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The Parliament of the Commonwealth of Australia

# **Report on the inquiry into impediments to business investment**

House of Representatives  
Standing Committee on Economics

April 2019  
Canberra

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## Foreword

Business investment makes a significant contribution to Australia's economy. When firms are empowered to invest in new productive capacity and technology, it supports innovation and helps create new opportunities and employment.

Australia's stability and strong institutions help to attract business investment. Australia offers investors: a strong legal framework; continuous economic growth; high quality assets; availability of skilled labour; and proximity to Asia and relevant export and import markets. However, the committee recognises that Australia cannot afford to be complacent. Governments at all levels must foster an environment in which businesses have the tools to succeed.

The committee made 12 recommendations to better support Australian businesses and reduce impediments to business investment by reducing the burden of regulatory frameworks, particularly on small and medium enterprises (SMEs), and ensuring that innovation, taxation and energy policies encourage and support business investment in Australia. Key recommendations include:

- reducing the company tax rate in Australia to 25 percent for all companies by 2026-27
- setting the instant asset write-off at \$25,000 for SMEs on an ongoing basis
- continuing the Australian Government's focus on improving electricity reliability and price
- reviewing the Export Market Development Grants scheme to ensure that the level of funding is sufficient to assist local small and medium-sized Australian businesses to increase their engagement in the global marketplace
- enhancing National Broadband Network customer outcomes

- continuing to streamline business engagement with government through projects such as the National Business Simplification Initiative
- considering options for streamlining small business engagement with government on workplace relations matters to foster an environment that encourages businesses to take on that first employee then more employees in order to grow their businesses
- enhancing regulatory frameworks by adopting a set of nationally consistent laws on electrical safety and bringing Australian Standards on clothing labels in line with international standards, and
- considering recommitting to the National Science and Innovation Agenda for another four years.

**Tim Wilson MP**  
**Chair**



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## **Membership of the Committee**

<b>Chair</b>	Mr Tim Wilson MP (from 10 September 2018) Ms Sarah Henderson MP (to 28 August 2018)
<b>Deputy Chair</b>	The Hon Matt Thistlethwaite MP
<b>Members</b>	Mr Adam Bandt MP Ms Julia Banks MP (to 28 November 2018) Mr Scott Buchholz MP (to 28 August 2018) Mr Trevor Evans MP Mr Jason Falinski MP (from 20 June 2018) Mr Kevin Hogan MP (to 27 March 2018) Ms Ged Kearney MP (from 21 May 2018 to 10 September 2018) Mr Craig Kelly MP Mr Matt Keogh MP Mr Ted O'Brien MP (from 18 February 2019) The Hon Craig Laundy MP (from 10 September 2018) Mr Josh Wilson MP (to 10 May 2018 and from 10 September 2018)

## **Committee Secretariat**

<b>Secretary</b>	Mr Stephen Boyd
<b>Inquiry Secretary</b>	Ms Samantha Mannette
<b>Senior Research Officer</b>	Dr John White
<b>Office Manager</b>	Ms Jazmine Rakic



## Terms of reference

On 27 March 2018, the then Treasurer, the Hon Scott Morrison MP, asked the Committee to inquire into and report on *impediments to business investment in Australia*.

The *Intergovernmental Review of Business Investment*, September 2017, reveals a complex mix of structural and cyclical factors as well as institutional and policy factors that are influencing business investment in Australia.

The Standing Committee on Economics will inquire into and report on:

- the interaction between regulatory frameworks across all levels of Government and how the cumulative regulatory burden can be reduced to support greater business investment;
- the impact of innovation policies, at the Commonwealth and State government levels, on business investment and the role of innovation policies in encouraging greater business investment, having regard to approaches taken in other countries;
- the role that taxation policy, at the Commonwealth and State government levels, can have on the encouragement of new business investment;
- the role that energy policies, at the Commonwealth and State government levels, can have on the encouragement of new business investment; and
- the impact of supplier payment times, including by governments, on business investment for small to medium enterprises.



## List of abbreviations

ACCC	Australian Competition and Consumer Commission
ACCI	Australian Chamber of Commerce and Industry
ADG Code	Australia Code for the Transport of Dangerous Goods by Road and Rail
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
APPEA	Australian Petroleum Production and Exploration Association Limited
APRA	Australian Prudential Regulation Authority
ARA	Australian Retailers Association
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ATA	Australian Trucking Association
ATO	Australian Taxation Office
Austrade	Australian Trade and Investment Commission
AVCAL	Australian Private Equity and Venture Capital Association Limited
BCA	Business Council of Australia
BCCM	Business Council of Co-operatives and Mutuals

BCI	building and construction industry
BRS	Business Registration Service
BTF	Biomedical Translation Fund
C&I	commercial and industrial
CME	Cooperative and Mutual Enterprise
CNL	Co-operatives National Law
COAG	Council of Australian Governments
CRC	Cooperative Research Centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFAT	Department of Foreign Affairs and Trade
DIIS	Department of Industry, Innovation and Science
EMDG	Export Market Development Grants
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
ESVCLP	early-stage venture capital limited partnership
FDI	foreign direct investment
FIRB	Foreign Investment Review Board
FTA	Free Trade Agreement
FWC	Fair Work Commission
GST	Goods and Services Tax
GTS	Global Talent Scheme
HVNL	Heavy Vehicle National Law
ISA	Innovation Science Australia
LMT	labour market testing
MCA	Minerals Council of Australia

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MTA	Motor Trades Association
NBN	National Broadband Network
NBSG	national broadband service guarantee
NBSI	National Business Simplification Initiative
NEM	National Energy Market
NHVR	National Heavy Vehicle Regulator
NISA	National Innovation and Science Agenda
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
OECD	Organisation of Economic Co-operation and Development
PE	private equity
PIAC	Public Interest Advocacy Centre
PRRT	petroleum resources rent tax
R&D	research and development
R&DTI	Research and Development Tax Incentive
RMAC	Red Meat Advisory Council
SME	Small and Medium Enterprise
STEM	science, technology, engineering and mathematics
STP	Single Touch Payroll
TSS	Temporary Skill Shortage
VC	venture capital
VCLP	venture capital limited partnership





# Recommendations

## 2 Regulatory roadblocks

### **Recommendation 1 (paragraph 2.135)**

The committee recommends that the Australian Government, in cooperation with state and territory and local governments, continue to identify areas and industry sectors for streamlining business engagement with governments through projects such as the National Business Simplification Initiative, and implement reforms where there is scope for reducing the layers of regulatory burden for starting and operating businesses.

### **Recommendation 2 (paragraph 2.140)**

The committee recommends that through the Council of Australian Governments, the Australian Government and state and territory governments develop and adopt a set of nationally consistent laws on electrical safety.

### **Recommendation 3 (paragraph 2.146)**

The committee recommends that the Australian Government, in consultation with states and territories, consider establishing a single national regulator for cooperative enterprises.

### **Recommendation 4 (paragraph 2.150)**

The committee recommends that the Australian Government publish an update on the progress of industry consultations and work on reforms to the restrictions on the parallel importation of books, including any timeline on implementation.

### **Recommendation 5 (paragraph 2.153)**

The committee recommends that the Australian Standards on clothing labels be updated to bring them in line with international standards.

### **Recommendation 6 (paragraph 2.156)**

The committee recommends that the Australian Government, when identifying areas for streamlining business engagement with governments as set out in Recommendation 1, should include small business engagement with governments on workplace relations matters.

When considering options, the governments should have regard to the Australian Small Business and Family Enterprise Ombudsman's proposals in the *Workplace Relations – simplification for small business* paper and the recommendations from the government joint project looking at how governments might encourage small business employment.

## **3 Innovation policies**

### **Recommendation 7 (paragraph 3.124)**

The committee recommends that the Australian Government consider committing to the National Science and Innovation Agenda (NISA), and making provision from the 2019-2020 Budget to fund NISA initiatives for another four years.

## **4 Taxation policies**

### **Recommendation 8 (paragraph 4.51)**

The committee recommends that the Australian Government reduce the company tax rate in Australia to 25 per cent for all companies by 2026-27.

### **Recommendation 9 (paragraph 4.56)**

The committee recommends that the Australian Government set the instant asset write-off threshold at \$25,000 for small and medium enterprises on an ongoing basis.

## **5 Electricity: Price and reliability**

### **Recommendation 10 (paragraph 5.54)**

The committee recommends that the Australian Government continues its focus on improving reliability and price in electricity.



## 6 Other issues

### Recommendation 11 (paragraph 6.81)

The committee recommends that the Australian Government review the Export Market Development Grants scheme to ensure that the level of funding is sufficient to assist local small and medium-sized Australian businesses to increase their engagement with the global marketplace.

In undertaking the review, the Australian Government should consider the new export opportunities arising from recent free trade agreements, including the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* and the *Indonesia–Australia Comprehensive Economic Partnership Agreement*.

### Recommendation 12 (paragraph 6.92)

The committee recommends that the Australian Government adopts the following initiatives to enhance National Broadband Network (NBN) customer outcomes:

- require a competition impact statement to accompany all proposed policy and regulation, and
- recommit to a separated wholesale-only NBN selling on a non-discriminatory basis.

