



&

Engineering Employers Association, South Australia



Submission to the

**Standing Committee on Employment, Workplace Relations and
Workforce Participation**

Inquiry into

Employment in the Automotive Component Manufacturing Sector

1. Executive Summary

The Automotive Component Industry, like a range of other industries both in the manufacturing sector and more broadly, is currently facing stiff challenges due to a combination of structural and cyclical factors.

These industries are experiencing more intense international competition, particularly due to the continuing “emergence” of the Chinese and Indian economies and associated developments. The current strength of Australia’s commodity-price linked exchange rate is turbo-charging these competitive forces in both domestic and export markets. Further, manufacturing industries in particular are facing a margin squeeze as rises in a range of input prices and strong wages growth couple with the competitive inhibitions against raising selling prices.

As shown in the attached report *Manufacturing Futures: Achieving Global Fitness*, in the face of these pressures, producers across the economy are re-examining their businesses and putting in place a diverse range of strategies to improve their competitiveness and longer-term resilience. Automotive component manufacturers are similarly active in addressing their considerable competitive challenges. In these endeavours the automotive component manufacturers are aided by existing sector-specific assistance to the automotive industry.

In taking these proactive steps automotive component manufacturers, like other producers, confront the barrier of skill shortages across a range of occupations.

In this submission Ai Group and EEASA put forward a number of policy suggestions of cross-sectoral relevance. These suggestions would benefit the economy generally and are proposed as steps the Inquiry could endorse as a complement to the existing industry-specific assistance available to the automotive component sector. These are summarised below.

Improving the attractiveness of Australia as a destination for investment

1. Phase a reduction in the company tax rate from 30% to 25% over a five year period;
2. Provision of additional flexibility for Invest Australia to support multi-national corporations who wish to continue to invest in Australia;

Addressing barriers to the further globalisation of Australian industry

3. Continue the pursuit of trade liberalisation at the multilateral, regional and bilateral levels in order to pursue market access for Australian manufacturers;
4. Improve visa arrangements to ensure access to foreign markets by Australian skilled workers;
5. Expand Australia’s skilled migration program to assist the growth of Australia’s skills base in support of domestic measures to address skills shortages;
6. Double the funding for, and implement changes to the eligibility criteria of the Export Market Development Grant (EMDG) Scheme, as well as examination of the reforms to administration that improve access for small and medium sized enterprises;
7. Change Australia’s dividend imputation system so that it does not bias against Australian companies investing abroad;

Building world-class business capabilities

8. Implement a whole-of-government strategy to lift business capability by: providing advisers that are able to assist business with growth strategies and link them to

- industry and government initiatives available to support their business plans, including in relation skill development;
9. Develop regional and industry collaboration networks networked nationally;

Creating more skilful industries

10. Increase the focus of the training system in the upskilling of existing workers;
11. Increase the overall spending on education and training;
12. Improve access to recognition of skills for existing employees;
13. Extend and refine incentive payments to employers;
14. Make Science and Education undergraduate programs a National Priority for concessional HECS eligibility;
15. Broaden tax eligibility for self education expenses for learning beyond current career;

Loosening the shackles of government red tape

16. Adoption of improved measures of the impacts of compliance burdens including private and public sector administrative costs; effective of regulations in achieving explicit goals and the opportunity costs of regulation-induced behavioural changes;
17. Commit to reducing the compliance burden by 15% over three years;
18. Streamline the process of approvals and administration relating to government grant schemes;
19. Introduce an annual Regulatory Implementation Bills/Ordinances by all tiers of government to facilitate a annual regulatory reduction process;
20. Establish a Regulatory Review Unit operating with an independent Board to oversee the implementation of targets for review of institutional arrangements;
21. Regulation Impact Statements should be revitalised and expanded; and
22. A uniform national premium and national standards be established for workers compensation through the new Australian Safety and Compensation Council with a commitment to implement by 2010;
23. Streamline the application process for government grants through a two-tier approval process, with a greater focus on performance outcomes;

Building more innovative global competitors

24. Make the R&D tax concession more effective by allowing companies to credit their franking accounts by the amount of company tax saved as a result of the Concession;
25. Improve linkages between business and public sector research including by addressing barriers to public/ private research collaboration;
26. Improve access by Australian companies to tax concessions and grants for offshore research and development activities that benefit the national economy, by scaping the current cap on overseas R&D.

2. The Broader Context

The situation currently faced by the automotive components sector, while more pronounced than in many areas of activity, mirrors that confronting a broad range of Australian industries.

Current Pressures

As shown in Ai Group's recent study *Balancing the Risks: Building Australia's Economic Resilience* (see attached), the non-booming tradeable sectors of the economy, including manufacturing, are facing the dual pressures of an intensification of global competition and the competitive challenges arising from the strength of Australia's commodity-price linked exchange rate.

Australia, like other developed economies, is facing a decisive competitive challenge from the emerging economies. The traditional centres of global production represented in the OECD have experienced a clear loss of export market share since the start of the current century. The competitive challenges confronting manufacturing stem in particular from the ongoing integration of China into the global economy.

The "emergence" of China and other developing economies is simultaneously creating many opportunities as global demand expands both for industrial inputs and for a wide range of consumer goods and services. At the same time however, businesses operating in areas of production into which China in particular is expanding are under growing pressure to restructure and improve their productivity.

In Australia's case the intensification of global competition is coming at a time when the local economy is simultaneously experiencing the highs and lows of 'Dutch disease'. The demand for mineral resources, not the least from China, is lifting returns to factors in that sector while the associated strength in the exchange rate is challenging the competitiveness of domestic producers in other sectors - both in domestic and export markets.

As shown in *Balancing the Risks*, in proportional terms Australia's loss of market share is around three times greater than that of the typical OECD country. This additional loss of market share is due largely to the rise in the domestic currency over recent years.

Strategies and Directions

Against this background, economic activity in Australia has to some extent reorientated away from the sectors under most pressure and towards the booming minerals sector (and industries closely linked to it such as infrastructure construction). This reorientation, though not without its costs, also carries clear short-term benefits for the Australian economy as a whole: resources are diverting towards activities that are currently more remunerative and adding to aggregate income and prosperity.

At the same time, as Ai Group's latest research into the manufacturing sector¹ indicates, businesses in sectors currently facing the most severe challenges are undertaking a wide range of proactive strategies to develop and sharpen their businesses. These include strong capital investment; product and process innovation; outsourcing; off shoring; improved training and recruitment practices; general productivity generating and cost saving measures; more attention to exporting and markedly higher offshore investment from an Australian base.

¹ Ai Group, *Manufacturing Futures: Achieving Global Fitness*, See attached.

The extent of some of these changes suggests that Australian manufacturers have entered a new stage of greater global engagement. This includes the much more active involvement in offshore investment both as a means of reducing costs and as a step in the greater exploitation of Australian manufacturing capabilities abroad.

The Economy after the Commodity Boom

It is widely agreed that exceptionally high commodity prices will not last indefinitely. As they return to more normal levels the value of the currency is also likely to fall. There are, however, significant uncertainties about when these reversals will occur, and by how much. Nevertheless there is every prospect that as boom conditions in the mining sector fade, other sectors, including manufacturing will be called on once again to rebalance the economy. They will be assisted in this by any fall in the currency; any reduction in input price pressures; and any easing in the demand for skilled labour from the minerals sector.

While these balancing forces would boost the competitiveness of domestic producers of tradeable goods and services, on their own they will not overcome the competitive challenges coming from the emerging economies. As clearly shown by China's rapid growth, the world is not standing still and further improvements in productivity in Australia are needed to address current and prospective challenges.

Among manufacturers in particular, there are fears that the capacity for future growth will be permanently damaged by capabilities lost in the face of current challenges. These fears are expressed in terms such as "hollowing out" and "loss of critical mass". The ability of the manufacturing sector to overcome these forces will rest on its ongoing ability to create new capabilities and its success in attracting capabilities back into the industry as more favourable conditions re-emerge.

A Role for Governments

While the primary onus is on businesses themselves to explore and implement strategies to improve productivity; to create and attract capabilities; and to be prepared to respond to future opportunities, in the view of Ai Group and EEASA there are important roles for governments in encouraging, facilitating and removing barriers to business responsiveness. These proactive roles need not involve picking winners and the pitfalls associated with that approach. Rather, it can involve more generic initiatives aimed at improving the quality of the available ingredients of economic success and creating the conditions for the emergence of winners, without attempting to prescribe fixed directions.

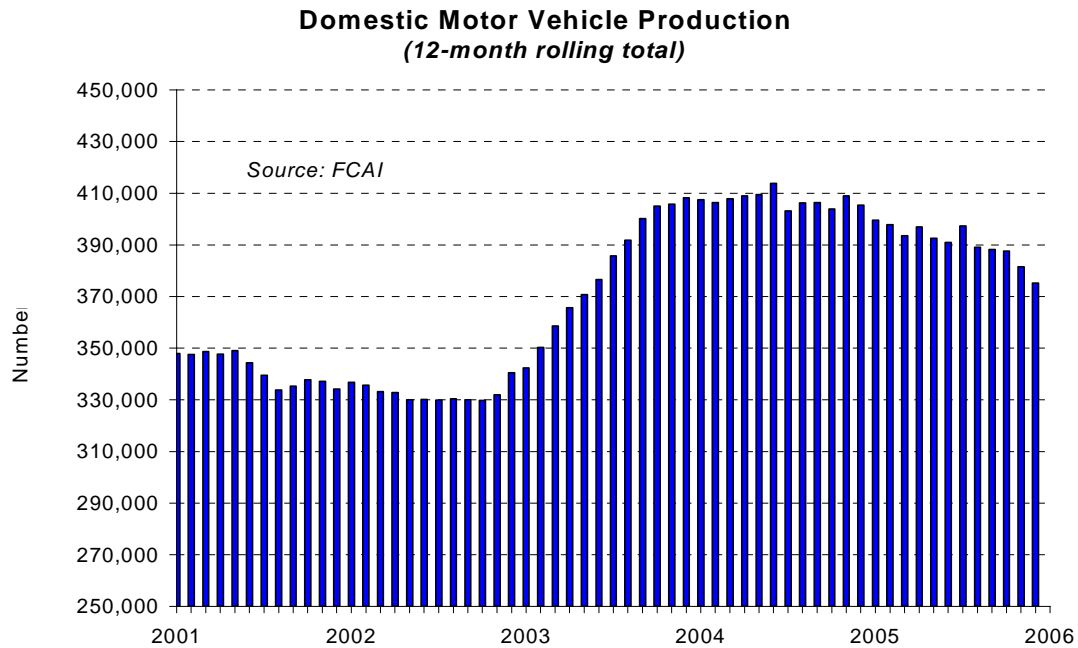
The proactive initiatives put forward in this submission are informed by this perspective. At the same time our organisations continue to support the existing industry-specific assistance available to the automotive industry. These programs have clear objectives and a fixed timetable and stability of the programs is an important element in achieving those objectives.

3. Recent Developments in the Automotive Component Sector

The Australian automotive component industry is confronting a particularly challenging environment. Domestic and export market shares remain under intense competitive pressure due to powerful structural and cyclical developments. The major customers of the domestic component manufacturers – the four local vehicle manufacturers – themselves face similar competitive pressures accentuated by a shift in consumer preferences away from the mid-sized sedans in which they specialise.

While detailed and reliable data on sales and production in the Australian automotive component sector are not readily available, consistent with anecdotal evidence of industry consolidation², there are reasons to believe output and profitability have deteriorated substantially over the past year or so. Data from the Federal Chamber of Automotive Industries reveal the volume of domestically-manufactured passenger motor vehicles fell 7.4% in 2005 to the lowest level since 2002 (Figure x).

Figure 1

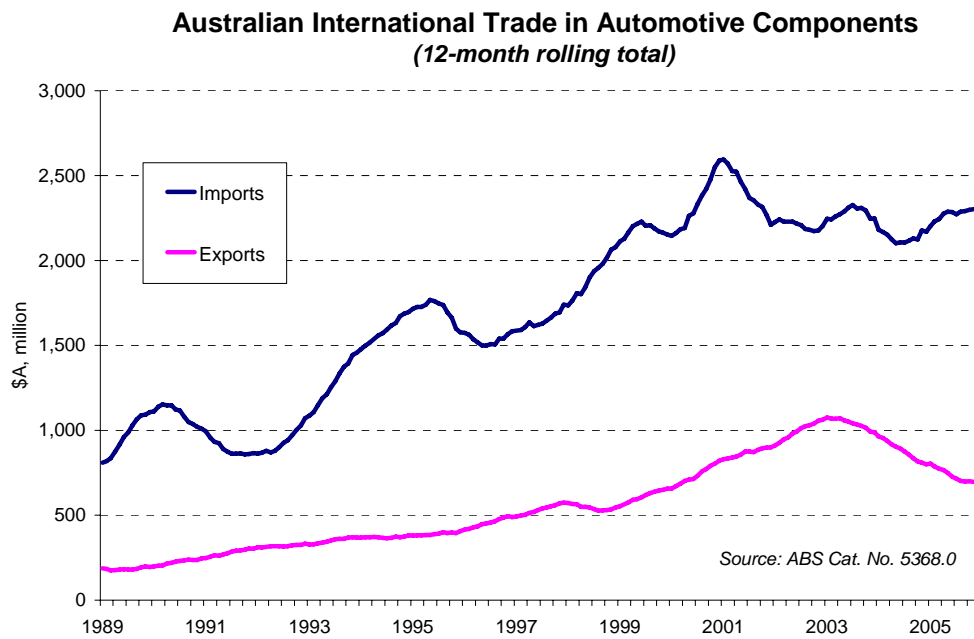


At the same time, the imported content of locally manufactured vehicles appears to have increased considerably over the past year. The *value* of automotive component imports rose 5.8% in the 12 months to November 2005 (Figure x). With prices of imported transport equipment falling by 2% over the year to the December quarter 2005, import *volumes* of components look to have risen sharply over the past twelve months.

Further, the value of automotive component exports fell a further 14% in the 12 months to November 2005. This almost certainly points to a large decline in volumes since prices of transport equipment exports rose by 2.0% over the year to the December quarter 2005.

² Including, for example, recently announced large retrenchments at Air International Group Ltd, Autoliv Australia Pty Ltd, and Trico Products Pty Ltd.

Figure 2



The forces shaping these developments were explored in an Ai Group/Federation of Automotive Products Manufacturers (FAPM) study of the Victorian automotive component industry in 2004³ (where the largest proportion of Australian automotive component production is located). A copy of this report is attached.

After generally favourable industry conditions in 2003/04, including a strengthening in profitability, the study found component manufacturers anticipated a substantial deterioration in industry performance and profitability in 2005 and 2006.

On top of the more general challenges currently facing manufacturing which are discussed further in the next section, a major factor underpinning the decline in activity has been the growing worldwide glut of motor vehicle production capacity. This, in turn, is forcing global vehicle manufacturers to intensify their search for new ways to improve efficiency and cut costs.

A key response of car makers has been to develop common vehicle production platforms. This development allows the vehicle manufacturers to adopt more globally oriented sourcing strategies. This process has accompanied the rapid growth of low-cost automotive component manufacturers in Asia, Eastern Europe and Latin America, and has forced component suppliers in other regions to also seek substantial cost savings.

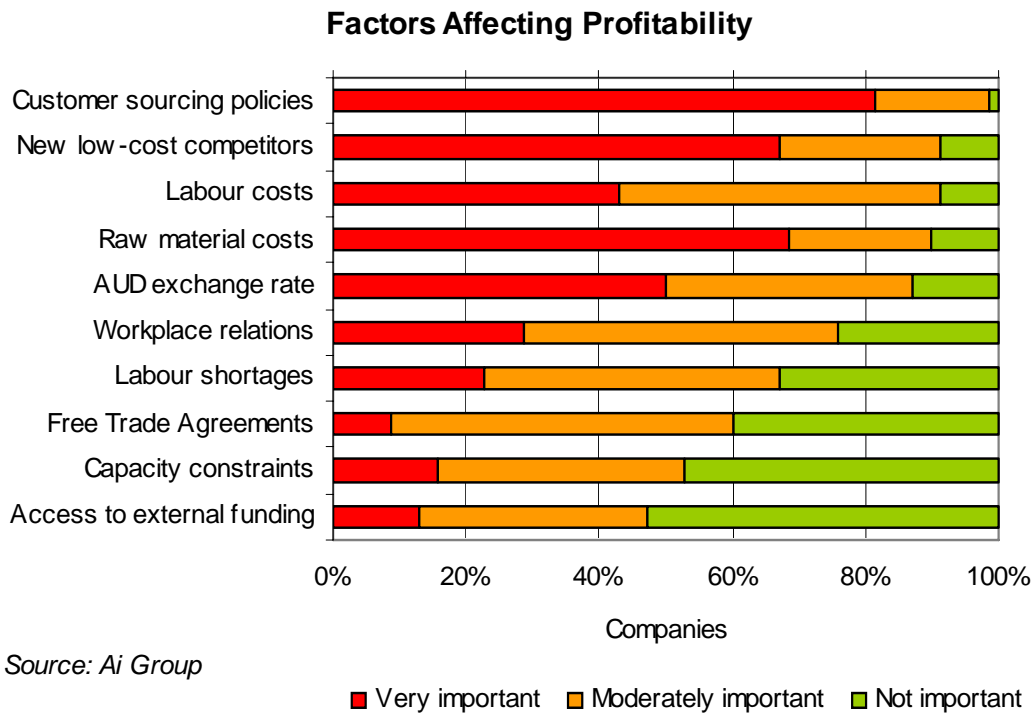
These forces are key explanations of the attitudes of component manufacturers as revealed in the Ai Group/FAPM study.

- All but one of the 70 participants in the study revealed that customer procurement policies had either a very important or moderate impact on profitability in 2003/04 (Figure 3).

³ Australian Industry Group and the Federation of Automotive Product Manufacturers, *The Victorian Automotive Components Industry. Competitiveness, Profitability and Future Strategies*, March 2005.

- More than 90% of participants also reported the entrance of new low-cost competitors having a direct effect. (This included over 50% reporting a “very important” impact).

Figure 3



The Ai Group/FAPM study also found component suppliers agreed to an average ‘costdown’ (i.e. reduction in selling prices to major customers) of 5.5% in 2003/04, deepening to a forecast average annual decline of 6%-8% in the following two years. Despite agreeing to these costdowns, some 60% of component manufacturers still lost sales contracts with the domestic car makers. (Many of these contracts were to supply new models due for release in 2005 and 2006.) The study conservatively estimated the loss of contracts would result in local content in the new models falling by 5% to 6%.

At the same time, the Australian component industry has been confronted with a number of more specific local issues.

Perhaps the most significant has been the appreciation of the Australian dollar, which in trade-weighted terms is currently around 10% higher than the average since the float in December 1983. Close to 90% of study participants reported the exchange rate having an adverse effect on profitability in 2003/04 (with exactly half citing a very important impact).

Furthermore, the worldwide increases in raw material costs have affected Australian component manufacturers - 90% reported an adverse impact due to raw material cost increases. On top of this, Australian component manufacturers have also been called on to absorb relatively strong growth in labour costs. Many current workplace agreements were negotiated earlier in the current decade (prior to the advent of these more recent industry developments), and were frequently linked to wage cost increases paid by the (larger) local motor vehicle producers. Around 90% of survey respondents also reported labour costs having an adverse impact on profitability.

Although less significant than the above factors, the study also found workplace relations and skills shortages impacting industry profitability. Approximately 75% cited an impact from workplace relations issues, while two thirds of component manufacturers also cited skills shortages (including over 20% reporting a very important impact).

The Ai Group/FAPM study found the challenges facing the sector were eliciting a wide range of competitive responses among local component suppliers. While 40% of participants expected to be outsourcing part or all of component production by 2006, nevertheless the industry as a whole was committed to retaining a strong manufacturing presence in Victoria. Virtually every company had strategies other than outsourcing to reduce costs. For a significant proportion these strategies included some modest job shedding (industry employment was forecast to decline by 3.6% over the two years to 2006).

Capital investment in the industry was expected to increase by over 16% in the same period, delivering increases in both capital intensity and local productive capacity (in order to reap greater scale economies and to meet the requirements of planned new models in 2005 and 2006). In 2004, approximately 20% of Victorian component manufacturers had plans to outsource AND to increase domestic capacity. This is consistent with the process in which differing stages of production are increasingly moving to regions with relevant competitive advantages. Indeed, there are numerous instances of successful Australian suppliers integrating more closely with the car makers, including the continuing development of Edinburgh Parks Automotive Precinct in South Australia, and which entails significant new capital investment. Thus, notwithstanding the considerable challenges faced by the sector, there are clear success stories and sources of encouragement.

Schefenacker Vision Systems

- Schefenacker Vision Systems Australia Pty Ltd employs 630 people and operates from Lonsdale, South Australia.
- Schefenacker is a clear example of a successful automotive component company operating in a globally competitive environment.
 - Schefenacker has 100% of the Australian vehicle external mirror market and exports 80% of its product.
 - It has overseas markets in North America, Japan, Korea, Hungary, Spain, France and the UK.
 - It turns over \$170million per annum.
- Schefenacker has driven its competitive position on the back of R&D, innovation and global best practice.
- Its product portfolio includes Ford North America's signature trailer towing mirror for the F250 superduty range of trucks.
 - This mirror is extendable to suit the trailer width and incorporates a side marker lamp and indicator lamp as well as electrically adjustable glass.
 - In 2005 Schefenacker exported over 450,000 vehicle sets of this mirror to North America.
- Schefenacker continues to not only provide innovation to the Australian market, but win international business due to an innovative approach.
- Schefenacker is now also developing its non-automotive business where it has synergies with its manufacturing design strategies.

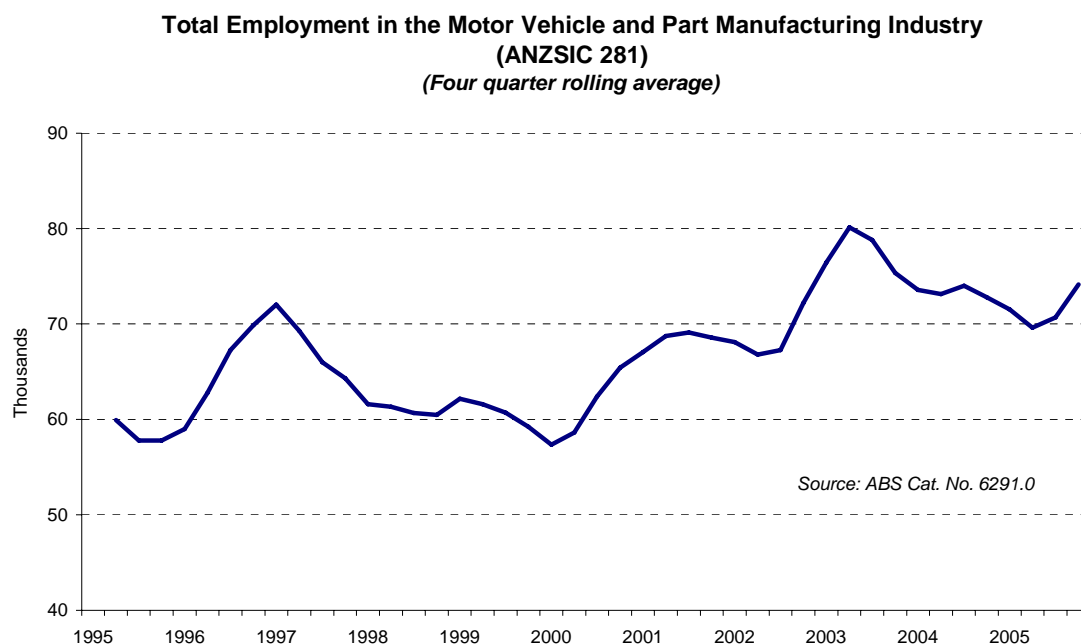
4. Current and Future Employment Trends in the Industry

As noted above, Victorian manufacturers foreshadowed some labour shedding between 2004 and 2006. Similar to production and sales, it is difficult to obtain timely and regular official data on employment in the component industry. The Australian Bureau of Statistics publishes quarterly estimates of employment for the entire Australian motor vehicle and part manufacturing industry (ANZSIC industry 281). However, disaggregated data (at the four-digit ANZSIC level) is not available.

After peaking in the December quarter of 2002, (unadjusted) total employment in the Australian motor vehicle industry subsequently declined by 21% over the ensuing two years (refer Figure x). In contrast to the strong evidence of further declines in production and the Ai Group/FAPM study findings, however, employment growth appears to have strengthened markedly in the second half of 2005. Indeed, most of the earlier job losses appear to have been recovered in this period, with employment in the December quarter of 2005 some 20% higher than year-earlier levels.

While pre-production of recent and proposed new passenger vehicle models may account for some of the apparent recovery in employment growth in late 2005, nevertheless Ai Group views the data with some caution. Indeed, Mitsubishi Australia has since announced cuts in employment in South Australia. Similarly, the eventual cessation of production of some current models (later in 2006) is likely to result in job losses among those suppliers that failed to win contracts for the replacements.

Figure 4



5. Emerging Skill Shortages and Appropriate Recruitment and Training Strategies

Skill shortages

Although there may be some uncertainty over recent employment trends, and notwithstanding the apparent decline in production, there is reason to believe the component industry continues to face shortages of skilled labour in 2006.

At the broadest level, much of the decline in Australian manufacturing employment since mid-2004 has been concentrated in relatively unskilled occupations. According to ABS data⁴, the number of workers in unskilled or semi-skilled manufacturing occupations (including labourers, production and transport workers, elementary and mid-level clerical, sales and service workers) fell by 52,000 over the year to August 2005.

By contrast, employment of managers and professionals in manufacturing increased by almost 16,000 over the same period. While the number of tradespeople and associate professionals declined in total by 17,000, this number obscures the strong 'frictional' issues at work (given the well-documented and acute shortages of skilled tradespeople in some states and regions) and most likely overstates the underlying weakening in national demand.⁵

The forces shaping this divergence in employment growth are common across many areas of manufacturing, including the automotive component industry. In an increasingly competitive environment, greater demand is placed on high-end technical skills and soft skills. Keeping pace with technology and increasing the technical and core skills of the workforce are essential for the sector to remain economically viable.

On the production side, employees are increasingly engaging in process enhancement programs and modern manufacturing practices such as just in time (JIT) and lean and agile manufacturing. As businesses intensify their reliance on technology and workplace reorganisation as a means to remaining competitive, those operators who endure the change are expected to increase their level of skill accordingly.

Tradespeople and technicians are also required to engage with a greater level of computer related technology, including Computer Aided Design (CAD) and Computer Aided Manufacture (CAM). Tradespeople who can utilise fault-finding or diagnostic skills are also in increasing demand in the industry, particularly those tradespeople who can diagnose and repair both mechanical and electronic problems with complex machinery.

These programs and practices are already strongly entrenched in both the automotive vehicle manufacturing sector and in some of the larger component manufacturing enterprises, and over time will be adopted more readily by smaller component manufacturers. Computer technologies will also become more critical as component manufacturers continue to integrate their computing systems with those of the major car manufacturers.

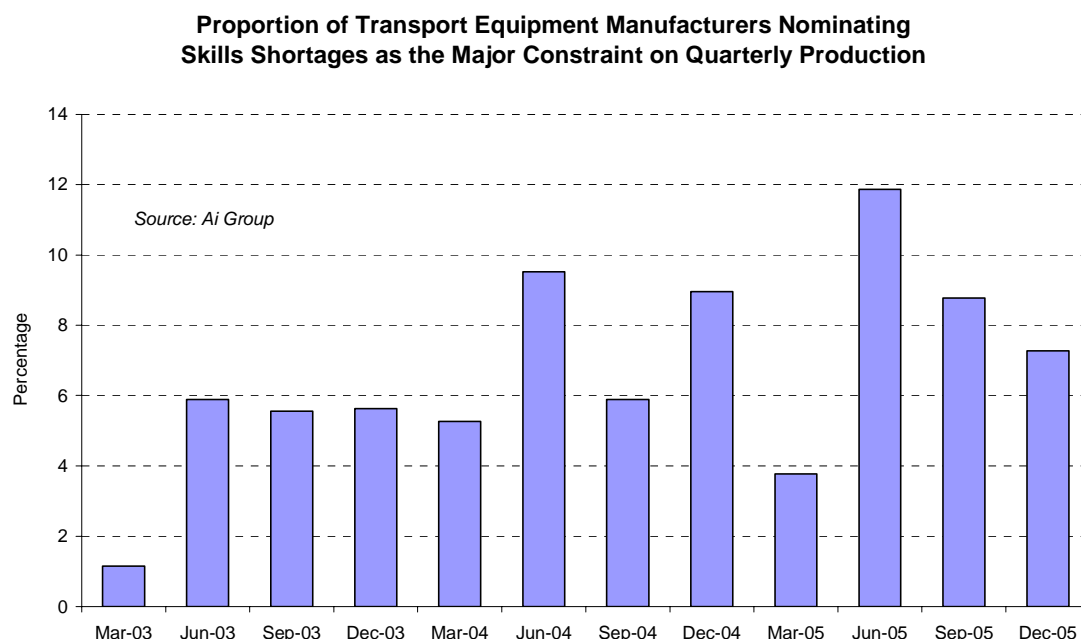
Indeed, while revealing a forecast decline in employment over the two years to 2006, the Ai Group/FAPM survey also found component suppliers preparing to substantially increase expenditure on training and skilling requirements in the same period. Exactly 70% of the sample expected to increase spending, with only 10% forecasting a decline (and confined almost entirely to internationally-owned component suppliers).

⁴ Catalogue No. 6291.0.55.001. August 2005.

⁵ For example, see Australian Bureau of Statistics Cat. No. 1367.5, *Western Australian Statistical Indicators Feature Article – Skills shortages in Western Australia*. January 2006.

Ai Group's regular quarterly Survey of Australian Manufacturing also tends to suggest there are lingering shortages of skilled workers in the automotive industry. Figure 5 plots the percentage of transport equipment manufacturers citing labour shortages as the major constraint on quarterly production. While the proportion declined in the second half of 2005, nevertheless it remains similar to the average level during 2004 (during which time domestic vehicle production was running at record levels).

Figure 5



Recruitment and Training Strategies

In the context of an industry which is poised to retrench numbers of workers, the Ai Group believes the focus should be on developing training strategies to assist displaced workers to gain new skills to help address skills shortages rather than recruitment strategies. Measures to redeploy workers within the industry are discussed under the next criteria.

Workers in the automotive components industry are generally highly skilled. Tradespeople, para professional technicians and professional engineers undertake many years of training to operate and repair complex machinery, design complex components and develop effective production systems. Production operators will have gained skills in machine operation and maintenance, production processes such as JIT, quality systems and teamwork.

For most of the workforce, there is little formal recognition of the skills they have gained beyond an initial qualification and many production operators would not possess a formal qualification at all. Before any actual training can be delivered to address skills shortages, a stocktake of those skills already held needs to be undertaken.

Notwithstanding a lot of emphasis being placed on Recognition of Prior Learning (RPL) and Recognition of Current Competency (RCC) in recent years, many applicants still find the process daunting and exasperating. To make the process less daunting, applicants should be thoroughly briefed and guidance provided throughout the evidence gathering process. To maximise the outcome for those seeking skills recognition through an RPL process, the assessment would be best carried out by a Registered Training Organisation (RTO) or under the auspices of a RTO.

Following on from an RPL/RCC process, training can be targeted directly at the skills shortages listed above, namely:

- accelerated trade training for those production operators with suitable experience.
- training in modern production processes such as lean manufacturing and six sigma for production operators.
- training in computer technologies including CAD and CAM for tradespeople and para professionals.
- training in fault finding and diagnostic skills for tradespeople, particularly in relation to mechanics and electronics.

6. Labour Adjustment Measures Required to Assist Redeployed and Affected Workers

Where workers are displaced and in need of finding new employment opportunities, they may require assistance in marketing their skills to alternate employers. Many workers, particularly those working in the production area and of a mature age, do not possess formal qualifications at all and, despite their years of experience and on the job learning, they will encounter some difficulty in, firstly, identifying and, secondly, marketing their specific skills to potential employers.

Displaced workers looking to be redeployed may need assistance in:

- gaining recognition for their current skills
- updating their existing skills through gap training if necessary
- job seeking skills (resume writing, interview preparation)
- finding relevant jobs

The RPL/RCC strategy described above would assist displaced workers gain recognition for their current skills. A means of accessing funds for training to upskill workers does not really exist beyond New Apprenticeship incentives for existing workers.

Most governments will only fund training that completes a qualification. Partial achievement of a qualification can be more appropriate in many circumstances, particularly where the individual only needs training to acquire a limited range of skills. Many workers in this industry are not interested in achieving full qualifications, rather gaining the skills needed to move up the pay scale or get the next job/promotion. A full qualification is generally the most desired outcome, but any form of nationally recognised training is still valuable.

The South Australian Government currently funds a program aimed at upskilling the capabilities of existing employees in manufacturing subject to certain financial criteria.

Many of the affected workers will have held their current jobs for several years and will not be skilled at applying for new positions. They will need help with resume writing, searching for jobs and interview techniques. A two or three-day training course would assist them to gain the skills and confidence to apply for other jobs.

A coordinating agency could prove valuable in assisting component workers find relevant jobs. With so many diverse ways of advertising job vacancies these days, it is not easy for the average factory worker to find ones that are suitable. An organisation contracted for this activity, that other agencies feel comfortable in sharing their vacancies with, could facilitate the process and have a significant impact. This is not a proposal to set up a new employment agency, rather a mechanism to channel relevant job vacancies through a nominated coordinating organisation so that component workers have access to all relevant vacancies.

The nearest Job Network agency, adequately funded, may be the most appropriate organisation.

7. Measures to Support Skills Development, Innovation and Investment in the Industry

Ai Group and EEASA believe there is considerable room to adopt measures to remove barriers to growth and to assist in lifting productivity across the economy. The following suggestions summarise the more detailed policy recommendations contained in Ai Group's report *Manufacturing Futures: Achieving Global Fitness*.

The adoption of these cross-sectoral measures would complement existing industry-specific programs from which automotive component manufacturers and their employers derive significant benefits.

Improving the attractiveness of Australia as a destination for investment

3. Phase a reduction in the company tax rate from 30% to 25% over a five year period;
4. Provision of additional flexibility for Invest Australia to support multi-national corporations who wish to continue to invest in Australia;

Addressing barriers to the further globalisation of Australian industry

8. Continue the pursuit of trade liberalisation at the multilateral, regional and bilateral levels in order to pursue market access for Australian manufacturers;
9. Improve visa arrangements to ensure access to foreign markets by Australian skilled workers;
10. Expand Australia's skilled migration program to assist the growth of Australia's skills base in support of domestic measures to address skills shortages;
11. Double the funding for, and implement changes to the eligibility criteria of the Export Market Development Grant (EMDG) Scheme, as well as examination of the reforms to administration that improve access for small and medium sized enterprises;
12. Change Australia's dividend imputation system so that it does not bias against Australian companies investing abroad;

Building world-class business capabilities

10. Implement a whole-of-government strategy to lift business capability by: providing advisers that are able to assist business with growth strategies and link them to industry and government initiatives available to support their business plans, including in relation skill development;
11. Develop regional and industry collaboration networks networked nationally;

Creating more skilful industries

27. Increase the focus of the training system in the upskilling of existing workers;
28. Increase the overall spending on education and training;
29. Improve access to recognition of skills for existing employees;
30. Extend and refine incentive payments to employers;
31. Make Science and Education undergraduate programs a National Priority for concessional HECS eligibility;
32. Broaden tax eligibility for self education expenses for learning beyond current career;

Loosening the shackles of government red tape

33. Adoption of improved measures of the impacts of compliance burdens including private and public sector administrative costs; effective of regulations in achieving explicit goals and the opportunity costs of regulation-induced behavioural changes;
34. Commit to reducing the compliance burden by 15% over three years;
35. Streamline the process of approvals and administration relating to government grant schemes;
36. Introduce an annual Regulatory Implementation Bills/Ordinances by all tiers of government to facilitate a annual regulatory reduction process;
37. Establish a Regulatory Review Unit operating with an independent Board to oversee the implementation of targets for review of institutional arrangements;
38. Regulation Impact Statements should be revitalised and expanded; and
39. A uniform national premium and national standards be established for workers compensation through the new Australian Safety and Compensation Council with a commitment to implement by 2010;
40. Streamline the application process for government grants through a two-tier approval process, with a greater focus on performance outcomes;

Building more innovative global competitors

41. Make the R&D tax concession more effective by allowing companies to credit their franking accounts by the amount of company tax saved as a result of the Concession;
42. Improve linkages between business and public sector research including by addressing barriers to public/ private research collaboration;
43. Improve access by Australian companies to tax concessions and grants for offshore research and development activities that benefit the national economy, by scaping the current cap on overseas R&D.