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A \$45bn fix for growth: amp up the competition, says report

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The nation could reap \$45bn extra in GDP a year and the government could boost its budget revenue by \$9bn if Labor and the states significantly boost their competition agenda, a new policy body with Anthony Albanese's former top mandarin on its board has declared.

The Policy Institute Australia – backed by investment banker John Wylie and whose board includes former Department of Prime Minister and Cabinet secretary Glyn Davis – says in its inaugural report that putting funds into competition reforms is the best way to improve Australia's poor productivity growth rate without resurgent inflation.

It comes as Jim Chalmers warned voters that his Mid-Year Economic Financial Outlook (MYEFO) next month will not be a mini-budget, it will reflect “fairly extreme spending pressures” and that his May budget will be formed by his August productivity roundtable.

In one of the biggest interventions in the productivity debate since Labor's [gathering of unions, business and policy experts in August](#) struggled to jump-start any major reforms, the Policy Institute will try to emulate the landmark National Competition Policy of 1995 that arose out of the findings of the 1993 Hilmer review. The institute

said the government's current \$900m first-term Productivity Fund should be boosted with part-funding from a new \$2bn annual investment from federal revenue that would be used to provide states with incentives to reform competition policy over the next 10 years. The rest of the \$2bn would be deployed to national reforms.

Overall, such an investment would boost GDP by \$45bn a year, the institute's report authors Amy Auster, Henry Williams and Indra Parta calculated. "Building a bold, ongoing, pro-competition agenda, with stronger and more enduring commonwealth-funded incentives towards opening up both private and public markets would boost productivity, build economic resilience in the face of global uncertainty, and strengthen budget sustainability," the authors said.

The institute praises the Albanese government for taking steps to establish the Productivity Fund in its first term but says it needs to go further. "There is nothing wrong with what has been committed to so far – but it is insufficient to improve competition for most of the economy," they say.

"The big-bang reforms that characterised the 1990s have been done. What is needed now is sustained commitment to undertake many mid-sized reforms."

The Treasurer said on Wednesday that there "won't be heaps and heaps of new initiatives" in MYEFO and that it will be taking into considerations issues in both the global and domestic economies. "It'll be about delivering and funding the commitments that we've made over the course of the last year or so, or certainly since the March budget," Dr Chalmers said in Perth. "But it's also an opportunity to update our forecasts. It's an opportunity to take into consideration what are some fairly extreme spending pressures when it comes to estimates variations and the like, but also a chance to make sure that our forecasts take into consideration the developments in the economy over the last little while."

Dr Chalmers defended the August roundtable and declared that it will "really be the primary influence on the budget that I hand down in May as well."

“The main game for the budget will be May, not December, and the main focus will be some of the directions that were set at the reform roundtable,” he said.

The Policy Institute report says big money must be allocated to “serious incentives for states and territories to implement change” and an “unrelenting effort to find and address barriers to competition.”

A long list of changes has been recommended including: standardising commercial zoning rules and review planning requirements to ensure they do not distort competition; lowering barriers to the adoption of overseas standards in regulation; lowering barriers to modern methods of construction; reviewing the existing Motor Vehicle Information Sharing Scheme; and developing a National Worker Screening Check to improve labour mobility in human services.

The report says recommendations from the Productivity Commission should also be adopted.

“These reforms will capture only a small fraction of the potential benefit estimated by the Productivity Commission,” it said.

“There are many good ideas on the list of reforms that the Productivity Commission was asked to model. More of these should be undertaken and relentless search for more opportunities should be launched.”

The report says the pro-competition agenda should include regulatory reform, health and social services market reform, capital markets reform and labour market reform, and tackle issues in industry or market practice.

It cited the example of unnecessarily high barriers to doctors entering specialist - training, leading to higher costs and longer waiting times for patients. Fairer entry to the legal profession across the states and territories should also be targeted, it said.

“We are looking at instances where individuals, firms or private member organisations have acquired, built or been given gatekeeping powers – formal or

informal – that have potential to limit competition in their market,” the authors said.

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