



Monday, 3rd October 2022

Productivity Commission  
5 Year Productivity Inquiry  
GPO Box 1428  
Canberra City ACT 2601

Dear Productivity Commission,

I write to make a submission in response to the *5 Year Productivity Inquiry: The Key to Prosperity – Interim Report 1* which was released on 3rd August 2022.

Having read all three of the 5 Year Productivity Inquiry interim reports released between July and September 2022.

These four key areas of policy focus are:

- **Innovation policy and diffusion of new processes and ideas:** Policies that foster a business environment that encourages efficiency, innovation and diffusion.
- **Data policy, digital technology and cyber security:** The economy-wide importance of data and the digital technologies that generate and use data, as general purpose technologies that could boost productivity in many areas of the economy, including services.
- **A productivity-friendly business environment: Limiting impediments to business investment, a flexible workforce, sound regulation and an efficient approach to decarbonising the economy.**

Cutting federal income taxes, cutting government spending, cutting out the waste and inefficient programs, scaling down the government work force, maintaining low interest rates and keeping a watchful inflation hedge on the monetary supply was most of former US President Ronald Reagan's formula for a successful economic turnaround in the United States during the 1980s.

It is important to reiterate that Reagan's economic policies also attempted to limit government size by **reducing the number of controls and regulations on business and industry.**

*"The best view of big government is in the rear-view mirror as we leave it behind"* – Former US President Ronald Reagan (in office between 1981-1989).

*"The best minds are not in government. If any were, business would steal them away"* – Ronald Reagan.

• **A skilled and educated workforce:** The importance of education in driving productivity growth through increasing human capital and creating settings conducive to technological breakthroughs and adoption.

As the Productivity Commission Inquiry has noted: *"...together these areas of policy focus reflect our best judgment about where we can achieve the biggest return on our reform effort. They are not specific bets on the future sources of growth, so much as broad settings that stack the odds in Australia's favour"*.

Specifically in relation to the **5 Year Productivity Inquiry: The Key to Prosperity – Interim Report 1** which was released on 3rd August 2022, I would like to focus my comments on one of the major and key drivers of economic growth in Australia and the significant contribution of the mining industry to Australia's future productivity and economic prosperity.

As the CEO of the Minerals Council of Australia Tania Constable pointed out on 21st September 2022 ***'Mining provides the budget boost Australia needed'***:

***"...it is investment, not short-term tax grabs, that drive economic growth and prosperity.***

***"Investment creates new jobs, boosts productivity and supports a vibrant, innovative economy.***

***"Over \$300 billion has been invested in the mining industry since 2010 to grow output of commodities such as iron ore, bauxite and gold.***

***"As a result, mining is now the largest contributor to Australia's economy (accounting for 10 per cent of GDP), our largest source of export income (with a new record high \$413 billion in resources exports last financial year) and supports over 1.1 million jobs at mine sites and in supply chains across the country"***.

And furthermore that:

***"...Australia can continue to benefit from further growth in its mining industry if we get our policy settings right.***

***"To maximise its share of this investment Australia must ensure it has globally competitive tax rates, workplace flexibility and increased government funding for pre-competitive exploration programs.***

***"A strong mining sector is paramount to help the government successfully embark on fiscal repair and reduce the debt burden on future generations"***.

The Commonwealth Government needs to re-double its efforts to get the correct policy settings and policy frameworks in place which create a pro-business environment and culture, which will allow Australian businesses to invest and for the economy to grow and for employers to take advantage of new innovative industries and new major nation-building projects and critical investment opportunities in infrastructure, freight industry, urban transport, road corridor projects to improve traffic congestion at major pinch points, and other key projects in our major cities and establishing better connectivity in regional hubs and remote towns across our nation.

Critical to this task of building better and more connected communities is also providing strategic direction for land-use decisions that grow jobs and employment opportunities,

increase the supply of diverse housing to meet the needs of a growing population, expanding the protection of biodiversity and preserving our natural environment, and building major infrastructure to ensure most of what people need is near where they live from access to high quality schools, universities and early learning centres to access to world class health and medical facilities for an ageing population.

Cost of living pressures also need to be addressed by the Australian Government and it is appropriate that adequate support and assistance measures be provided to those less fortunate and in need of financial support. 'Energy stress' has also highlighted some very dire situations and challenges faced by many disadvantaged Australians and those who are at risk of poverty and homelessness. Energy reform remains an important area for policy improvements to be implemented by all Commonwealth, State and Territory Governments and there is a broader need for better cross-jurisdictional collaboration.

Whilst the recent Jobs and Skills Summit may have been initially a well-intentioned idea and a positive gesture of good will to key industry, business and union leaders, it didn't really produce any significant achievements or improvements to the national economy and the serious domestic challenges and inflationary pressures our nation now confronts.

The consequences of weak productivity growth are serious and will ultimately translate into slower growth in our living standards and increasing gaps between budget revenues and expenditures as our country's population ages.

To put Australia back on the right trajectory, we must undertake a bold new round of structural economic and productivity reforms.

The Australian economy can no longer be dependent on population growth and increased debt to sustain its growth.

We cannot tax our way back into surplus. We need a comprehensive economic plan.

High wage and secure jobs depend on high productivity workplaces. Productivity in Australia can only be improved through the more efficient use of labour, capital and other inputs used in the supply of goods and services. There is also a critical shortage of skills and labour in Australia which is putting a halt on economic growth.

Governments and policy decision-makers need to implement solutions to help future-proof the labour market. Part of the solution requires a three-pronged strategy to develop skills, encourage workforce participation and rebuild sustainable migration levels.

More needs to be done to connect the long term unemployed to job vacancies and encouraging individuals who face a range of barriers to become part of the labour force and seek jobs that will suit their range of abilities. The youth unemployment rate is more than double the overall unemployment rate.

Policy decision-makers also need to revitalise, develop and implement a modern-day National Competition Policy suitable to tackle the contemporary challenges we face and to improve our overall competitiveness and to help lift our national productivity.

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