Ai Group Response to the Productivity Commission Five Pillars Inquiry

June 2025

Table of Contents

Pillar 1: Creating a dynamic and resilient economy 3

Section 2. Support business investment through corporate tax reform *3*

Section 3. Reduce the impact of regulation on business dynamism *5*

Pillar 2: Building a skilled and adaptable workforce 8

Section 2. Improve school student outcomes with the best available tools and resources *8*

Section 3. Support the workforce through a flexible post-secondary education and training sector *9*

Section 4. Balance service availability and quality through fit-for-purpose occupational entry regulations *13*

Pillar 3: Harnessing data and digital technology 14

Section 2. Support safe data access and handling through an outcomes-based approach to privacy *14*

Section 3. Unlock the benefits of consumer data through effective access rights and controls *15*

Section 4. Enhance reporting efficiency, transparency and accuracy through digital financial reporting *15*

Section 5. Enable AI's productivity potential *15*

Pillar 4: Delivering quality care more efficiently 16

Section 2. Reform of quality and safety regulation to support a more cohesive care economy . *16*

Section 3. Embed collaborative commissioning to increase the integration of care services *18*

Section 4. A national framework to support government investment in prevention *19*

Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation 20

Section 2. Reduce the cost of meeting carbon targets *20*

Section 3. Speed up approvals for new energy infrastructure *23*

Section 4. Encourage adaptation by addressing barriers to private investment *26*

About Australian Industry Group *28*

Pillar 1: Creating a dynamic and resilient economy

Section 2. Support business investment through corporate tax reform

What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The burden of company tax has gradually but materially increased over the last ten years. In 2023-24, company tax generated $144.2 billion of revenue, equivalent to 5.4% of GDP. In 2013-14 the figure was 4.2%. Had that rate of effective burden been maintained over the last decade, company tax revenue today would be $37.3 billion lower.

Over the last decade, the tax burden in the Australian economy has risen from 27.4% to 30.0% of GDP. However, only two components of the tax system – company tax and personal income tax – have been responsible for this rise. All other forms of taxation have seen their burden remain constant or fallen.

This has led to a tax mix which is increasingly dependent on taxing the productive activities of businesses – which generate profits (company tax) and employment (income tax). By corollary, the tax mix has become less reliant on broad-based taxes such as GST and those on rent-generating assets (such as property and land). This therefore acts as a progressive disincentive to investment in productive business activities relative to other forms of capital allocation.

An increasing reliance on company tax also acts as a barrier to investment via its interaction with the dividend imputation system. A known feature of dividend imputation is that it creates a bias towards dividend payment over reinvestment (due to the risk of potentially 'trapped' franking credits). To the extent that company tax becomes a larger component of Australia's tax mix, so too does the impact of the imputation bias against reinvestment and its dampening effect on investment rates.

In international comparison, Australia's rate of company tax is uncompetitively high. Australia's statutory corporate income tax rate of 30% is the sixth highest in the OECD and compares unfavourably to the group average of 24.2% in 2023. Australia's effective average rate of 28.5% is the second highest, and greatly above the OECD average of 21.9%.

Australia's relative tax competitiveness has also declined over time. In 2017, the effective average corporate income tax rate in the OECD was 23.6%. Changes to reduce the effective burden of corporate income taxes in many OECD governments had reduced the figure to 21.9% by 2023. Australia has made no matching reforms to reduce either statutory of effective average corporate income tax rates, resulting in our tax competitiveness declining relative to OECD peers.

What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The corporate tax system extends beyond company taxes. Businesses are subject to a wide range of taxes, levies and charges from the Commonwealth and state government which influence the level and form of investment decisions. In 2023-24, the taxes and charges directly collected from business consisted of the following:

- Company tax: $144.2 billion of revenue
- Payroll and employment taxes: $40.7 billion
- Other Commonwealth taxes and levies: $46.8 billion
- Other state taxes and levies: $10.8 billion
- Total: $242.5 billion

Businesses also carry a material proportion of the taxes on property ($45.2b of revenue in 2023-24), insurance ($9.4b) and financial transactions ($32.1b). These taxes are also levied on individuals, and it is not possible to attribute shares to businesses based on currently available data. However, their collective value suggests the tax burden on business is materially higher than the $242.5 billion directly collected.

Importantly, company tax accounts for only 59.5% of the tax revenue directly collected from businesses. None of the other taxes and levies are subject to dividend imputation, suggesting a significant degree of double taxation of business activity. When read together, they also indicate a much higher degree of total tax burden on business (9.1% of GDP) than the rate for company tax alone (5.4% of GDP) implies.

It is therefore critical that any consideration of the impact of the corporate tax system on investment evaluates the full suite of taxes to which businesses are subject.

Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the corporate tax system be reduced?

The sheer number of taxes to which businesses are subjected is itself a source of regulatory burden. Many – such as emergency service levies, transfer duties and import tariffs – might be reasonably labelled 'microtaxes', as they generate very small amounts of revenue. However, the regulatory burden they impose is great, and in some cases the deadweight loss to the economy can exceed the revenue generated. This is especially challenging for businesses with national operations, which need to comply with all Commonwealth and state tax regimes.

Many taxes and levies also feature complex qualification and/or deduction rules which greatly increases compliance burdens. A notable example of the Research & Development Tax Incentive (RDTI), which has complex eligibility rules for the entity conducting the R&D, the R&D activity performed, and the expenditure incurred. These rules distort R&D investment decisions towards tax management rather than innovation objectives, and impose compliance burdens that consume a nontrivial share of the RDTI tax offset. Many other examples abound.

Section 3. Reduce the impact of regulation on business dynamism

What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Principles for good regulatory design are that regulations should be precise, consistent, stable and proportionate. Regulations which meet these criteria support business efficiency and growth.

Some regulations are imprecisely drawn, leading to ambiguities regarding how a business should implement reporting and compliance. This greatly increases compliance cost on businesses, administration costs on regulators, and risk for business decision making. An example are the provisions in the *Modern Slavery Act*, which are imprecise regarding the specific obligations and reporting requirements expected on business. The consequence of this uncertainty is that a small company is confronted with multiple and differing Modern slavery compliance documents, despite not being specifically subjected to the legislation.

Many regulations are not consistent with each other, raising the overall compliance costs of the regulatory ecosystem. An example is the concept of a small business, which is subject to many different definitions across both Commonwealth and state policy settings. Inconsistent definitions can also pose reporting complexities, with similar regulations requiring different reporting standards for common concepts. While it is not always possible to align definitions due to policy objectives, as a principle definitions should be common wherever possible, and aligned to produce only small differences where such difference are required.

Repeated and piecemeal changes to regulatory settings increases compliance costs for business and administrative costs for regulators. Frequent updates are sometimes the result of in-built review periods mandated by legislation, while in other cases reflect the discretion of regulatory agencies. Good regulations should be updated only when, and only upon the schedule required for, the achievement of the policy objectives of the regulation.

Many regulatory regimes impose compliance costs which are disproportionate to the policy objectives of the underlying regulation. An example is the recent adoption of a definition of an Australian business for Commonwealth procurement purposes. This will impose significant informational and reporting requirements for all businesses seeking to participate in procurement as a precondition for tendering. As the policy itself notes, this data on business ownership structures is being sought for the sole purpose of information collection by government, with no material policy decisions attached to the collection of that information. Compliance costs should only be imposed on businesses only to the extent proportionate to the benefits such costs bring.

How has your regulatory burden changed over time?

Measuring regulatory burden is an extremely difficult task, and Ai Group is not aware of any reliable methods by which it can be estimated across the economy. Much of the complexity arises from the industry- and business-specific nature of regulatory burden, leading to wide variations between policies.

Anecdotally, businesses universally report that regulatory burden is increasing due to the steady increase in number of regulatory regimes, and the increase in complexity of those regimes over time. Frequently are regulations established or made more complex; rarely are they abolished or simplified.

An emerging and insidious form of regulatory burden is data collection, particularly problematic because it does not appear to be subject to Regulatory Impact Assessment procedures. From Workplace Gender targets to Ransomware attacks and electrical product registrations, the requirement for companies to prepare annual or incident reports under the cover of information is broadening and appears to have no limit.

An initial step in assessing regulatory burden would be the establishment of an inventory of the major Commonwealth and state regulatory regimes in Australia. To our knowledge no such research exercise has been systematically conducted. In its absence it is very difficult to establish either the overall scope of regulatory burden, the areas of the economy in which it is highest, or its change over time.

It would be highly useful if the Productivity Commission developed such an inventory as part of this inquiry (similar to its inventory of industry assistance measures collected as part of the annual Trade and Assistance Review). This would function as a national resource which all parties involved in the development of regulations could use an evidence-base for effective policymaking.

What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

Our answer at above] outlines the features of regulations which constrain business efficiency and growth. These comprise regulations which are imprecise, inconsistent, unstable and/or disproportionate to objectives.

An additional dimension of regulatory burden which should be considered is its propagation through supply chains. There are many regulations that, while imposed on a small number of businesses, originate requirements that the target business needs to 'pass on' to other non-regulated businesses in the supply chain. Modern Slavery reporting is one example, where regulated entities are required to seek information and indirectly report upon the activities of their suppliers. This generates the need for the regulated entity to function as a private quasi-regulator of its supply chain: establishing its own regulatory requirements with which supplying businesses must comply.

Supply chain propagation greatly increases the burden of a regulatory regime. Compliance costs cannot be assessed only for regulated entities, but also for the subsequent requirements passed on to further entities. It can increase the problem of regulatory inconsistency, where regulated large business implement supply chain requirements in different ways, forcing their SME suppliers to comply with multiple different quasi-regimes for the same ultimate purpose. It can also lead to burden magnification, where a regulated entity imposes more strict requirements on its supply chain 'just in case' the regulator might seek additional information.

Regulatory design in Australia rarely pays attention to the realities or impacts of supply chain propagation. It results in overall regulatory burden significantly greater than anticipated during initial policy design. In many cases, a regulation which is proportionate in its first-order effects

becomes grossly disproportionate once the second-order effects from supply chain propagation are considered.

Regulatory design, implementation and evaluation should all make the second-order effects of supply chain propagation a primary concern.

Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Ai Group members importing electrical products into Australia must navigate two distinct regulatory frameworks: the Electrical Equipment Supply Scheme (EESS) and the NSW Gas and Electrical scheme. While both are designed to ensure product safety and rely on international standards as benchmarks, they differ significantly in terms of registration, certification, and product sell-through requirements. Over time, these frameworks have continued to diverge, complicating compliance for businesses.

In the past 18 months, the IT platforms used by the EESS have been merged for supplier and product registrations in a move to bring about a more streamlined system. However, additional administrative requirements imposed by Queensland's Electrical Safety Office (ESO) and Energy Safe Victoria have increased regulatory burdens on members. These changes, whilst well intentioned, were implemented without adequate consideration of their cost impact, highlighting a recurring issue where regulators may lose sight of the need to balance the benefits of regulatory adjustments with the costs they impose on businesses. The following member comment is typical:

> *"Performing any action in the new system is far more time consuming, especially renewals. Changes which affect responsible suppliers and certification bodies of this magnitude should really go through a RIS, Consultation and a Cost Benefit analysis. Is all this extra data going to improve safety outcomes for consumers and assist in enforcement - or is it just ill considered regulatory burden? While the previous EESS system did provide benefits, this new version seems to only be adding to the already considerable administrative burden on industry - particularly small business."*

Ai Group emphasises the importance of prioritising cost impacts in policy and regulatory decision-making processes. While individual changes to regulatory requirements may not always meet the threshold for triggering Regulatory Impact Statements (RIS) in each jurisdiction, it is essential to consider the cumulative effects of these incremental changes, which can significantly burden businesses over time.

Pillar 2: Building a skilled and adaptable workforce

Section 2. Improve school student outcomes with the best available tools and resources

What (if anything) needs to be done to improve the use of edtech tools (including GenAI) in schools?

Ai Group believes that improved use of edtech tools in schools cannot be achieved without widespread teacher capability in the application of the tools. With the accelerated introduction of new technologies that young people must learn and that can also enhance teaching quality, continued professional development must be part of new tech introduction and must be provided to teachers consistently – across jurisdictions and ed sectors - to raise teacher confidence.

Quality professional development on edtech tools will encourage more efficient use of teaching time. However the rapid introduction of technologies creates additional pressures on teachers to remain up-to-date. This accelerating tech environment will continue and therefore relates to the acknowledged current and future shortage of teachers. Last year the Department of Education cited previous modelling of teacher demand and supply suggesting that shortages could worsen over the coming years, with the demand for secondary teachers to exceed the supply of new graduate teachers by around 4,100 by 2025. One of several key issues included as contributing to lower uptake of teaching studies and lower retention is workload.

A survey by Samsung in 2024 found that 49% of teachers agree technology has the potential to help teaching staff overcome some of the issues raised by the teacher shortage. Over half of the teachers surveyed said that technology can drive higher engagement with lesson content. The Samsung survey also noted the NSW Department of Education's Schools Digital Strategy states that digitalisation enables teachers to devote more time to one-on-one student support and to be more present in the classroom.

These findings suggest the teacher shortage must be tackled alongside an improvement in the use of tech by the existing cohort of teachers. Mentorship and strong support systems for teachers are included as strategies to help improve usage and teaching efficiency, alleviating workload.

Consistent use of edtech tools requires federal and state government cooperation - to reach a ‘harmonised’ agreement for consistent introduction of new tools with accompanied teacher support. Some form of collaboration across education sectors, that includes the private system, would achieve the best level of consistency for Australian schools, students and teachers.

Notwithstanding the need for widespread use of edtech tools and tech learning in school education, Ai Group strongly believes the fundamentals of literacy and numeracy should remain the cornerstones of education, with the latest tech tools applied to strengthen the learning experience in L&N.

What more (if anything) needs to be done to improve awareness and access to high quality lesson planning and curriculum materials in schools?

The key in achieving high quality lesson planning in all schools is to work towards consistency of access for all Australian teachers, and in turn create consistency in enhanced learning experiences for all students. The aim must be for equitable access across all cohorts – so that students in rural and remote areas, First Nations students, ethnically and linguistically diverse students, and students from low socio-economic areas are afforded the same opportunities as other mainstream groups through effective teaching. For rural and remote areas digital connectivity is also a factor to be considered to avoid disadvantage.

Across schools, national guidance documents should include benchmarks, leading to better uniformity. Broad access will enable schools to adapt available resources and examples from other schools. Strengthened monitoring through multi-sector committees should follow. Within schools, the guidance could embrace whole school curriculum planning, materials and assessments for units and whole years, in-school discussions, moderation and validation.

Industry has a potential role to play in this space. Exposing students to many experiences and opportunities related to an assortment of careers, vocations and enterprises. Tripartite relationships between schools, employers and government can bring about effective enhancements to learning.

Section 3. Support the workforce through a flexible post-secondary education and training sector

In your experience, how well does the credit transfer and recognition of prior learning system operate in Australia? Does it adequately support students to move between courses or have their work experience recognised as part of a qualification? Are there ways it could be improved?

Ai Group believes the limited extent and under-use of both credit transfer and recognition of prior learning (RPL) within Australia is hampering the movement of students through the system at a time when appropriate/faster student progress towards qualifications attainment and more flexibility (within quality frameworks) is warranted and will advantage industry as well as learners. Access to the process can suffer from under-promotion, institutional staff can lack assessment capabilities, and funding structures can influence use of the practice.

Notwithstanding that explicit standards and guidance exist for credit transfer and RPL in both tertiary education sectors, stronger mechanisms are needed that will drive conducive cultures and capabilities within institutions, lead to improved systems and processes in each sector, and enhance recognition across the VET and higher education sectors.

Ai Group sees the success of these improvements being contingent on much broader tertiary sector reform. Credit transfer and RPL are hampered by a lack of connection and collaboration between the two sectors of VET and higher education, including the different frameworks for knowledge and skill acquisition, delivery and assessment (eg learning outcomes vs competency-based). Through Ai Group's higher and degree apprenticeship pilots involving VET, higher education and industry partners, Ai Group has increasingly seen members express a need for combinations of knowledge and skills, whereas the development of knowledge and skills has been artificially separated into VET and higher education.

The necessary environment to enable embedded and widespread application of credit transfer and RPL will only be established by progressing action proposed or underway on:

- Australian Qualifications Framework reforms that recognise skills and knowledge are intertwined and do not exist as a laddered progression. Progressing reform of the Australian Qualifications Framework, as proposed by the Review of the Australian Qualifications Framework, is overdue and would reform the current rigid approach.
- a National Skills Taxonomy that uses a common language for skills, more closely linking VET and higher education speres and the skills used in the workplace
- the establishment of the Australian Tertiary Education Commission as an independent higher education steward that will drive better pathways for students between the VET and higher education sectors
- Jobs and Skills Australia's Harmonisation recommendations which will bring more coordination and cooperation between tertiary system actors, noting recommendations include working towards a national credit transfer system and incentives for VET-higher education collaboration projects.

What are the main reasons individuals and/or businesses do or do not participate in work-related training?

Complex drivers, including technological change, clean economy transitions and demographic shifts mean that businesses provide work-related training to transform their businesses, innovate and remain competitive. Through the 2025 World Economic Forum Future of Jobs Report, Australian businesses have acknowledged that their fastest-growing skill needs are AI and big data; networks and cyber security; and technology literacy. They also report their most sought-after core skills are analytical thinking; resilience, flexibility and agility; leadership and social influence; and creative skills. The provision of work-related (non-formal) training can build capability in most of these areas. For example, 92% of Australian companies surveyed said they will reskill and upskill their existing workforce as a result of AI's increasing capability and prevalence.

Accordingly, Ai Group's 2025 Industry Outlook found that staff training and development ranks as the top investment priority for businesses. 42% of businesses plan to maintain their investment and 40% plan to increase their investment in staff training. Continued workforce shortages are another reason that employers prioritise work-related training for existing staff.

However, businesses also report pessimism about business conditions, cost pressures and low margins for 2025 which can constrain the provision of work-related training. For many, their necessary time and spend on compliance-related training to meet laws and regulations can be large, must be undertaken as a priority, and puts a squeeze on rolling-out broader work-related training. Ai Group members have indicated this to be a barrier to broader investment in training.

The workplace is an important site for successful, context-driven learning. Ai Group has observed that over the last decade, the focus on workplace training in education and training policy settings and associated funding arrangements in Australia has diminished.

While there are pockets of good practice where training providers – both vocational education and training and universities – work with employers to provide training in a way that reflects business needs, this is not system-wide. For example, block release remains the predominant form of training delivery. This model does not align well with how companies need to conduct their business operations. Delivery models, as well as learning content, need to be aligned to industry need to support a culture of work-related training.

Employers also demonstrate commitment to work-related training, and a culture of workplace learning, by registering as Enterprise RTOs (ERTOs). Through their registered status such employers fund their own nationally recognised training infrastructure. A 2022 NCVER study cited ERTOs regarding their status as minimal risk to regulatory authorities because poor-quality delivery would, in the end, harm their business. Because delivery is aligned with the ERTO's business policies and expectations, the knowledge, skills and capabilities a student needs to do the job at the required level are identified first and then mapped to fit relevant units of competency.

Ai Group understands that in recent years the number of ERTOs in Australia has fallen. Ai Group has heard businesses discuss the pressures of overwhelming RTO compliance and financial costs, with businesses making the decision not to seek initial registration for these reasons or ceasing their ERTO operations. Potentially this is another source of constraint on work-related training.

What role, if any, should businesses be playing to address any barriers and better support the offer of work-related training to employees?

Businesses benefit from future-oriented workforce plans that map the reskilling and upskilling needs of employees. However they need easy access to a broad range of up-to-date, relevant work-related training available to them so they can identify those programs suited to their own employees' reskilling and upskilling needs. A broad range of short courses and microcredentials with flexible options for delivery (on- or off-site, online or in person) should be easily accessible from public and private VET providers and universities, or materials available for in-house trainers.

Businesses can play their part by connecting with VET and higher education providers (whichever is relevant to their work-related training needs) to help establish and maintain cooperative relationships and cultures. As well as expressing their training needs, they can assure relevance through involvement in co-design, co-development of content, co-delivery and co-assessment. All of this will increase the quality, relevance and availability of the training. Support for industry engagement is important, particularly for smaller businesses. On the flip-side training providers must facilitate improved collaboration with businesses, including strengthening communication gateways for companies and flexibility in delivery options.

At a broader level, improved connections between businesses, universities and VET providers can strengthen work integrated learning (WIL) and work-based learning (WBL) arrangements, as well as involvement in higher and degree apprenticeships, resulting in graduates in the business with company-specific applied knowledge and skills, and sought-after core employability skills.

This provides a stronger skills base in companies from which future work-related training needs will spring.

What, if anything, could government do to address barriers and better support the offer of work-related training to employees?

While a strong skills infrastructure has been built in recent years through Jobs and Skills Australia, the Jobs and Skills Councils, TAFE Centre of Excellence, qualifications reform, and Fee-Free TAFE, the emphasis has been on qualifications over non-formal work-related training (while innovative examples of short courses/microcredentials have been developed). The focus has also increasingly been on institutional delivery and funding, potentially at the expense of the workplace.

The offer of work-related training to employees can be increased through the following government support options:

- funding support to businesses for reskilling and upskilling, including through tax incentives and/or co-funded training. The two public policies most favoured to increase talent availability among Australian employers surveyed for the 2025 World Economic Forum Future of Jobs Report were funding for reskilling and upskilling (49%), and provision of reskilling and upskilling (49%). There are several models that could be considered in the Australian context:
  - For example, the Industry Skills Fund, which existed from around 2015 to 2016, combined co-funded training for employers to provide workplace training linked to business growth opportunities with tailored advice to select the most appropriate training for the specific business need. Ai Group was supportive of this program. Other models include the Productivity Places Program, which was part of the Skilling Australians for the Future initiative.
  - Singapore's SkillsFuture program provides a model that includes subsidies for businesses that sponsor their employees for training.
  - Incentivising education and training providers to develop and provide flexible delivery models that are suited to business needs and operations, as well as innovative short courses and microcredentials, which would necessitate closer relationships with industry and businesses for content and delivery to be relevant and future-focused.
  - Removing barriers/supporting ERTOs to allow more employers to take up registration from which would flow low-risk quality education and work-related training focussed on business and individual employee needs.
  - Reducing the complexity of compliance related requirements to free up more company resources for work-related training.
  - Finally, given the high importance placed on digital literacy and the need for businesses to adopt a human-centric approach to digital technologies, the expansion and continuation of the work-related training *Skills for Education and Employment (SEE) program* is an important workplace-contextualised mechanism for employee development in digital literacy and in foundation skills more broadly. This program can help to support the almost nine in ten employers affected by low levels of literacy and numeracy directly related to productivity measures, as identified in the 2024 *Counting the Cost* report by the Ai Group Centre for Education and Training. The program should be

well promoted amongst employers and their employees. Ai Group has called for a formative evaluation of this program.

Section 4. Balance service availability and quality through fit-for-purpose occupational entry regulations

What are the effects of occupational entry regulations? Please describe your experience and name the specific occupations you are referring to.

No comment

Do you believe current occupational entry regulations are proportionate to the level of risk associated with different professions? Why or why not? If not, do you have any suggested improvements to regulations to better reflect risks? Please name the specific occupations you are referring to.

No comment

Pillar 3: Harnessing data and digital technology

Section 2. Support safe data access and handling through an outcomes-based approach to privacy

How is the Privacy Act operating to balance consumer privacy consideration while supporting the benefits associated with data sharing? Is the balance right?

The Privacy Act plays a crucial role in safeguarding consumer privacy while enabling the benefits associated with data sharing. Ai Group has consistently advocated for a balanced and proportionate approach to privacy regulation—one that protects individuals' rights while enabling innovation and economic productivity through responsible data use.

Consumer Privacy Protections

We support reforms that enhance transparency, accountability, and consumer control over personal data. This includes:

- Clearer consent mechanisms.
- Stronger obligations for data security and breach notification.
- Greater clarity around the use of personal information in digital environments.

Enabling Data Sharing and Innovation

At the same time, we caution against overly prescriptive rules that could stifle legitimate data use:

- Data sharing is essential for innovation, productivity, and service delivery.
- Regulatory burdens, especially on SMEs, must be proportionate to risk.
- Alignment with international frameworks (like the GDPR) should be pursued carefully to avoid unintended consequences.

While the Act provides essential protections, ongoing reforms should be mindful of the potential impact on innovation and economic productivity. A balanced approach will ensure that privacy regulations support both consumer trust and the responsible use of data.

- Are there any changes you would like to see to privacy legislation in Australia? Please provide details below.
- We would be concerned about any changes to the privacy legislation. Last year's reform still require time to be adopted by the market.

Section 3. Unlock the benefits of consumer data through effective access rights and controls

No questions for policy/peak respondents

Section 4. Enhance reporting efficiency, transparency and accuracy through digital financial reporting

No questions for policy/peak respondents

Section 5. Enable AI's productivity potential

No questions for policy/peak respondents

Pillar 4: Delivering quality care more efficiently

Section 2. Reform of quality and safety regulation to support a more cohesive care economy

To what extent do differences in quality and safety regulation make it costly or complex to provide or access care services?

While the National Disability Insurance Scheme (NDIS) is a national initiative, the persistence of state-based reporting obligations has resulted in duplication of reporting and monitoring requirements. This fragmentation undermines the efficiency and consistency of the scheme's oversight mechanisms.

Registered NDIS providers are committed to delivering high-quality, safe services. However, they face significant administrative, safeguarding, reporting, and audit costs. These obligations place them at a competitive disadvantage compared to unregistered providers, who are not subject to the same regulatory scrutiny or compliance costs.

Further compounding these challenges are ambiguities in reporting guidelines. Unclear expectations lead to confusion and often result in overreporting, as providers seek to mitigate the risk of non-compliance penalties. This not only increases administrative burden but also diverts resources away from direct service delivery.

As has been noted in Senate Estimates hearings and in ongoing discussions with government, the NDIS Quality and Safeguards Commission, and the Inspector-General, the increasingly complex, granular, and often duplicative regulatory environment has created a significant compliance burden. This burden is not matched by a commensurate increase in safety or service quality outcomes.

To ensure the sustainability and effectiveness of the NDIS, it is essential that regulatory frameworks are streamlined, reporting requirements are clarified, and the compliance burden is proportionate to risk. This will allow providers to focus on delivering high-quality support while maintaining accountability and safeguarding participant wellbeing.

What are the reasons for your answer?

The current level of reporting required under existing frameworks is highly granular and input-focused across multiple domains. This emphasis on measuring inputs often detracts from direct care delivery, diverts attention from outcome-focused practices, and limits the capacity to invest in areas with potential for significant impact—such as preventative technologies.

Where ongoing and increasing funding is directed toward supporting these detailed reporting obligations, there is a consequential opportunity cost. Resources that could otherwise be

allocated to practice improvement, workforce development, or innovation are instead absorbed by compliance activities. This dynamic raises concerns about the overall efficiency and strategic alignment of regulatory investment.

To what extent should quality and safety regulations be more aligned across the different care service sectors and jurisdictions?

There is significant opportunity to improve efficiency, reduce duplication, and enhance outcomes through greater alignment of quality and safety regulations across care service sectors and jurisdictions. Despite shared objectives and overlapping responsibilities, particularly between Commonwealth-regulated sectors such as aged care and the National Disability Insurance Scheme (NDIS), regulatory frameworks remain largely siloed. This has resulted in fragmentation, duplication of effort, increased compliance costs, and administrative burden for providers.

Harmonisation of standards, complaints mechanisms, and safeguarding requirements would reduce complexity for providers and improve clarity for participants and clients. A more integrated regulatory approach would also support consistency in service delivery and strengthen public confidence in care systems.

One practical reform would be the introduction of a single, integrated audit cycle for providers delivering multiple types of care services (e.g., disability, aged care, mental health). A harmonised audit framework - built around a core set of shared quality and safety standards, with sector-specific modules - would:

- Promote regulatory efficiency and consistency;
- Reduce administrative and compliance duplication;
- Support provider sustainability; and
- Enable more integrated care models that reflect the real-life needs of individuals.

Aligning regulatory schemes across care sectors represents not only a policy opportunity but also a pathway to significant productivity gains and more effective use of public funds.

Section 3. Embed collaborative commissioning to increase the integration of care services

What is your experience with collaborative commissioning?

No comment

What are the benefits of pursuing greater collaborative commissioning?

Potentially in regional areas it may lead to improved access to resources.

What are the barriers to collaborative commissioning, and do you have any suggestions for solutions that would lead to better collaboration in the commissioning of care services?

Current commissioning models in some care sectors remain underdeveloped, often reflecting a narrow interpretation of service delivery through a binary 'purchaser provider' or market-forces lens. This approach does not adequately account for the complexity and diversity of care markets, nor the varied needs of populations, service contexts, and workforce dynamics.

A shift toward more mature commissioning frameworks, grounded in a nuanced understanding of market diversity, demographic trends, and workforce supply, would enable the development of both core and tailored service offerings. Such an approach would also embed greater accountability into the design and delivery of services, supporting more responsive, sustainable, and outcomes-focused care systems.

Section 4. A national framework to support government investment in prevention

What are the main barriers to governments investing in evidence-based prevention programs across the care economy?

No comment

What are some examples of successful prevention programs (this could include discontinued programs)?

No comment

How can governments better support investment in prevention activities that have broad and long-term benefits for the Australian community?

No comment

Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation

Section 2. Reduce the cost of meeting carbon targets

What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

Reducing the unit cost of abatement and sequestration is important - it can enable both greater climate ambition, as well as other priorities. The amount of climate change that appears locked in is very serious; cheaper abatement would enable more to be avoided. The long term benefits of avoided climate change seem very large, but in the near term means are limited and tradeoffs are real.

Thinking about the alignment of abatement policies across domains has benefits including prompting explanation or justification where existing policies appear to have very high carbon values in one context versus others; or where no or very low carbon value is being considered.

The quest for cost discipline is necessary and honourable, but it does require some humility.

- We should distinguish between policies that are intended to drive bulk abatement in the near term, where the priority should indeed be least-cost; and policies that aim to drive innovation and cost reduction to bring abatement options within reach of bulk-abatement instruments.
- We should not place excessive weight on assessments like Marginal Abatement Cost (MAC) curves, which encourage far too static a view of costs and do not make a good match with economy-wide net zero goals.
- Past analysis of the international costs of abatement, suggesting much higher costs in advanced economies and a strategy of deferring abatement within those nations in favour of land-based sequestration in developing countries, is unlikely to be correct given shifts in low carbon technology costs and the advanced economy advantage in cost of capital.
- “Abatement cost” should be thought of as covering the whole sweep of transition, not just the cost of a point target along the way. Steps with high costs per tonne of near-term abatement can be well worthwhile over the longer term if they bring down future unit costs through learning-by-doing. Learning has proven to be extremely powerful in clean technology (see Way et al https://doi.org/10.1016/j.joule.2022.08.009), and has been mostly driven for solar and wind by technology specific mandates and subsidies – albeit often with market elements – rather than by technology neutral carbon pricing.

- There is some basis for caution about direct linkages between abatement markets. Theoretically these linkages – such as fungibility of units between emissions trading schemes – should increase efficiency. In practice they can bring risks that a problem in one market, commonly an oversupply of units related to regulator error in forecasting growth or keeping additionality rules up to date, leads to underperformance by all linked markets in delivering expected outcomes. Linkages can be worth pursuing, but with consideration of 'bulkheads' to limit the risks that a flood in one compartment sinks the policy ship.
- Foresight is limited, both among market participants and governments. Both bet-making and bet-spreading are necessary.

Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

Industrial emissions

Large industrial facilities are covered by the Safeguard Mechanism, but medium sized facilities are addressed only partially by State mechanisms including the NSW Energy Security Safeguard and Victorian Energy Upgrades (which to date have been dominated by simple residential upgrades), and by useful but limited grants programs including some administered by the Australian Renewable Energy Agency.

Process heat is an important focus for transition and more signals and support for investment and operational change would be useful in this area.

While some expansion of the Safeguard is worth considering, most facilities would never be suitable for direct inclusion given the administrative costs involved in radical expansion.

Ideas could include:

- Indirect inclusion of more facilities through upstream Safeguard coverage of fuel combustion (though this would be controversial and impacts on trade exposed industries would need close consideration);
- Expansion and harmonisation of ESS, VEU and other white certificate schemes to more meaningfully cover industry;
- Expansion and harmonisation of renewable gas schemes (with consideration of how to provide comparable support for electrification options);
- Expansion of public support for early deployment of plausible industrial abatement technologies;

Electricity emissions

These are currently only valued through the influence of the National Energy Objectives on economic regulation decisions; and through the Victorian Energy Upgrades program.

Electricity emissions may be taken into account in requirement definition and bid assessment in the auctions under the long term investment mechanism being developed in the NEM Wholesale Review.

One way or another, it is important to address these emissions. While bulk energy is likely to switch from coal to renewables anyway, driven by economics and age more than policy, carbon

signals will still be needed. This is particularly important to govern choices between gas and lower-carbon fuels in investment and operations over the longer term.

Pricing domestic Scope 2 emissions would also be necessary if a potential Australian border carbon adjustment were to consider adjusting for Scope 2 emissions, since such an adjustment must respect the WTO principle of not discriminating between imports and the treatment of domestic production.

Policy options could include:

- Expansion of the Safeguard Mechanism. Ai Group has previously proposed general expansion to cover the Scope 1 emissions of generation facilities. However, it could alternatively be possible to expand more selectively, to cover the Scope 2 emissions of already-covered facilities – such as those in sectors prioritised for a future border adjustment.
- Consideration of emissions in the evaluation process for the Long Term Investment Mechanism being developed by the NEM Review

Transport emissions

Currently bulk abatement is addressed via the New Vehicle Efficiency Standard, which covers light road vehicles only, and the Safeguard Mechanism, which covers very large transport networks only. There are also some innovation and mainstreaming projects for heavy freight being supported by ARENA.

There is a significant gap in support for decarbonisation of freight and logistics below Safeguard scale. It will be important to address this gap as this is otherwise set to be a major remaining component of residual emissions. However solutions such as battery electric heavy trucks are only just starting to become meaningfully available to commercial operators, and are unfamiliar to most.

Policy options could include:

- Continuing and strengthening the role for grants and incentives for innovation and mainstreaming of heavy freight decarbonisation technologies;
- Expanding the Safeguard Mechanism. Direct coverage of a significant portion of the freight and logistics sector may carry significant administrative costs. Indirect coverage - via ascription of downstream fuel combustion emissions to upstream fuel suppliers - would be unwelcome to fuel users, especially in the near term. A longer term expectation of coverage could be useful to signal for nearer term private investment and readiness.
- Adjustments to fuel excise and/or fuel tax credits to reflect carbon value. These could include:
    - Boosting fuel excise to reflect carbon (including exempting renewable fuels from the boost) alongside the long-term introduction of distance-based road use charges on vehicles including electric vehicles (noting that heavy trucks of all sorts are covered by an existing road user charge);
    - Reducing fuel tax credits for high-emissions fuels, and/or increasing them for low-emissions fuels;
    - Enabling fuel tax credit recipients to cash out a forward stream of credits to use towards the capital cost of low emissions vehicles. Channelling the tax expenditure in

this way should not affect Commonwealth finances, but could make significant fuel cost savings achievable for eligible businesses.

- Any and all options will need much greater debate and development given the embryonic status of heavy transport decarbonisation in Australia.

Are there any duplicative emissions-reduction policies in the industrial, electricity and transport sectors which could be streamlined?

In general be before any streamlining we should be careful to determine whether a policy has a bulk abatement focus or is oriented towards longer-term cost reduction; and whether it addresses or reflects challenges beyond price.

Section 3. Speed up approvals for new energy infrastructure

Are planning and approvals processes for large energy infrastructure taking too long? If so, what causes the most delay?

Yes, planning and approval processes are taking too long.

Transmission is held up by economic regulation processes, which have been slowed by their setup around the fear that transmission would be underutilised.

Governments have sought to speed this up by various means - the Integrated System Plan priority list; committing funding or cut-price finance; and setting up new short cut processes including the NSW Infrastructure Roadmap and VicGrid. However the short cuts have themselves taken significant time to establish (though they now appear to be hitting their stride).

The fear of asset underutilisation is less plausible these days, in the context of strong expectations of rising electricity demand and the likelihood that any available transmission capacity will draw in substantial generation and storage investment. However, inflation in the expected cost of transmission project delivery still requires careful scrutiny of the merits at the margin of transmission to centralised generation versus distributed generation

The scale of new energy demand is such that very substantial expansion of centralised generation and associated transmission will still be required. Economic regulation decisions need to reflect this.

Wind, solar and battery projects take too long to receive approvals and conditions can be too onerous. Data prepared for the Clean Energy Investor Group highlights that NSW has taken extraordinary amounts of time to decide on development applications (3488 days for wind, 705 days for solar, 530 days for batteries). Victoria has taken 333-375 days in recent years, better but still terribly slow. Queensland does not consolidate data in a consistent way across technologies, but achieved average assessment times of 190 days for wind farms approved in 2019-2021.

NSW and Victoria are now making substantial efforts to speed up their processes. These are praiseworthy and need to be sustained. By contrast Queensland has recently substantially increased approval burdens for wind farms and is likely to do the same for other renewable energy projects, as well as retrospectively cancelling approval of one major wind farm. These are retrograde steps. Queensland has been notably better than other jurisdictions as a place to do business. It should be careful to avoid strangling its energy development. Expanding third party intervention opportunities significantly increases the burden both on project applicants and on assessors.

How can planning and approvals processes be sped up without unduly compromising regulatory standards?

There are several potentially viable approaches.

- Add more of the benefits of clean energy infrastructure, such as contribution to global efforts to fight climate change, to the matters that shall be weighed in approvals. A note of caution is warranted here; unless combined with other steps, adding even positive factors may inadvertently increase overall approval burdens.
- Convert matters from reporting obligations or decision bases to guidelines or subjects for other processes. For instance, impacts on housing markets and use of infrastructure are not well assessed on an individual project basis, nor well suited to hard-and-fast approval conditions. These would be better addressed through Renewable Energy Zone-wide, state-wide or national plans and strategies.
- Combine assessment processes. Reform to the national Environment Protection and Biodiversity Conservation Act is a major opportunity. The Samuel Review recommendations for national standards applied by accredited States could produce substantial improvements in decision timeline and administrative burdens. However, part of the accreditation process should include confidence that State processes function in a timely way.
- Set time limits on decisions. This is a blunt solution, but fears of inadequate assessment can be addressed by ensuring adequate resources for decision makers and the use of broader regional assessments.
- Limit opportunities for intervention or appeal by third parties. This will be controversial, but third party interventions are heavily misused and a major blocker.
- Ensure development setbacks are limited and reasonable.
    - Required setbacks are currently 1km in Victoria and South Australia; 1.5km in QLD; and a formula that varies with turbine height in NSW but would translate to about 1.4km for a 220m tall turbine.
    - Expanding setbacks, or the definition of dwellings that trigger them (including dwellings planned after a development application begins), can easily render large swathes of land unavailable for development.
    - There are real issues to be managed via setbacks and other tools, including fire risk management for batteries; blade throw; and shadow flicker. Broader concerns about noise and visual amenity are likely to fade with familiarity, and potentially with the use of financial incentives for neighbours not directly hosting assets (though these come at a cost, ultimately to all energy users). After all, urban dwellers are well used to the much greater visual presence of tall buildings close by, and to the much higher noise of traffic.

- Increase resources for assessors to assist them to make timely decisions. This is being tried by the Commonwealth and several other jurisdictions, and is very reasonable Another note of caution is warranted though – unless combined with other steps, extra resources may be consumed without sustained increase in decision throughput, if the depth and resolution of assessments increases, as it historically has.

Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals? If so, how?

This is a matter of pragmatic judgment rather than principle.

There is a broader issue of the speed of approval processes that needs to be addressed. Some changes would address both clean energy and broader project approvals, such as the Samuel Review recommendations to streamline approvals across the Federal EPBC and State processes.

However some issues are specific to clean energy, such as the approach to setbacks.

We are supportive of both broader reforms and specific efforts to speed clean energy development.

A note of caution: setting up new processes, even when intended as shortcuts, can be much more time consuming than anticipated.

What can be done to build local community support for new energy infrastructure projects?

The recommendations of the Community Engagement Review are sensible and should broadly be followed. These include reducing community overwhelm by more clearly indicating go / no-go zones in prior comprehensive system planning and regional assessment processes; and winnowing projects before deep consultation with landholders begins.

There has been substantial effort around financial incentives for affected neighbours and communities as well as direct landholder hosts. This is appropriate, though these incentives have costs that ultimately fall on energy users.

More effort is needed, from governments and energy users as well as the energy supply industry, to increase understanding of the shared stake that all communities have in the addition of new infrastructure to sustain the security and reliability of electricity supply and contain its cost. A common narrative that 'the regions bear the costs of energy transition while the cities get the benefit' is deeply misguided. Regional energy prices and reliability will suffer as much as urban areas if new generation, storage and transmission cannot be constructed. Economic opportunities will be greater everywhere if Australia can build a new energy advantage.

Please outline any evidence showing the productivity benefits of faster approvals for energy projects.

Faster approvals and faster deployment are needed to deliver the existing central scenario of the Integrated System Plan, involving replacement of existing electricity supply and expansion of electricity demand with electrification of transport and buildings. Failing to deliver this scenario will entail some combination of:

- lower reliability – noting the Value of Customer Reliability was agreed to be $41.48 per kilowatt hour in the NEM in 2024;
- higher electricity prices, which threaten the viability of energy intensive and trade exposed industries; and
- higher emissions, with a value somewhere between current Australian Carbon Credit Unit prices around $30 per tonne of CO2 equivalent and the hundreds of dollars per tonne that future mature direct air capture technology may cost (after extensive and expensive early deployment).

Vastly more deployment of renewable energy and industrial facilities would be needed if Australia is to play the substantial role in global markets for low emissions energy intensive products that is envisaged by many. The Superpower Institute's research (https://www.superpowerinstitute.com.au/work/the-new-energy-trade) puts this opportunity at the scale of hundreds of billions of dollars of future export revenue, contingent on several factors including Australia's ability to approve and deploy terawatts of renewable generation without high delay or cost relative to major customer economies.

Section 4. Encourage adaptation by addressing barriers to private investment

What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?

We welcome close attention to the productivity impacts of higher temperatures. Ai Group and our members are not heavily involved in the residential property sector and have limited comment on it. However members have already experienced significant problems with the cost and availability of insurance due to climate risk and the impact of major climate-driven events on global reinsurance costs. (https://cdn.aigroup.com.au/Reports/2020/Insurance_Problems_Report_Oct_2020.pdf)

With respect to adaptation and resilience challenges:

- There are distinct problems with a lack of knowledge of, and underlying uncertainty over, long term temperature outcomes, and the speed of their onset.
- Broad knowledge of region-specific climate impacts appears very poor and vague. It is very unlikely that homebuyers, or even most homebuilders, are currently able to factor much climate change into their decisions, except in the most obvious cases of new seafront development.
- The pace of future expected climate change remains subject to wide uncertainty because of:
  - Continued uncertainty on the underlying sensitivity of the climate to greenhouse gas concentrations; while the best estimate value in the most recent IPCC Assessment is an increase of 3C per doubling of GHG, the 'very likely' range still extends from 2C to 5C.

  - The extent of future emissions is subject to major political and market uncertainty, with long term commitments and learning rates for key technologies suggesting 2C may be achieved, while currently implemented policies, medium term targets and the continued growth of global emissions suggest 3C or more.
  - Developing understanding of the cooling impacts of air pollutants, especially sulfate aerosols, and changes in their prevalence. Recent improvements in control of these pollutants, necessary to protect human health from low air quality, appear to have had a greater effect than anticipated in taking the brakes off global warming.
- In light of this, it is probably prudent to take decisions with long-term consequences for resilience on the basis of higher warming scenarios. But this will be costly, both in terms of the costs of investments made and the opportunity cost of investments foregone. The more that can be done to increase confidence in lower-temperature future scenarios, the more cost Australia can avoid.

What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?

No comment

What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?

Upgrading Australia's housing stock for climate resilience will be an immense task, and coincides with - and may assist - the equally immense task of upgrading the stock for energy transition. It is attractive to deliver both objectives at once, though there is also risk of overcomplicating programs.

Delivery constraints in Australia's construction sector and trades will be significant, though they will also vary with the economic cycle and efforts to lift capacity. There is attraction in policies that can scale support for upgrades countercyclically.

What role might minimum standards play in ensuring the resilience of Australia's housing stock?

No comment

The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

No comment

About Australian Industry Group

Ai Group and partner organisations represent the interests of more than 60,000 businesses employing more than 1 million staff. Our membership includes businesses of all sizes, from large international companies operating in Australia and iconic Australian brands to family-run SMEs. Our members operate across a wide cross-section of the Australian economy and are linked to the broader economy through national and international supply chains.

Our purpose is to create a better Australia by empowering industry success. We offer our membership strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international), we have the resources and expertise to meet the changing needs of our membership. We provide the practical information, advice and assistance you need to run your business. Our deep experience of industrial relations and workplace law positions Ai Group as Australia's leading industrial advocate.

We listen and we support our members by remaining at the cutting edge of policy debate and legislative change. We provide solution-driven advice to address business opportunities and risks.

Australian Industry Group contact for this report

Louise McGrath | Head of Industry Development and Policy
The Australian Industry Group
T: +61398670158, M: 0419 527 718

E: louise.mcgrath@aigroup.com.au