



Dissenting Report—Australian Labor Party

Introduction – an uncertain economy in an unstable country

The Coalition Government's credentials in relation to reducing impediments to business is a sham, and should be called out. The report put forward by the Coalition members of this Committee is a poor display with no ambition or change.

The chaos and division of this Government is astounding, and it is hurting business investment. This current Government has had three Prime Ministers, three Treasurers, five Defence Ministers and 12 energy policies since 2013 and the business community is rightly concerned. The Labor Party has been a pillar of consistency, we have learnt from our mistakes with one Leader, one Shadow Treasurer and a united team over the course of the past five years.

Industry is crying out for some good governance, a stable Parliament and quality Ministers with time in their portfolio's to get across their briefs and contribute in a meaningful, rather than haphazard manner of the current Government.

Cochlear were highly critical of current Government practise when it comes to uncertainty in the economy, stating:

“Ongoing change and uncertainty around macro and micro economic regulation undermines the confidence businesses need to make multi-million dollar investment decisions. Government needs to be more cognisant of the impact of change and consult carefully with impacted sectors before announcing/implementing.

Recent examples of regulatory change undermining business confidence in Australia include multiple changes (both actual and foreshadowed) to the R&D tax incentive and the abolition of 457 visas without reasonable industry consultation.”¹

¹ Submission 013, Cochlear and CSL, *Joint Submission to the House of Representatives Standing Committee on Economics Inquiry into Impediments to Business Investment*, page 6.

During the public hearing, Mr Cubis of Cochlear went further noting the idea of four year fixed term elections for Federal Government's would be quite appealing.

Mr Thistlethwaite: You talk in your first couple of pages about the need for policy stability and business certainty. We've heard this quite a bit in this inquiry. Often, people say that the Australian political system – the length of terms for governments – is too short and that you can't get any consistency and planning. Is that something that you think that government should look at? Perhaps we should be looking at four year fixed terms for federal parliament?

Mr Cubis: Absolutely.

Prof. Cuthbertson: Probably. But I would suggest also that in the sort of work we do it's usually supported by both sides of politics because we're talking about the creation of high-paying jobs and wealth in Australia, and with a social benefit as well. We find it's not party political, but there is a fragmentation between both sides of politics and federal and state. If you could smooth that out and have some consistency it would really help us make these long-term investments that we want to make.

Mr Cubis: I fully agree with you. It should be four-year terms like the states mainly have. It's easier; you don't have the politics that go around what date you go for and all that type of stuff. Everyone knows March – whatever it is – next year is for New South Wales. It's just simple; it's easy. In America, it's the first Tuesday of every four years in November – it's pretty easy.

Prof. Cuthbertson: There's just a huge temptation, I'm sure – and which I understand – if there's a change of government to have a review for 12 to 18 months and then change everything. What that means for us is, we stop. We just down tools and say, 'Gee!'. Some collaboration and consistency would be really helpful.²

In their submission, INPEX General Manager of External Affairs and Joint Venture Bill Townsend continues on the theme of stability as a key to business investment.

The provision of certainty in policy direction and a stable regulatory framework is where the Government can have the most significant impact on stronger investment.³

The key areas in which the Coalition Government has failed business are in the energy policy space, the botched NBN roll out, a taxation policy that favours the

² House of Representatives, Standing Committee on Economics, Hansard, Wednesday, 1 August 2018, Melbourne, page 30.

³ Submission 22, INPEX, *Submission to the House of Representatives Standing Committee on Economics Inquiry into Impediments to Business Investment*, page 5.

big end of town and Industrial relations policies that have stifled any chance of wage growth.

Recommendation 1:

The committee recommend that a close examination of the experience of states that have shifted to 4 year terms with a particular emphasis on the experience of stakeholders in relation to certainty and stability for the business investment environment.

Electricity - price and reliability

Energy prices have shot up over the term of this Government, with more different energy policies than jobs created in coal-fired power stations. The bi-partisan National Energy Guarantee, a long term energy solution accepted by most of the business community was harpooned by this Government along with a Prime Minister, since which there has been no clear Energy policy of note. The Business Council of Australia agreed, as noted by their submission:

There has been a decade of uncertainty in climate policy which has undermined investor confidence. A clear and comprehensive policy framework must be implemented at a national level. Companies will only invest in new infrastructure in electricity and other key industries if they can see a stable policy framework, with minimal government intervention, that will endure no matter who is in power. The National Energy Guarantee (NEG) offers a framework for achieving this but will require a great deal of work and political goodwill.⁴

Recommendation 10 (chapter 5, paragraph 5.54) of the Committee Report, that “the Australian Government continues its focus on improving reliability and the price in electricity” is laughable in its vagueness and naivety at best or completely irresponsible at worst. This is a Government whose own back bench would want taxpayers to underwrite and invest in new coal-fired power stations. The evidence is clear. Coal energy is becoming uneconomical and most energy companies are turning to a renewable future even regardless of Government intervention.

The Clean Energy Council outlines this in their submission:

“Roughly \$12 billion worth of renewable energy projects reached financial close in Australia since 2017, and the new energy supply from those projects is expected to reduce the average power bill by hundreds of dollars a year during the next decade. These projects have created more than 6500 jobs, and reinvigorated regional communities across Australia. The capacity for the renewable energy sector to continue building the energy infrastructure of the future is in the interest of all Australians.

⁴ Submission 29, Business Council of Australia, Submission to the House of Representatives Standing Committee on Economics Inquiry into Impediments to Business Investment, page 5.

Further to these projects is record investment in energy storage systems. Energy storage has the capacity to provide services for grid stability, further integrate new generation into the grid, and ultimately cut costs for consumers. However these projects also require establishment of a market framework to recognise and reward provision of those services, which can be provided through improved policy incentives.”⁵

The Labor Party has committed to 50% renewables of electricity supply by 2030 and a stable energy policy based on a belief in climate change and a need to subdue it.⁶ Price influxes have also been detrimental to the economy, especially for manufacturers. INPEX agrees stating:

INPEX fully accepts the global challenge of climate change and supports Australia’s commitments and intentions made under the Paris agreements at COP21. Specifically, we support a national climate change policy that delivers emissions reduction at least cost and facilitates investment decisions consistent with an international price on carbon.⁷

The Business Council of Australia goes further stating:

Rising energy costs and supply uncertainty flowing from inconsistent carbon emissions reduction policies are jeopardising existing business operations let alone new investments in Australia. Progressing the NEG will be critical for providing a more stable investment framework.⁸

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A Labor government will introduce a National Interest Test for all new LNG export facilities, and for significant expansions of supply at existing export facilities. Reducing the price of gas helps ease the burden on businesses and

⁵ Submission 005, Clean Energy Council, *RE: Review of impediments to business investment in Australia*, page 1.

⁶ Bill Shorten, Australian Labor Party, “Media Release – Labor’s Plan for More Renewable Energy and Cheaper Power”, 22 Nov 2018, available from: <https://www.billshorten.com.au/labor-s-plan-for-more-renewable-energy-and-cheaper-power-thursday-22-november-2018>

⁷ Submission 22, INPEX, *Submission to the House of Representatives Standing Committee on Economics Inquiry into Impediments to Business Investment*, page 3.

⁸ Submission 29, Business Council of Australia, *Submission to the House of Representatives Standing Committee on Economics Inquiry into Impediments to Business Investment*, page 6.

families today, and it helps Australia move responsibly towards a renewable energy future – locking in the reliable, dispatchable power we need.⁹

Recommendation 2:

The Government support Labor’s plan for a 50% renewable energy target by 2030 and greater investment in renewable energy to reduce electricity prices and encourage a more stable electricity price regime for Australian businesses.

Communications – NBN

The NBN has failed many in business, especially small and medium enterprises who rely on quality internet for their livelihood. Contributing to the uncertainty was the clear broken promise by this Government that all houses would have NBN by 2016! In 2019 there is still no end to the roll out in sight.

Recommendation 12 (chapter 6, paragraph 6.92) of the Committee report represents the government’s arrogance and ignorance regarding the problems with the NBN rollout and the issues businesses regularly confront in connecting to the NBN. The company Commpete, were dismayed by the Government’s NBN policy:

Mr THISTLETHWAITE: What's happened? Why is there so much community anger about the NBN? I've got residents who get connected to the NBN and then 30 days later they have no internet. Why is all of this happening?

Mr Forman: How long have we got?¹⁰

Mr Forman stated “the NBN had in place and still has, to some extent, a pricing structure that makes it very difficult for the retail customers to buy enough capacity to serve end users”.¹¹

In 2017, complaints about the NBN alone increased by 204 per cent. Ms Lim of Commpete agreed noting “I do think that in recent years, as the consumer complaints have been rising and as NBN has been rolling out, the policymakers and regulators have increasingly responded with regulation”.¹²

⁹ Bill Shorten, Australian Labor Party, “Media Release – LABOR WILL PROTECT MANUFACTURING JOBS WITH NEW GAS MEASURES, 3 Sept 2018, available from: https://www.billshorten.com.au/labor_will_protect_manufacturing_jobs_with_new_gas_measures_monday_3_september_2018

¹⁰ House of Representatives, Standing Committee on Economics, Hansard, Wednesday, 17 October 2018, Canberra, page 13.

¹¹ House of Representatives, Standing Committee on Economics, Hansard, Wednesday, 17 October 2018, Canberra, page 13.

¹² House of Representatives, Standing Committee on Economics, Hansard, Wednesday, 17 October 2018, Canberra, page 13.

A Labor Government will act to support small businesses by developing clear standards for connection timeframes, fault repair timeframes, and missed technician appointments through the NBN Service Guarantee.¹³ This is policy that will help fix failing business in Australia.

A Shorten Labor Government will ensure Australian small businesses get a fairer go by establishing penalties on NBNCo for underperformance – allowing for consumer compensation if their NBN experience isn't up to scratch.

Recommendation 3:

The Government adopt Labor's NBN Service Guarantee to develop clear standards for connection timeframes, fault repair timeframes, and missed technician appointments as well as allowing consumer compensation where the NBN does not meet performance standards.

Taxation & Investment in Australia

Labor supports Recommendation 9 (paragraph 4.56) being the \$25,000 instant asset write-off threshold as of course we would because this was and is a Labor Policy. In fact, not only was it **introduced** in 2013 by the **then** Labor Government, it was this Liberal-National Government that abolished the policy in the disastrous 2014 Budget only to bring the policy back in 2015 following a strong backlash from small business.

Now Labor is going further in supporting business investment in Australia, to help them grow and employ more people.

Labor's Australian Investment Guarantee will allow businesses in our community to immediately deduct 20 per cent of any new eligible asset worth more than \$20,000. All businesses in Australia will be able to immediately deduct 20 per cent of any new eligible asset worth more than \$20,000, with the balance depreciated in line with normal depreciation schedules from the first year. This will help businesses invest in grow.

The Business Council agreed with Labor's approach:

Mr Thistlethwaite: Some people have advocated making asset deductions and write-offs permanent. The current government's approach is ad hoc. Labor's proposed an investment guarantee so that it would be permanent that you could

¹³ Bill Shorten, Australian Labor Party, "Media Release – LABOR'S NBN SERVICE GUARANTEE – DELIVERING BETTER PROTECTIONS FOR SMALL BUSINESS AND CONSUMERS, 24 June 2018, available from:

https://www.billshorten.com.au/labor_s_nbn_service_guarantee_delivering_better_protections_for_small_business_and_consumers_24_june_2018

deduct a certain amount initially, in the first year, at a higher rate than ordinarily would be the case. What's your organisation's view on that?

Mr Sorahan: Labor's policy is positive. It's good to see both major parties agreeing that we need to have a reduction in the effective rate on investment in this country for companies. So that's a good thing. It's better to have an across-the-board rate cut that's neutral that applies to all businesses and all investment, and being phased in it reduces some of the windfall gain. But investment guarantee can try to do a similar thing. The numbers are a bit smaller. But it's good that both parties acknowledge it and it's good policy.¹⁴

Labor has a plan to help business in this country, by strengthening small to medium enterprises, investing in quality long term infrastructure and turning around the ship with a strong and stable Government with quality Ministers.

Labor has also pledged to maintain the Minister for Small Business a position in Cabinet, overturning the disgraceful decision by this Government to remove it. Labor will also legislate to establish a new position of Second Commissioner (appeals) within the Tax Office, to ensure small business disputes are given the care and attention they deserve.

Under the Liberals, multinationals and millionaires aren't paying their fair share of tax. The Reserve Bank Governor, for one, has cautioned against reckless cutting of corporate rates.

"I think that's very problematic, and if we were to go down the direction of having lower corporate tax rates, I think it would be a big mistake to do that on the back of higher budget deficits". Dr Lowe stated.¹⁵

Recommendation 8 (chapter 4, paragraph 4.51) of the Committee Report proposes reducing the corporate tax rate to 25% for all businesses. While the Labor Party supports such reductions for small and medium enterprises, we continue to oppose any decrease in tax cuts for larger corporations and big business. Instead on spending of current taxes should be focussed on more effective boosts for the economy. Furthermore, Government debt has doubled since the Coalition got into power in 2013, reaching record highs. This is money that directly results in less funding for schools and hospitals by this out of touch Coalition Government.

Labor will further help sure up the economy by protecting sub-contractors working on Government projects from being left unpaid when dodgy businesses

¹⁴ House of Representatives, Standing Committee on Economics, Hansard, Wednesday, 1 August 2018, Melbourne, page 37.

¹⁵ Peter Ryan, ABC News Online, "RBA Governor Philip Lowe Warns lower corporate tax rates must not increase deficit", 16 Feb 2018, available from: <https://www.abc.net.au/news/2018-02-16/rba-governor-philip-lowe-warns-on-lower-corporate-tax-rates/9454682>

go bust through the implementation of the **Tradie Pay Guarantee**.¹⁶ This works by requiring contactors working on Commonwealth contracts to create project bank accounts that use cascading statutory trusts, so that all businesses down the supply chain get paid on time.

Recommendation 4 (chapter 2, paragraph 2.150) of the Committee Report notes the work on reform to the restrictions on the parallel importation of books, this is a policy the Labor Party strongly opposes and as a Party we will continue to fight for our Australian stories, and the tens of thousands of jobs which depend on a strong local book publishing industry.

Recommendation 4:

The Government adopt Labor’s Australian Investment Guarantee to allow Australian business businesses to immediately deduct 20 per cent of any new eligible asset worth more than \$20,000.

Recommendation 5:

The Government should also legislate to establish a new position of Second Commissioner (Appeals) within the Tax Office, to ensure small business disputes are given the care and attention they deserve.

Conclusion

The Committee report effectively provides a detailed exposition of the shortcomings of the present Liberal Government when it comes to supporting Australian business and economy.

In particular, many of the observations made in evidence to the committee and in the matters highlighted in the committee report, including statements by DFAT and Austrade, refer to the importance of certainty of regulation in the economy and the ever increasing pressure on profitability from the increasing cost of energy, in particular electricity.

It is no small irony, therefore, that the area of policy at a Federal level beset with more uncertainty than any other is energy policy. Indeed, as of March 2019, the Liberal Federal Government has had 12 different energy policies, none of which has nor is likely (due to their own Party Room divisions and divisions between the Liberals and Nationals) to be implemented.

Infrastructure funding has halved under this Government and the \$75 billion infrastructure funding that the Government boasts about doesn’t appear in any of their budgets.

¹⁶ Bill Shorten, Australian Labor Party, “Media Release – TRADIE PAY GUARANTEE, 26 Feb 2019, available from:

https://www.billshorten.com.au/tradie_pay_guarantee_tuesday_26_february_2019

All in all, this Government has failed to improve business conditions in the Australian economy when they were blessed with powerful companies and plenty of available capital. Poor decisions in R & D funding, taxation policy and a pure lack of political stability has placed unfair duress on the economy and rightly so the business community is asking for change.

The biggest impediment to business in Australia right now is the Coalition Government.

Hon Matt Thistlethwaite MP

Matt Keogh MP

Josh Wilson MP

1 April 2019