

By EDITORIAL

## Economic competition will lift wealth, living standards



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Productivity, which would be boosted significantly through a revival of effective competition policy, is crucial to the quality of Australians' everyday lives – living standards, real wage rises, business profits, controlling inflation and therefore lower interest rates. After years of uninterrupted expansion and prosperity, Treasury figures show that productivity growth has slowed in Australia since the mid-2000s. It is one of the main policy concerns of [the Treasurer, the government and the Reserve Bank](#).

In its first report, the newly established Policy Institute of Australia, a non-partisan, evidence-led and independent think tank, has focused on how governments, business and the public can turn around the current stasis. The institute is chaired by investment banker John Wylie and its board includes former Department of Prime Minister and Cabinet secretary Glyn Davis. The report revisits [important themes raised at Jim Chalmers' productivity summit](#) in August and does so more effectively than much of the rhetoric surrounding the summit. It asks: "How problematic is it that there has been 225 per cent growth since 2000 in the number of pages of key legislation governing business activity?" and "Could our evident decline in labour mobility be related to an ever-increasing compliance burden and cost that makes it harder for companies to grow and compete?"

As a means to kick-start productivity, the institute identifies how reviving competition policy would boost the nation's GDP by \$45bn a year. "We need to take on this challenge with the aspiration and effort that has seen Australia achieve a top 10 position in every Summer Olympics in recent history, and apply that same drive to the prosperity and wellbeing of our Australian community," it argues. Competition, the report notes, keeps prices (and therefore inflation) down, expands choice in products and services, fuels innovation, expands choice for workers in who they work for and improves quality – taxi customers were far less satisfied with prices and services before Uber was legalised in 2015, for example.

As a practical policy step, Matthew Cranston writes, the report suggests that Dr Chalmers should put the government's Productivity Fund, established in its first term, "on steroids", investing \$2bn a year across 10 years to provide incentives for the states and territories to ramp up competition reform.

The argument makes sense. Such incentives could reward changes such as standardising commercial zoning rules and reviewing planning requirements to ensure they do not distort competition; lowering barriers to the adoption of overseas standards in regulation; lowering barriers to the use of modern construction methods; reviewing the existing Motor Vehicle Information Sharing Scheme; and developing a national worker screening check to improve labour mobility.

Productivity Commission modelling, the institute notes, shows national competition policy reforms could boost GDP by up to \$45bn a year, adding \$9bn to federal revenue. The \$2bn outlay a year would pay for itself many times over. And the policy is a proven winner, increasing average annual output per worker in various industries from 1990 to 2000. Major gains were achieved in gas (17 per cent), rail freight and telecommunications (12 per cent), electricity (11 per cent), and ports and urban water and sewerage (10 per cent).

Such a rational approach provides a prudent path forward on one of the Treasurer's key priorities.



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