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## **Senate Select Committee on Economics Inquiry into the National Reconstruction Bill 2022**

### **Response to Questions on Notice**

- 1) ACCI, in that same submission you note that “there is no clear definition of what a ‘priority area of the Australian economy’ is ... [which leaves the Bill] open to the Minister to declare that each or any area of the Australian economy can be identified as a priority area”. Would you like to see the priority areas of the Australian economy legislated in order to create investment certainty?

Reference to the priority areas feature throughout the Bill, but they are not identified in the Bill.

Section 6, titled *Priority areas of the Australian economy*, does not identify the priority areas, instead gives the responsibility for determining the priority areas to the Minister of the day.

While we recognise the need for flexibility, to enable the priority areas to change or evolve over time, we do not agree that this should be the responsibility of the Minister of the day. Deciding the priority areas should be the responsibility of the NRF Board. The NRF Board must be independent and include experts in the area of investment in major projects. They are best placed to determine the most worthy projects and where the greatest benefits to the economy can be achieved.

The Government has already announced its seven priority areas, before the Bill had been moved in the House of Representatives or the consultation process had begun. While we don't disagree these areas are worthy of funding by the NRF, there are a number of other areas of the economy just as worthy, and potentially able to succeed and provide a greater return to the Australian economy. Examples include space, telecommunications, chemistry, recycling and waste management, and transport.

Just as concerning, the Government has also already decided how over half of the funds allocated to the NRF (\$8 billion) should be distributed across the seven priority areas. Thereby tying the hands of the NRF board in how they assess, priorities and fund eligible projects. This locks the board into accepting projects in these areas that may be suboptimal, while not funding more worth projects because they are outside the Government funding allocation requirements.

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**2) Do you support the ACTU's position that the Board should be comprised of at least two union-nominated appointees?**

There is no place for union-nominated appointees on the NRF board.

We agree with the requirement in Clause 19 of the Bill that Board members have 'substantial experience or expertise; and professional credibility and significant standing;' in areas related to investment in major projects. The board must be selected through a formal recruitment process and appointed on merit.

To ensure the independence and integrity of the NRF board, it must not be seen to be providing jobs for the boys. We question the expertise of union members in assessing investment in major projects.

The Government must resist the pressure to give the unions the power to influence how the \$15 billion of the NRF should be spent. The ACTU's submission makes clear their claims that the top priority of the Fund should be to create unionised jobs, with only businesses with a formalised union-approved enterprise bargaining agreement able to receive funding and all jobs created must be 'secure' full-time permanent positions.

This does not align with the objectives of the NRF to diversify and grow Australian industry through strategic co-investment in areas that generate broader benefits to the economy.

**3) Your submission continues that "beyond the government's investment mandate, the Bill does not outline the assessment process the NRF must use to decide investments". Would you like to see this process legislated as a basis for encouraging transparency?**

The success of the NRF demands that the assessment process is evidence-based, market-focused and well targeted.

As it stands, the Bill doesn't outline the assessment process the NRF must use in deciding investments.

To ensure the assessment process is open and transparent, the assessment process should be set out clearly in the Bill. This should include details of each component of the assessment and how they are weighted. This will ensure consistency of the assessment process and that all projects are treated fairly. The NRF will then be able to clearly explain its decision based on these assessment criteria.