivity, helping people in need or cutting taxes.**

Net Government debt is expected to peak at \$374 billion (19.2% of GDP) in 2018-19, and then forecasted to fall to \$361 billion in 2019-20 and continue to decline thereafter — with an ambition to eliminate it by 2029-30.<sup>[6]</sup>

This forecasted debt improvement is reliant on short-term economic factors, such as stronger than expected collections from individual and company tax, higher corporate profits and employment growth.<sup>[7]</sup>

However, it is not clear for how long Australia's good fortune will continue. The Reserve Bank has recently revised down its economic outlook due to weaker investment and private consumption growth.<sup>[8]</sup> Expectations of slowing Chinese growth will also weigh on demand for Australia's mining and other key commodity exports.<sup>[9]</sup>

The Federal Government needs to constrain its expenditure to build and maintain the Budget surplus of 1% of GDP forecast over the forward estimates. This will go some way to regain control of debt. A clear plan is needed to reduce net public debt over the medium to long term. Government spending is currently at 24.6% of GDP and forecast to remain at that level over the forward estimates. To enforce discipline in spending, the Government should cap spending at 24.7% of GDP, which represents the 30-year average reported in the 2018 Mid-Year Economic Forecast and Outlook.<sup>[10]</sup>

This will reduce the temptation to raise taxes, which disincentivises people from earning and investing more, and businesses from growing.

For non-complex expenditure areas (recreation and culture, general public services, public order and safety), we encourage the Government to maintain the efficiency dividend at 2%, until the budget has achieved a sustainable structural surplus and a debt reduction strategy has been successfully employed.

For large, complex policy expenditure areas (including defence, health, education and social security and welfare), efficiency boards should be established. These would be tasked to find efficiencies and savings in each area. Spending in these areas should be closely examined to determine how spending can be placed on a much more sustainable path. In each case, legitimate and reasonable questions should be raised over whether the magnitude of spending in every case is fit for purpose.

## RECOMMENDATIONS:

- 7.1 Plan to reduce net public debt over the medium to longer term, so that budget repair doesn't rely on cyclical economic fluctuations in government revenue.
- 7.2 Cap Government spending below 24.7% of GDP.
- 7.3 Retain an efficiency dividend of 2% for non-complex policy and spending areas.
- 7.4 Establish efficiency boards to find savings and ensure spending is fit for purpose in complex policy expenditure areas including defence, health, education and social security and welfare.

# 8 Infrastructure

*Productivity needs to increase through infrastructure investment that matches population and economic growth.*

**Australian infrastructure industries are a significant part of Australia's economy, accounting for 9.8% of national GDP in 2017-18, with a gross value added of \$170.7 billion.<sup>[11]</sup> It is more important than ever that we extract the greatest value from our infrastructure investment and prioritise projects that have proven benefits to our cities and regions.**

Australia's infrastructure ranks relatively well internationally.<sup>[12]</sup> However, according to Infrastructure Australia,<sup>[13]</sup> Australia's infrastructure needs are growing and community expectations of connectivity and quality of life are increasing.

Australia's population reached 25 million in 2018 and is projected to reach 30 million by 2030. With most of this population growth expected to cluster around the major centres, congestion costs will rapidly increase over the next decade. Just under half of infrastructure expenditure is in the transport sector, 14% in the energy sector and 27% in the information and communication sector.<sup>[14]</sup> Usage of road and rail freight, airport and public transport services will double in key population centres. To prepare for this, greater investment in infrastructure is needed.

In filling the growing infrastructure gap, careful market-focused, evidence-based decision-making is needed to deliver value-for-money and leverage private sector infrastructure investment. To take politics out of the infrastructure debate, the Government should endorse Infrastructure Australia's Plan, which provides a 15-year investment roadmap with a focus on improving public funding of infrastructure and encouraging greater private sector investment.<sup>[15]</sup>

Wherever possible, Governments should facilitate and engage the private sector to finance, construct, operate and maintain infrastructure assets. Tendering processes should encourage competition and contestability throughout the service delivery process.

To achieve a more appropriate balance between user and taxpayer funding of infrastructure, greater emphasis should be placed on cost recovery by applying user charges more broadly.

Where local monopolies exist, a light-handed approach to regulation should be applied. Any regulation should aim to maximise efficiency and competition.

## RECOMMENDATIONS:

- 8.1 Follow the recommendations of Infrastructure Australia's Infrastructure Priority List to guide investment in infrastructure.
- 8.2 Involve the private sector to the maximum extent possible in the financing, construction, operation and maintenance of infrastructure assets.
- 8.3 Apply user charges, as broadly as possible, where competitive markets are operating and functioning well.
- 8.4 Establish a sound regulatory pricing regime where competition is not prevalent.

# 9 Regulation

*Restrictive labour regulation, tax and planning regulation, policy instability, and inefficiencies in Government bureaucracy, weigh heavily on Australia's competitiveness.*

## **We need to remove or reduce red tape and unnecessary compliance measures to make it easier for business to succeed and contribute even more to a productive and prosperous economy.**

Government should avoid regulatory creep into new areas. Industries should be allowed to self-regulate where it can be done effectively and it makes sense to do so.

Australia's competitiveness ranking on the burden of regulation was 80<sup>th</sup> out of the 137 countries assessed in the World Economic Forum's 2017-18 Global Competitiveness Index.<sup>[16]</sup> The burden of regulation is a key factor retarding Australia's competitiveness.

Government should continue to show leadership on a regulatory reform agenda. Where new regulation is introduced, care must be taken to ensure it is effective, efficient and supports the public good, while not discouraging innovation.

Any new regulation must be fit-for-purpose and take account of changes in business models and the impact, real and potential, on the provision of goods and services.

In an age of rapid commercial disruption, policy makers must ensure that new entrants are subject to the same laws and regulations as incumbents.

## **RECOMMENDATIONS:**

- 9.1 Establish an effective whole-of-Government process to reduce multiple layers of regulation and the growth of new regulation.
- 9.2 Harmonise Commonwealth and State regulations where possible. This should be addressed through COAG as a matter of urgency.
- 9.3 Regulation must be applied consistently across all businesses, with foreign entities or tech disruptors subject to the same regulations as domestic entities.
- 9.4 Regulation must be fit for purpose and determined through liaison with industry to be relevant to that industry. A national audit of business regulation should be conducted as part of the COAG process.
- 9.5 Regulation must be easy to read and follow, using plain language, easy to read forms, short documents, and consistent definitions. For example, rationalise the numerous definitions of "small businesses" for the purposes of regulation.
- 9.6 Regulation must be nimble, agile and adaptable, and administered in a way that enables it to change rapidly as circumstances demand.
- 9.7 Greater use of technology should be utilised to identify and simplify regulation and reduce red tape. Single touch payroll is a good example of how technology can be used to reduce red tape.
- 9.8 Assess all proposed new regulation with a thorough and independent cost-benefit analysis. Use an effective Regulatory Impact Analysis process to ensure it is fit-for-purpose, and has no unforeseen consequences on business and innovation.

# 10 Trade & International Business

A man in a dark suit is seen from the side, looking intently at several computer monitors. The monitors display various financial charts, including line graphs and bar charts, with a color palette of red, green, and yellow. The scene is set in what appears to be a trading floor or a financial office, with a wooden desk and a keyboard visible in the foreground. The entire image has a teal-colored overlay.

*We need to make it easier for Australian businesses to do business with the rest of the world.*

**Trade has become dominated by global supply chains. Products are increasingly “made in the world”, rather than manufactured in a single country. Similarly, services are delivered through cross border supply and the internet.**

Regions we regard as our trade neighbours are being targeted by competitors. Australia cannot rely on reputation as our defining competitive characteristic. We must reduce costs and increase innovation in order to maintain and grow our globally competitive position. We need to arrest the decline in our international rankings for ease of doing business.

As a major global trading nation, Australia is heavily reliant on both the import and export of goods and services. With a skilled workforce increasingly engaged in global business, all elements of the Australian economy are exposed to international competition. Our domestic economy is too small for many businesses to survive unless they are globally focused and globally competitive.

Australia has reached a near critical mass of trade agreements covering our major trading partners. Retaining our remaining trade barriers makes little sense. Australia should take unilateral action to reduce and, where practical, remove our remaining barriers outside of Preferential Trade Agreements (PTA). This will advance the Australian economy through lower costs across all industries and will assist with further productivity gains, by stimulating competition and innovation.

Our surveys have shown that while the Federal Government has been actively improving trade and investment liberalisation, there are costs to business of overlaying trade agreements across countries where there are multiple PTAs in force.

The risk is that the competing rules of each PTA, unless harmonised, increase the complexity of trading arrangements. Businesses continue to report they do not understand our trade agreements nor how to take advantage of them.

This results in greater costs for commercial trading companies in understanding and complying with the administrative requirements of each PTA. In some cases the compliance burden can outweigh the benefits of the agreement. Business must be at the centre of our trade and investment liberalisation efforts, and business must be supported to ensure that the anticipated benefits flow to Australia.

Multilateral efforts are the only way to secure truly global agreements and address many of the issues of production subsidies and non-tariff measures. The World Trade Organisation (WTO) should be supported as the pre-eminent body for managing a rules-based global trading system. The Government should highlight the benefits of multilateral trade liberalisation and ensure trade liberalisation remains high on the global agenda; along with reducing costs to business from improved trade facilitation and continuing to reduce red tape at the border.

The Asia-Pacific Economic Cooperation aspiration of the Free Trade Area of the Asia Pacific has achieved good progress, with the successful negotiation of the Comprehensive and Progressive Transpacific Partnership Agreement and the continuing negotiations towards the Regional Comprehensive Economic Partnership.

Australia now needs to pursue equivalent trade outcomes in the region from Asia to Africa bordering the Indian Ocean. The Government should develop and resource proposals for a Free Trade Area of the Indian Ocean given the significant opportunities to Australian business in this region.

We need to make the most of the opportunities with our closest geographic partner – Indonesia - and continue to diversify our economic interests across the Indo – Pacific region.

The Indonesia Australia Comprehensive Economic Partnership Agreement (IA-CEPA) Business Partnership Group (BPG) demonstrated a unique approach to trade and investment negotiations. The two governments sought, and financially supported, a pre-negotiation initiative for business both sides to develop a joint statement and advice to the negotiators about their aspirations for the agreement. The process resulted in a

comprehensive report, supporting free trade, investment and movement of people. It has been welcomed by both governments and establishes a precedent for other PTA negotiations.

Including business directly in negotiations could reduce the time taken to negotiate future agreements, reducing the costs to Government and accelerating the benefit to Australian business and the broader community.

Trade finance continues to be a difficulty for many firms, with 31% of small businesses stating they experience difficulties when accessing trade finance. This suggests that the smaller the firm, the harder it is to get trade finance.

Government backed [Certificates of Origin](#), both preferential and non-preferential, provided by Chambers of Commerce, continue to be recognised as an essential service and should not be corrupted in any way.

The Government is investing in development of a “nation brand”. We support streamlining of brand initiatives. There is a clear role for the Australian Government in coordinating jurisdictional and industry promotion efforts and developing an underpinning set of messages that can be used by all stakeholders.

Australian Chamber is a founding member of the Australian Made, Australian Grown (AMAG) Campaign and we support the use of this initiative and its registered and trademarked logo systems in support of identification of Australian products.

## RECOMMENDATIONS:

- 10.1 Unilaterally eliminate or reduce tariffs and other barriers to trade and investment as soon as practical.
- 10.2 Continue efforts in the WTO to progress trade and investment liberalisation at “critical mass” scale. Plurilateral liberalisation may be useful “stepping stones” towards a complete WTO outcome.

However, such an approach needs to:

- align to WTO rules and processes; and
- align with international treaties Australia has signed such as the International Convention on the Simplification and Harmonization of Customs Procedures (revised Kyoto Convention).

- 10.3 Include business in the trade negotiation process and provide appropriate financial support to facilitate this.
- 10.4 Resolve conflicting compliance arrangements caused by overlapping and competing trade agreements by harmonising the rules of origin across trade agreements.
- 10.5 Promote a Free Trade Area of the Indian Ocean Rim.
- 10.6 Invest \$5 million in the development of an Australian Centre for International Trade in recognition of the public benefits that will derive from such a centre.
- 10.7 Provide greater support for exporting businesses by restoring the Export Market Development Grant scheme to \$200 million per annum and restoring Tradestart's funding and delivery models.
- 10.8 Assist businesses to understand the details of trade agreements in order to realise their potential, and support the pre-export readiness phase of business, where suitable businesses are able to access training and support to develop an international market strategy and new product development, across a more diverse range of countries.
- 10.9 Work more closely with Chambers of Commerce to provide a seamless package of support measures for exporters and importers including maintaining and strengthening the Government backed system of origin certification for international trade compliance.



# 11 Climate Change

**Climate change has the potential to create major economic disruption and social costs. The impact of increasing climatic variability through drought, flood and bushfire, higher temperatures and more severe natural events will place increasing strain on our health systems, energy demands and emergency response capability. Efforts to mitigate climate change are in the long-term interest of Australian business.**

Australia contributes less than 1.5% of global carbon emissions, so carbon emissions reduction efforts in Australia will have relatively little impact on global atmospheric greenhouse gas concentrations. However, the consequences to Australia's economic development and social cohesion are high. Australia should set carbon emissions reduction targets that can be achieved cost-effectively and support the development of low emissions energy technologies. Australia should also support the economic growth of our neighbours and regional partners to ensure they develop in ways that are energy efficient and environmentally responsible.

The Australian Government should set carbon emission reduction targets that are consistent with our international commitments and do not harm Australia's international competitiveness. Initiatives to reduce carbon emissions at federal, state and territory level should be aligned.

Carbon emission reduction policy should be integrated into industry policy, particularly energy and transport. It should take into account the substantial contribution of energy exports to our economy and the need for a secure, reliable and affordable domestic supply of energy.

*We need to mitigate the extent and impact of climate change in a cost-effective way.*

More can be done to encourage behavioural change. There could be greater emphasis on reducing energy demand and increasing the energy efficiency of households and businesses.

Australian business and their skilled workforce have the potential to play a major role in developing innovative renewable energy and carbon emission reduction technologies to address climate change. The Government should align research and development incentives and other supportive policies, with the aim of enabling Australian business to become a world leader in innovative emissions reduction technology. Australia's economic, social, and technical advantages should be deployed in the global effort to mitigate against adverse climate change.

## RECOMMENDATIONS:

- 11.1 Australia should continue to engage with the international community to achieve environmentally effective and efficient climate change policies that distribute the international burden of mitigation equitably and do not compromise Australia's international competitiveness.
- 11.2 Australia's carbon emissions reduction policies should balance the following principles:
- be stable, predictable and provide long-term certainty for business;
  - achieve lowest-cost emissions abatement by:
    - being market based;
    - implemented at the national level;
    - permitting access to credible international offsets;
    - not harm Australia's international competitiveness; and
    - take account of the potential for carbon leakage.
  - be consistent with our international obligations
- 11.3 In relation to the Intergovernmental Panel on Climate Change, Australia should:
- not impose trade distorting measures and non-tariff barriers, including those imposed for environmental purposes; and
  - undertake an economic assessment of the proposals in the 2018 IPCC Special Report to better understand and inform the community of the impacts on the Australian economy as a whole.
- 11.4 International efforts to combat climate change, should ensure that Australian business continues to have open international market access for goods and services, particularly related to international energy supplies, as well as those that improve environmental conditions.
- 11.5 Encourage exploration of low emissions technology applications to our existing resources including through collaboration.
- 11.6 Mitigate non-CO2 emissions, such as those associated with gas pipeline leakage.
- 11.7 Climate change policy should be integrated with industry policy, in particular with energy and transport policy.
- 11.8 There needs to be more emphasis on climate change adaptation and resilience, particularly in planning decisions and in infrastructure selection and design, as well as a stronger focus on educating the public and business on achieving greater energy efficiency.

# 12 Tourism

A person with a backpack and suitcase is standing in an airport terminal, looking out a large window at a plane on the tarmac. The scene is overlaid with a green tint.

*Tourism is one of Australia's greatest success stories. Not only does it contribute to the economy and create jobs, it also embraces the world and the free movement of people who share lasting life experiences.*

**The visitor economy has been one of Australia's strongest performers, defying the downward trend of many other parts of the national economy. But tourism is a highly competitive global market, with competition poised to get stiffer in the future. To stay strong we need to be more competitive.**

The tourism sector contributes over \$54 billion or more than 3% to Australia's GDP.<sup>[17]</sup> One in twenty people in Australia are directly employed by the domestic and international tourism sector, with an additional 150,000 new jobs expected to be created.<sup>[18]</sup>

The World Economic Forum's Travel & Tourism Competitiveness Index (2017) ranks Australia poorly – 36<sup>th</sup> overall, 94<sup>th</sup> for taxes and charges and 128<sup>th</sup> (of 136) for price competitiveness. Australia's \$60 Passenger Movement Charge is the second highest international ticket tax in the world and highest short haul charge – an Australian travelling to Indonesia, for example, will now find a quarter of their ticket cost is Australian tax.

Australia needs to capitalise on massive expansions in key overseas markets, including our Asian neighbours China, India and Indonesia. In 2018, it was estimated that 151 million Chinese travelled overseas and 1.3 million Chinese tourists visited Australia, with this predicted to grow. However, Australia's market share of Chinese tourists has reduced (to 0.9%).

This downward trend will continue unless we make our costs, visa and entry arrangements more competitive. We welcome innovations in electronic processing, and the continued roll out of online applications. However, our competitors continue to move faster, producing simpler, cheaper entries and reaping the economic rewards with higher growth in visitation.

In 2014, the Government announced the creation of 'Industry Growth Centres' as part of its Industry Innovation and Competitiveness Agenda, tasked to address barriers to success in areas of competitive strength and strategic priority. The Government has identified six areas as having high growth potential. Tourism as a super growth industry should be added to the list.

The business events industry is a key component of the visitor economy. It can maximise its contribution with targeted support and tailored visa processes for international delegates. Tourism Australia does an effective job with the funds available, including the business events bid fund announced in 2018. Tourism Australia has operated in an environment of declining funding in real terms while competitors are investing consistently in their tourism marketing organisations.

The visitor economy including tourism, hospitality and events suffers from a shortage of staff and skills. We need a nationally agreed strategy for training and retention to ensure skilled Australians are able to fill career opportunities in the visitor economy. We also need to promote the wide range of long-term careers available in the tourism sector to students and career planners and combat negative perceptions of the sector.

Although the primary focus is on training and retaining skilled local staff, migration including seasonal, skilled and short-term migrants plays a vital role in filling skill gaps. Government needs to work with industry to ensure occupations on the skills lists stay relevant and short-term migration programs continue to serve their purpose.

Visitors on working holiday visas help meet the demand for seasonal labour. Working holidaymakers do not displace Australian workers, but instead create more economic activity and jobs. Working holidaymakers spend more than they earn in the local economy and, particularly in regional areas, provide a valuable boost to the agriculture and tourism sectors. Working holidaymaker visa grants are in decline. The Government needs to increase caps and continue to expand the age limit (to 35) for the program. Tourism Australia needs funding to better promote the program in partner countries.

Moving people through our international airports quickly helps to ensure visitors want to return. Adequate staffing of the primary and secondary processing lines to reduce waiting times for visitors is vital. The roll out of next generation e-gates across all Australian airports should be a priority. Long queues and hand stamped paper receipts for outbound passengers using the Tourist Refund Scheme need to be replaced with an online system linked to retailers.

There needs to be continued investment in tourism infrastructure, including hard and soft infrastructure to facilitate visitor dispersal to the regions and provide excellent experiences. Recently announced investment in tourism infrastructure is welcome. Tourism should remain a focus in current grants and future infrastructure investment.

The quality of tourism products and levels of service are integral to attracting visitors and achieving greater spend and ensuring their experience meets or exceeds expectations. Gaps in available product offering need to be filled through the development of new products and capabilities or enhancement of existing offerings, which is embedded in long-term tourism strategies. Government should support industry initiatives such as the Quality Tourism Framework and other programs to improve capabilities to develop quality tourism product.

## RECOMMENDATIONS:

12.1 Develop and implement a whole of Federal Government tourism policy which embraces the Beyond 2020 tourism strategy and targets, and ensures all Government portfolios consider the impact on tourism of any major policy decisions.

12.2 Improve international competitiveness:

- freeze the Passenger Movement Charge until at least 2025;
- continue to progress online lodgement of all visitor visas and reduce visa fees to reflect reduced processing costs; and

- increase Tourism Australia Funding by \$100 million per annum to fund a range of marketing activities that aim to grow inbound volume from high value markets, and is inclusive of funds for aviation route development and an increase in the business events bid fund.

12.3 Develop Australian product:

- create a Visitor Economy Growth Centre within existing resources to prioritise the development of business events and leisure tourism sectors;
- allocate resources to quality product development particularly in regional Australia;
- increase funding to enhance data collection capabilities within Tourism Research Australia; and
- prioritise funding for tourism infrastructure projects under all existing hard and soft infrastructure grants.

12.4 Invest in labour and skills:

- allocate funding to reinstate the Tourism Labour Force Survey; and
- provide \$10 million to develop and implement a strategy to encourage career pathways in Tourism and Hospitality.



# **SMALL BUSINESS IS A BIG DEAL**

*98% of Businesses in Australia are Small  
Businesses.<sup>[19]</sup>*

*Those Small Businesses employ 5 million  
Australians.<sup>[20]</sup>*

*Small Business employs a third of young working  
Australians and 40% of apprentices.<sup>[21]</sup>*

[www.SmallBusinessBigDeal.com.au](http://www.SmallBusinessBigDeal.com.au)

## Small Businesses deserve policies that encourage them to invest and create jobs. Small Business is a Big Deal.

We have been listening to the small business community. They have told us what they want from the next Federal Government.

### 1. HELP EMPLOYERS AND EMPLOYEES WORK BETTER TOGETHER

Small business, with the right support, could employ more Australians including more of our young people.

We need to base our workplace laws on facts, and not scare campaigns.

Australia has the second highest minimum wage in the world.<sup>[22]</sup> More than 98% of employees are paid more than that.<sup>[23]</sup>

Despite what some claim, the rate of casual employment has remained steady at 25% for the last two decades.<sup>[24]</sup> Small business employs half of Australia's casual workers.<sup>[25]</sup>

Small business and their employees need to be able to agree on work arrangements that meet both of their needs.

**The next Federal Government must ensure our workplace laws work for small businesses and their employees. Simpler rules are needed to make it easier to create jobs and run businesses well.**

### 2. DELIVER AFFORDABLE, RELIABLE ENERGY WITH LOWER EMISSIONS

Small businesses are paying far too much for power.

There has been no policy certainty in the energy sector for decades - which has distorted and discouraged investment. The National Energy Guarantee (NEG) plus key recommendations from the Australian Competition and Consumer Commission (ACCC) will encourage more competition, address reliability, reduce prices and lower emissions.

**The next Federal Government must encourage more investment and more competition so the price of power comes down and stays down, while ensuring the lights stay on and emissions come down.**

### 3. STOP THE COLLAPSE IN SKILLS

Small businesses need skilled workers and more Australians need jobs.

There aren't enough people being trained for the jobs on offer. 300,000 less students are funded to do vocational education and training (VET) than five years ago, including 140,000 less apprentices.<sup>[26]</sup> Young people are missing out when youth unemployment is still unacceptably high.

This is not good enough. We are failing the next generation of young Australians and selling small business short on the skills they need.

**The next Federal Government needs to invest more in vocational education and training so in three years time there are 350,000 more students being funded.**

Many of the policies in Getting On With Business, including those that address workplace relations, energy and skills will benefit small business. Government should act on a range of policies more specific to small business that will support their growth and job creation.

One of the biggest barriers for small business is the difficulty in accessing affordable finance. Most small business lending is secured against personal assets, often the family home. For those small business owners who do not own a home, or for others that need additional finance for their businesses to grow, accessing finance can be difficult.

Late payment for goods and services supplied to Government and large businesses have a major impact on cash flow for a small business and can put undue stress on both the business and individual. Payment codes for big business, changes to government procurement policy and monitoring by the small business and Family Enterprise Ombudsman have all been catalysts for action. A Regulated Payment framework may also assist but only if a workable approach can be identified which does not overburden business with red tape.

There have been changes in recent years to address the power imbalance in contracting between big business and small business by enabling courts to strike out unfair contract terms. We encourage regulators to pursue these cases to build a body of precedent that small businesses can rely on. Steps to make unfair contract terms illegal should be taken more cautiously, recognising that action to strengthen regulatory intervention in business relationships should never be taken lightly.

The complexity of our workplace relations system is harming small business. It is too difficult for small businesses to create jobs and organise work efficiently and competitively. This hurts not only small business people but also their communities, and job seekers including young people, many of whom get their first job in a small business.

Our workplace relations laws need to give small businesses more confidence to hire and more scope to agree with their employees on how to organise their work.

The diverse nature of small business and the fundamental differences in structure and operations between small, medium or large organisations requires specialised WHS and workers' compensation assistance for small business with specific material, education and regulatory approaches. The Australian Chamber launched ['Part and Parcel – Working with Small Biz: It's in the delivery'](#) to draw attention to the fact that WHS outputs from government agencies are not fit for purpose for small business.

Australia has over 50,000 exporters – most of them small and medium sized businesses. The high cost of doing business in Australia is preventing many of them, and potential exporters, from realising their full potential in international markets. Many more small businesses rely on imported products and services. They need to be able to access them easily in order to succeed, grow and encourage competition in the Australian market.

The Government has negotiated many new trade agreements. However, many businesses, particularly small businesses, do not know how to access the benefits. Government should work with business to provide training and support for them to take full advantage of our trade agreements with other countries.

## RECOMMENDATIONS:

- 13.1 Create more government procurement opportunities for small business while supporting the principles of value for money for the Government, maintaining a competitive market and promoting efficiencies within local businesses.
- 13.2 Improve payment times to small business in government procurement and encourage Industry

Codes for big business to improve payment times to their smaller suppliers. Continue to explore a payment times reporting framework, and implement a workable approach provided the red tape burden is minimised.

13.3 Change the definition of small business in the Australian Banking Code of Practice to include lending up to \$5 million to assist smaller capital-intensive businesses. Closely monitor the effect on bank lending competition and review 18 months post implementation.

13.4 Encourage regulators to pursue cases involving unfair contracts terms between large and small business in order to build a body of law that can help protect small business.

13.5 Set up a dedicated small business division in the Fair Work Commission with specialist case managers:

- ensure the Fair Work Commission removes unfounded, out of time, incomplete, under-evidenced claims before proceeding further. Small businesses should not have to spend time and money defending claims that are frivolous or speculative;
- schedule out of hours hearings so small business people do not have to take time out of their business to attend;
- use plain language not legalese;
- give small businesses a checklist, to assist them in managing performance and conduct, which if followed will make them immune from unfair dismissal claims; and
- if small business gets advice from a regulator and it turns out to be wrong, they should be immune from penalty or prosecution.

13.6 Design, package and deliver WHS and workers' compensation regulation in a way that's easy to find, easy to understand and relevant for small business across industries, and work specifically to:

- encourage regulators to engage wherever possible with business associations as trusted intermediaries and experts in relation to workplace practices, particularly small medium enterprise (SME) practices;
- enable further research into the management of WHS and return to work within SMEs;
- provide greater assistance for small business to better support injured workers through the workers' compensation process and return to work; and
- target assistance and strategies aimed at reducing workers' compensation premiums for small business.

13.7 Support energy management programs, including efficiency audits, delivered through business networks such as Chambers of Commerce and Industry Associations, which include efficiency audits.

13.8 Improve access to reliable, affordable and high-speed broadband. Provide support and education to improve digital capability.

13.9 Maximise the potential of small business exporters:

- make trade finance more accessible; and
- deliver training on our trade agreements.

# REFERENCES

## WORKPLACE RELATIONS

<sup>1</sup> World Economic Forum. (2017) The Global Competitiveness Report 2017–2018; World Economic Forum

## ENERGY

<sup>2</sup> ACCC (2018) Retail Electricity Pricing Inquiry p. 5

<sup>3</sup> ACCC (2018) Retail Electricity Pricing Inquiry p.43

<sup>4</sup> AER 2019 Victorian gas market average daily weighted prices by quarter. <https://www.aer.gov.au/wholesale-markets/wholesale-statistics/victorian-gas-market-average-daily-weighted-prices-by-quarter>

## TAXATION

Table: Source: ABS 5506, Treasury for 2017/18. 2016 to 2018 are estimated average tax rates as two rates are in operation depending on business size. Company tax collection in the past few years has also been impacted by the extension of the instant asset write off for small business.

## BUDGET MANAGEMENT

<sup>5</sup> Commonwealth of Government April 2019 Budget 2019-20 – Budget Paper No.1. p.3-9

<sup>6</sup> Commonwealth of Government April 2019 Budget 2019-20 – Budget Paper No.1. p.3-15

<sup>7</sup> Commonwealth of Government December 2018 Mid-Year Economic and Fiscal Outlook 2018-19. p.30

<sup>8</sup> Reserve Bank of Australia February 2019 Statement on Monetary Policy. P.65

<sup>9</sup> Reserve Bank of Australia February 2019 Statement on Monetary Policy. P.71-72

<sup>10</sup> Commonwealth of Government December 2018 Mid-Year Economic and Fiscal Outlook 2018-19. p.32

## INFRASTRUCTURE

<sup>11</sup> Bureau of Infrastructure, Transport and Regional Economics (2018), Key Infrastructure Statistics 2018

<sup>12</sup> On the World Bank's Logistics Performance Index (LPI), Australia ranks 16th for infrastructure, behind several European countries, Japan, Singapore, the United States, the United Kingdom, UAE and New Zealand.

<sup>13</sup> Infrastructure Australia, February 2019, Infrastructure Priority List

<sup>14</sup> Bureau of Infrastructure, Transport and Regional Economics (2018), Key Infrastructure Statistics 2018

<sup>15</sup> Infrastructure Australia, February 2019, Infrastructure Priority List

## REGULATION

<sup>16</sup> <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>

## TOURISM

<sup>17</sup> Tourism Research Australia 2017, Tourism Satellite Account 2016-17

<sup>18</sup> Tourism Research Australia 2019, State of the Industry 2017-18

## SMALL BUSINESS IS A BIG DEAL

<sup>19</sup> ABS 8155.0

<sup>20</sup> ABS 8165.0

<sup>21</sup> ABS 6306.0

<sup>22</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Minimum\\_wages,\\_January\\_2009\\_and\\_January\\_2019\\_\(EUR\\_per\\_month\\_and\\_%25\).png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Minimum_wages,_January_2009_and_January_2019_(EUR_per_month_and_%25).png) / <https://wageindicator.org/salary/minimum-wage/minimum-wages-news/luxembourgs-minimum-wage-rise-approved-for-2019-december-20-2018>.

<sup>23</sup> Australian Government Submission, Annual Wage Review 2019, 15 March 2019, page 9, chart 2.1.

<sup>24</sup> ABS, Australian Labour Market Statistics, cat. no. 6105.0 (estimates for 1992 to 2004), ABS, Characteristics of Employment, cat. no. 6333.0, (estimates for 2005 to 2016), RMIT ABC Fact check: Has the rate of casualisation in the workforce remained steady for the last 20 years).

<sup>25</sup> Australia's casual workers - Household Income and Labour Dynamics in Australia (HILDA) 2015, cited in Commonwealth Parliamentary Library, Characteristics and Use of Casual Employment in Australia, Jan 2018.

<sup>26</sup> NCVÉR.



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