

2016 Election

Ai Group's Nine Policy Priorities



Policy Priorities for the 2016 Federal Election

The 2016 election is an opportunity for all political parties to set out their plans for improving Australian living standards.

Equipping the economy to rise above current and prospective challenges and to be ready to take full advantage of the many opportunities before us is fundamental to improving living standards.

Australia must continue to strive to build a more dynamic and diverse economy. Dynamism and diversity are needed:

- In the immediate context of an uncertain and volatile global environment and in the face of the decisive retreat from recent historical highs in commodity prices and resource-related investment;
- To enable us to continue to raise living standards as our population ages; and
- So we can hand to future generations an economy and a society that is making the most of its very considerable potential.

With these ambitions and with a clear view of the central role the private sector needs to play in meeting them, Ai Group is putting forward the following nine policy priorities for the 2016 election.

Taxation Reform

Despite the evident difficulties in developing and prosecuting the case for tax reform, progress in this area should be a leading ambition for the next term of the Parliament. The challenge is to design and build support for a package of measures that lifts the efficiency of taxation and reduces its costs while ensuring the national tax arrangements support the nation's revenue needs and redistribution objectives.

We should be particularly wary of the potential damage to economic growth that would flow from higher effective rates of income tax. Indeed, Ai Group's leading tax reform priority is for a reduction in the rate of company tax from its present uncompetitive level of 30 per cent. A legislated phase-down in the company tax rate to a level that is more internationally competitive would assist in lifting incentives for private sector investment and innovation at a time when these are at the heart of our future progress.

The ongoing monitoring of the integrity of Australia's tax arrangements should continue to ensure that all taxpayers including large and small companies; unincorporated businesses; and individuals are aware of and comply with their obligations. Building and maintaining confidence in the way Australia's tax arrangements is critical and there should be a close examination of the ways that current "tax transparency" arrangements have unjustifiably undermined this confidence.

Budget Sustainability

To maintain a path to a sustainable budget will require a combination of reductions in currently projected expenditure growth and increases in revenue relative to the current outlook.

- On the spending side, ongoing efforts are required to cut wasteful expenditure and programs; to remove areas of duplication; and to accelerate the pace of productivity growth in the public sector - including through well-considered investments in digital government. Full advantage should be taken of those areas in which the private sector can assist in the more efficient delivery of services and infrastructure.
- On the tax revenue side of the fiscal equation, the best opportunities for a sustainable acceleration of revenue growth lie in lifting the pace of general economic growth. There is therefore a critical interrelationship between achieving fiscal sustainability and the full range of policy areas in which governments improve the growth potential of the economy by lifting competitiveness and productivity.

Developing Current & Future Workforce Skills

The most potent contributions to raising living standards lie with the investments we can make in developing the skills of the current and future workforce. Whether in foundation skills such as literacy and numeracy; in improving the breadth and depth of science, technology, engineering and mathematics (STEM) skills; or in the quality of our managers, there are very worthwhile opportunities for high-yielding investments and policy initiatives. Ai Group proposes:

Establishing arrangements for national VET governance, including for Australian Apprenticeships, led by industry.

- Re-designing of a sustainable FEE-HELP scheme, including an overhaul of VET FEE-HELP parameters.
- Reforming the apprenticeship system, to focus on lifting both commencements and completions and including higher level qualifications and a wider range of industries.
- Developing and effectively resourcing of a national STEM skills strategy in conjunction with industry to support the National Innovation and Science Agenda.
- Developing a new workplace language, literacy and numeracy (LLN) program to address widespread deficiencies and improve the adaptability and productivity of the existing workforce.
- Determining Higher Education policy settings that stabilise the sector.
- Developing and effectively resourcing measures that improve Higher Education graduate employability.

Workplace Relations

Making sensible improvements to the flexibility and integrity of our workplace relations arrangements is fundamental to the objectives of creating more competitive businesses and more high-productivity, high-wage jobs.

Ai Group urges all parties to implement the many worthwhile recommendations of the recent Productivity Commission inquiry into the Workplace Relations Framework and the Heydon Royal Commission to make real progress in modernising our workplace relations arrangements and practices.

Support for key Productivity Commission recommendations

The PC's final report contains many worthwhile recommendations to address changes to workplace relations arrangements to remove barriers to productivity, competitiveness and investment.

- Reducing the emphasis on procedural issues in enterprise agreement making and unfair dismissal matters.
- Tightening the requirements regarding the content of enterprise agreements and bargaining claims, e.g. outlawing clauses in enterprise agreements that impose restrictions on the engagement of contractors, labour hire and casuals.
- Introducing a new form of enterprise agreement called the Enterprise Contract.
- Implementing measures to expand the use of Individual Flexibility Arrangements.
- Reducing Sunday penalty rates in the fast food, retail, hospitality, restaurants, cafés and entertainment industries.
- Amending the transfer of business laws to address many of the problems with the existing unworkable provisions.
- Discontinuing the Fair Work Commission's 4 Yearly Reviews of Awards.
- Protecting employers from increased costs when State Governments decide to proclaim additional public holidays.
- Increasing the maximum penalties for unlawful industrial action.

Support key Heydon Royal Commission recommendations

- Re-establishing the Australian Building and Construction Commission.
- Outlawing "corrupting benefits" to unions and union officials.
- Stopping the millions of dollars that flow to unions each year from construction industry redundancy funds and from commissions on overpriced, substandard income protection insurance products.
- Outlawing enterprise agreement clauses that impose restrictions on contractors and labour hire.
- Strengthening registered organisation laws.

Other workplace relations priorities

In addition, Ai Group proposes the following measures:

- Tightening union right of entry laws;
- Tightening the general protections and industrial action rights;
- Addressing the series of practical issues relating to leave accruals and payments that have arisen as a result of a series of court and FWC decisions.

Innovation

Recent reforms have made a very important down payment in the vital area of innovation. The challenge is to build on and further improve these measures while providing an overall stability that has been eroded by successive waves of fundamental policy change under recent governments of all persuasions. Ai Group urges all parties to monitor and refine existing programs, and scale them up where merited; foster improved business-research collaboration; encourage innovation through government procurement; encourage more organisations to look for new opportunities; and to better equip them to realise and commercialise those opportunities.

- Coordination, coherency and monitoring will be absolutely critical, with any new policies joining an innovation and industry policy agenda that is already crowded with good and partly interconnected activities including the state and territory level.
- Coordination is particularly important between the Industry Growth Centres, the CSIRO Innovation Fund and the Innovative Manufacturing Cooperative Research Centre. In concert these positive initiatives can provide seamless support for higher performance in key sectors.
- The Entrepreneur's Programme, including its expanded Innovation Connections element, is a valuable platform for improving the performance of Australian businesses with growth potential. Its core activities and funding should remain stable.
- Collaboration between researchers and industry is fundamental but has lagged in Australia. The public research funding formula needs to support researchers who work with industry. Recent revisions give greater weight than ever to industry collaboration. These need to be bedded down and monitored to ensure the intended incentive is being given.
- Ai Group is open to changes the R&D Tax Incentive that improve its effectiveness and put an end to the damaging policy vacillations of recent years. The lessons from this disruptive period include the importance of ensuring that proposed changes are supported by evidence and that measures are designed in close consultation with industry.

Industry Policy: Developing Business Capabilities

Improving Australia's business capabilities should remain a major policy priority. Whether by better informing businesses of the opportunities available under Australia's various trade agreements and for engagement in global supply chains; by investing in the Entrepreneurs' Programme aimed at lifting performance of small and medium-sized businesses; by facilitating adaptation by businesses operating in vulnerable automotive supply chains; or by raising awareness of digital capabilities, threats and opportunities, there are important educative and facilitative roles for government.

Developing and leveraging Australia's defence industry

The release of the Defence White Paper and the Defence Industry Policy Statement, including the announcement of two new initiatives - the Centre for Defence Industry Capability (CIDC) and a Defence Innovation Hub, and the recent announcement to build submarines in Australia offer opportunities and challenges both for Australia's defence industry and the broader economy.

A key objective of policy should be to leverage the benefits of enhanced domestic capabilities: in the workforce and among our businesses including through expanded participation in global supply chains.

Encouraging global engagement

Australia has completed a number of high profile trade agreements, and is continuing to negotiate

agreements with important trading partners. Now work is needed to ensure that Australian companies are in a position to engage fully with the opportunities available to them. We support:

- Resourcing Austrade appropriately so that they have the skills and resources to support Australian companies to access global value chains and to invest abroad.
- Expanding the TradeStart network to increase the availability of one-on-one support for new and emerging exporters.
- Continuing and expanding programs, such as the Colombo Plan, that develop the international business skills of Australian professionals. The relative neglect of new markets such as Latin America in these programs should be addressed.

An effective and fair anti-dumping regime

Australia must not allow its current business capabilities to be undermined by the unfair dumping of low-priced product into the Australian market. Ai Group supports a World Trade Organisation (WTO) compliant anti-dumping regime that effectively addresses predatory pricing from offshore sources.

It is critical that the administration of the anti-dumping regime extends procedural fairness to all affected businesses including local import-competing businesses and domestic businesses whose competitiveness in domestic and international markets relies on imported inputs.

Infrastructure

We continue to support a strong program of rigorously assessed and prioritised infrastructure investment to lift national productivity and amenity. While important steps have been made in recent years there is still some way to go in building confidence in the integrity of decision-making over infrastructure investment.

Ai Group supports the full involvement of the private sector in Australia's infrastructure effort including as contractors in public-sector owned projects; as partners in Public Private Partnerships; as owner-operators in where that is the optimum arrangement; and as providers of debt financing to government and private sector equity providers.

Ai Group also supports initiatives under which more efficient outcomes can be secured by the transfer to the private sector, through sale or long-term leases, of infrastructure assets currently under public ownership.

Dealing with congestion of transport infrastructure in Australia's major cities should be a particular priority. A sustainable long-term approach will have to combine investment in valuable projects, incentives for rational use, and funding sources that are adequate and efficient. Road pricing is clearly part of the solution, but community concerns about fairness, privacy and the total burden of taxation will need to be satisfied. All parties should commit to develop options for road pricing as part of a broader transport infrastructure agenda in consultation with the States.

We also seek to ensure that there are full and fair opportunities for locally-based businesses to contribute and participate in these projects.

Climate and Energy

We will maintain our focus on ensuring that Australia's energy markets work efficiently to deliver reliable supplies of competitively-priced energy for domestic industries and households. A major transition is currently underway in Australia's gas markets, as a result of linkage to overseas markets which are themselves in turmoil. A further transition approaches in Australia's electricity generation sector, where the eventual retirement of existing capacity and integration of new technologies will require durable and bipartisan policy frameworks to minimise costs.

Ai Group supports progressing Australia's approaches to climate policy so that near and longer-term targets can be met at least cost and in ways that ensure investment certainty and competitiveness by unlocking efficient abatement across the domestic economy and by drawing on low-cost and credible abatement opportunities abroad.

Climate policy will not be effective unless it enjoys wide support across political parties and the community. Settling an enduring policy framework is essential to underpin future investment across many sectors, particularly in energy.

Boosting energy efficiency and productivity makes industry and households more resilient to energy prices and to reduce emissions. All parties should pursue the energy productivity agenda as a strategic priority, investing in coordination with the states and territories.

Immigration

Ai Group continues to emphasise the importance of maintaining a permanent migration program that is predominantly focused on skilled migration. While aggregate unemployment and underemployment levels remain high, distinct areas of skill shortages are emerging in growing sectors and regions of the economy. It is critical therefore that we maintain a suite of flexible, temporary migration programs linked closely to the current skills needs of our economy.