COMPREHENSIVE GROWTH STRATEGY:

AUSTRALIA

A. ECONOMIC OUTLOOK AND KEY POLICY COMMITMENTS

Economic Objective

The Australian Government has embarked on a comprehensive Economic Action Strategy to raise Australia's economic growth potential, create one million new jobs over the next five years, restore the structural integrity of government finances, and support continued improvements in national living standards. Central to this strategy is transforming the role of government in the economy and providing equality of opportunity for all Australians.

Raising Australia's economic growth potential through the pursuit of market-oriented policies that promote open trade and investment flows will contribute to the achievement of the G20's objectives of strong, sustainable and balanced growth.

Major structural reform measures to boost growth in Australia's growth strategy will include actions on:

- new investment and infrastructure;
- encouraging greater workforce participation;
- reducing regulation and the costs of doing business;
- ensuring the financial system continues to contribute to stability and growth;
- increasing openness and facilitating trade;
- reducing tax and government spending; and
- enhancing competition.

Macroeconomic policy settings will also support growth. Monetary policy accommodation is supporting demand and will help economic growth to strengthen over time. The 2014-15 Budget (released on 13 May 2014) lays out a credible path to surplus over the medium term, while the composition and timing of fiscal measures do not place further pressure on the economy's transition to non-resources drivers of growth in the near term. The Budget also outlined a number of measures that support growth, including redirecting government spending to new sources of growth.

Key Commitments

1. Infrastructure Growth Package (including the Asset Recycling Initiative)

2. Employment Welfare Reforms: Strengthening Participation Incentives and Activation Strategies

3. Cutting Red Tape

4. Contributing to Global Trade Liberalisation (Free Trade Agreements with Korea and Japan)

5. Creating Self-Reliant Industries

B. ECONOMIC OUTLOOK AND CHALLENGES TO GROWTH

Current and Future Growth Prospects

The outlook for the Australian economy is dominated by the opposing effects of a sharp fall in resources investment, a declining terms of trade, and fiscal consolidation at all levels of government, against a recovery in non-resources sectors as they respond to historically low interest rates and a fall in the exchange rate.

In the 2014-15 Budget, the Australian economy was forecast to grow 2½ per cent in 2014-15 before accelerating to 3 per cent in 2015-16. This is below Australia's current potential growth rate of around 3-3¼ per cent. As a consequence, a negative output gap was expected to remain over the forecast period. Unemployment was forecast to rise modestly and inflation was expected to remain subdued.

The 2014-15 Budget projected above-trend real GDP growth in 2016-17 and 2017-18 based on technical assumptions that close the estimated output gap over the medium term. No allowance is made in these years for the growth benefits of the Australian Government's Economic Action Strategy.

	Key Indicators					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Real GDP (% yoy)	2¾	2½	3	3½	3½	3½
Nominal GDP (% yoy)	4	3	4¾	5	5	5¼
Output Gap (% of GDP)*	-1.1	-1.8	-2.1	-1.7	-1.4	-1.1
Inflation (%)+	3	2¼	2½	2½	2½	2½
Fiscal Balance (% of GDP)**	-2.8	-1.6	-0.7	-0.4	0.1	n.a
Unemployment (%)^	6	6¼	6¼	6	5¾	5½
Savings (% of GDP)	23¾	22½	21¾	21¼	20¾	20½
Investment (% of GDP)	27½	27	26	24¾	24¼	23¾
Current Account Balance (% of GDP)#	-3¼	-4	-3¾	-3½	-3½	-3½

***A positive (negative) gap indicates an economy above (below) its potential.**
****A positive (negative) balance indicates a fiscal surplus (deficit).**
+Through the year to the June quarters of 2013-14, 2014-15 and 2015-16. Figures are year average for 2016-17 and 2017-18.
^Rate for June quarters of 2013-14, 2014-15 and 2015-16. Figures are year average for 2016-17 and 2017-18.
 # May not equal the difference between savings and investment due to rounding.

Key Drivers

The Australian economy is facing a major transformation, moving from growth led by investment in resources projects to broader-based drivers of activity in non-resources sectors. This is occurring at a time when the economy has generally been growing below its trend rate and the unemployment rate has been rising. For incomes to grow and living standards to improve in the future, Australia will have to pursue new growth opportunities.

Over the past decade, investment in the resources sector has more than quadrupled as a share of GDP and its capital stock is now three times larger. However, declining resources investment is expected to detract significantly from growth through to at least 2015-16. As the resources sector continues its transition to the production phase, resources exports (particularly iron ore and LNG) will make up a greater share of real GDP growth. However, rising resources exports are expected to only partially offset the negative impact on growth caused by the transition. As a consequence, activity outside the resources sector will need to increase to fill the gap created by falling resources investment. Recovering global economic growth, low interest rates, a somewhat lower exchange rate and the Government's growth package outlined in the 2014-15 Budget will support this process.

The near-term outlook for the household sector has improved. Leading indicators of dwelling investment are consistent with rising activity, while retail trade and broader household consumption have improved recently, consistent with gains in household wealth. Confidence is also picking up in the business sector, although this is yet to be fully reflected in current levels of activity, with businesses in the non-resources sectors continuing to exercise caution in their investment and hiring decisions.

Macroeconomic Policy Settings

Under Australia's macroeconomic policy framework, monetary policy is usually the primary demand management tool, supported by automatic fiscal stabilisers. The independent Reserve Bank of Australia sets the cash rate and the exchange rate is freely floating. Fiscal policy is set in a medium-term framework that promotes the sustainability of government finances and supports strong and stable economic growth, while building the fiscal space to allow capacity to weather downturns and respond to exceptional circumstances.

Fiscal Policy

Australia's Commonwealth (federal) and State (sub-national) governments are deliberately undertaking fiscal consolidation at a measured pace, restoring the structural integrity of government finances over the medium term without undermining the economy's transition to broader-based growth in the near term. Consistent with this, the stance of fiscal policy in Australia is mildly contractionary, with the consolidated general government sector (federal and sub-national) cash balance forecast to improve from a deficit of 4.5 per cent of GDP in 2013-14 to a deficit of 0.9 per cent of GDP in 2016-17.

The fiscal contraction is largely driven by an expected reduction in the Australian Government's underlying cash deficit from $49.9 billion in 2013-14 (3.1 per cent of GDP) to $2.8 billion in 2017-18 (0.2 per cent of GDP). Australian Government net debt is expected to peak as a share of GDP at 14.6 per cent and gross debt at 25.1 per cent in 2016-17. In structural terms, the budget is expected to be in balance by around 2018-19, with strong structural surpluses projected to build beyond that. These projections are underpinned by announced policy changes (not assumptions) and provide for future tax relief by assuming tax receipts as a share of the economy are capped.

The composition and timing of the new policy decisions in the 2014-15 Budget mean that this additional fiscal consolidation will be achieved without a material impact on economic growth. The Government is significantly increasing investment in new infrastructure which has larger multipliers than payments to households and businesses where the bulk of the fiscal savings will be made. The fiscal consolidation measures are also weighted towards medium-term structural savings that build over time. The Government has ensured this steady pace of fiscal consolidation will continue from 2017-18.

Monetary Policy

Australia's current stance of monetary policy is accommodative, with the policy rate target set at the historically low level of 2.5 per cent. The policy rate target has remained unchanged since

August 2013, with this judged to be the appropriate policy to provide support to the economy while keeping inflation within the target range of 2-3 per cent over the medium term. There are signs that accommodative monetary policy is providing support to domestic activity, with improved indicators for consumption, housing investment and business conditions compared to mid-2013. Continued accommodative monetary policy should provide support to demand and help growth to strengthen over time, with inflation expected to remain consistent with the target. On present indications, the most prudent course is likely to be a period of stability in policy interest rates.

The low interest rate environment has contributed to a strong pick-up in growth in lending for housing, especially among investors, and housing prices have increased significantly over the past year. While this lending does not appear to have been imprudent and does not pose a near-term risk to financial stability, there is a broader macroeconomic risk that a large increase in speculative activity could increase the potential for prices to fall substantially later, with associated effects on household wealth and spending.

Exchange Rate Policy

Despite recent declines, the Australian dollar remains high by historical standards. Australia has a floating exchange rate, which acts as a shock absorber for some of the effects of global shocks on the economy and naturally adjusts in response to economic developments. Since the float of the Australian dollar exchange rate in 1983, intervention by the Reserve Bank has become less frequent as the market has developed, hedging foreign currency risk has become more efficient, and as awareness of the benefits of a floating exchange rate regime has grown. The last time the Reserve Bank intervened was in late 2008. Nonetheless, the Reserve Bank retains discretion to address dislocated markets and gross misalignments of the exchange rate.

Macroprudential Policy

The Council of Financial Regulators, the non-statutory coordinating body for Australia's four main regulatory agencies, has proven to be an effective means of coordinating responses to potential threats to financial stability. The Australian Prudential Regulation Authority (APRA) is the primary regulator of financial institutions – it supervises a range of institutions including banks, sets prudential standards, and holds a wide range of directive and resolution powers. The RBA is the liquidity provider to the financial system, has regulatory powers in respect of clearing and settlement facilities and the payments system, and incorporates financial stability assessments in its monetary policy decision process. Both agencies have a mandate for macro financial stability, though APRA has the more specific mandate for risk management at the level of the individual institution, complemented by the macroprudential analysis and perspective of the RBA. Australia views macroprudential policy as subsumed within the broader and more comprehensive financial stability policy framework.

Given the rapid increase in house prices, APRA has increased the focus of its supervision on banks' housing lending. In May 2014, it circulated draft new guidelines on residential mortgage lending, which outlined expectations for banks' risk management frameworks, serviceability assessments, deposit criteria and residential property valuations. This has been accompanied by APRA intensifying its prudential scrutiny on an institution-by-institution basis. APRA is also discussing with the Reserve Bank, and other Council of Financial Regulators agencies, additional steps that might be taken to reinforce sound lending practices, particularly for lending to investors.

Assessment of Obstacles and Challenges to Growth

There are four key challenges for the Australian economy: reversing the deterioration in our productivity performance and competitiveness; stabilising the budget; managing the transition from resources led to non-resources led growth; and the ageing of our population. In addition, the state of the global economy continues to remain an important challenge to growth — while global growth is strengthening, the recovery remains uneven and fragilities remain. These challenges underline the importance of restoring the sustainability of government finances by repairing the structural integrity of the budget.

While government debt is low by advanced economy standards, it has risen rapidly in recent years and the structural position of the budget has deteriorated. The use of fiscal stimulus to offset the effects of the global recession and weaker revenue (associated with lower income growth) have put pressure on the budget. The Budget deals with the significant real growth in spending inherited from the former Government. The structural savings the Government has put in place reduce real growth in payments between 2016-17 and 2017-18 from 5.9 per cent at MYEFO to 2.6 per cent.

Prior to the 2014-15 Budget, the trajectory was for continued budget deficits and rising government debt. Budget repair remains a priority to arrest this trend. Unless Australia takes corrective action the recent growth in spending and debt will continue, eroding the Government's fiscal buffers, and increasing the economy's vulnerability to global shocks. Action is needed to prepare the budget structurally for the rising expenditure needs associated with an ageing population.

Australia's productivity growth has weakened over the past decade. With Australia's terms of trade declining and population ageing weighing on workforce participation, structural and regulatory reforms are required to increase productivity and competitiveness in the broader economy and to ensure increased living standards. Lifting national productivity depends on the improved performance of individual businesses and work places, which would be assisted by the policy and institutional environment that facilitates growth and rewards innovation. The Government is therefore embarking on a suite of reforms that will close the policy gaps on investment, employment, trade and competition, and lift the productive capacity of the Australian economy.

Investment: Investment in the non-resources sector has been lower than average, despite strong corporate balance sheets. Resources sector investment is expected to slow in the coming years as the resources boom transitions from an investment to a production phase. Investment growth in the non-resources sector will need to help fill the gap. This coincides with a need for increased investment in new and existing infrastructure to enhance Australia's productivity. Infrastructure investment is central to improving living standards and productivity in Australia.

Employment and Labour Force Participation: Australia's unemployment rate was 6.2 per cent in September 2014, around one percentage point higher than estimates of Australia's non-accelerating inflation rate of unemployment. Australia's unemployment rate is forecast to rise to 6¼ per cent by the June quarter of 2015. Employment will remain subdued and wages growth will remain modest. Australia's participation rate has also declined since 2010, limiting the rise in unemployment, and is projected to decline further as the population ages.

The rise in the unemployment rate has been limited by a fall in the participation rate due to structural and cyclical factors including: a 'discouraged worker' effect, especially amongst younger workers; a lower rate of participation among specific demographic groups (which includes younger workers), mature age people, the low-skilled and people with a disability; a lower rate of female participation than peer countries (which is around 12 percentage points below male participation); and demographic factors such as the first of the 'baby-boomer' generation reaching retirement age. The labour force participation rate for people aged 15 years and over in Australia is projected to fall from around 65 per cent at present to less than 61 per cent by 2049–50 due to population ageing. Lifting labour force participation is a high priority for Australia over the medium to long term, to improve labour supply and sustainable economic growth rates.

Trade: Australia is an open, trade-exposed economy, with a transparent trade and investment regime. While Australia's trade is growing (exports grew by 6 per cent in 2012-13), there is room to take additional steps to further focus on trade and investment as drivers of growth. The Government is committed to reduce the costs of trade, investment and business behind the border. This would help businesses to compete, both domestically and internationally in global value chains, encourage investment and boost two-way trade, leading to increased growth and job creation.

Competition and Regulation: After several periods of pro-competition reforms over a number of decades, market-based approaches dominate the Australian economy, from agriculture to utilities. Observed productivity and price changes in key infrastructure sectors in the 1990s—to which national competition and related reforms have directly contributed—are estimated to have permanently increased Australia's GDP by 2.5 per cent. However, in a rapidly evolving domestic and world market there is more to be done to enhance competition – particularly removing ineffective regulations that impede competition and participation in goods and services markets. Appropriate regulation is needed for efficient markets, but excessive red tape can detract from productivity and ultimately lower living standards. Past regulatory programmes have imposed unnecessary red and green tape cost burdens by creating new regulations without removing equivalent costs from the system. Australia's two million small businesses take on a disproportionate share of this burden, in comparison to large businesses that have greater resources to respond to regulatory change. Partly as a result of this, Australian businesses have experienced increasing costs and falling productivity growth, resulting in diminished international competitiveness and higher domestic prices, which discourage firms from doing business in Australia.

C. POLICY RESPONSES TO LIFT GROWTH

Since coming to office in September 2013, the Australian Government has embarked on a comprehensive economic growth strategy focussed on enhancing the conditions for the private sector to drive growth. This is fundamental to creating incentives for a more dynamic and competitive Australian economy. The strategy comprises two inter-related elements designed to restore fiscal sustainability and confidence in the management of public finances and to promote stronger private sector growth and employment.

New Macroeconomic Policy Responses

A New Fiscal Strategy and Budget Repair Strategy

The 2014-15 Budget released in May detailed the Australian Government's medium-term fiscal strategy, which is to achieve budget surpluses, on average, over the course of the economic cycle. The Government's medium-term fiscal strategy is underpinned by three policy elements: redirecting government spending to investments that boost productivity and participation; reducing the Government's share of the economy over time through a reduction in government payments as a share of GDP and paying down debt; and strengthening the Government's balance sheet by improving net financial worth over time. Consistent with this medium-term framework, the Government has also initiated a budget repair strategy that imposes additional disciplines until a strong surplus is achieved and so long as economic growth prospects are sound and unemployment remains low. The budget repair strategy also requires all new spending to be more than offset and all unexpected improvements in receipts and payments to be 'banked' (that is, to be used to directly improve the budget bottom line).

The Government's 2014-15 Budget is expected to reduce the underlying cash deficit from 3.1 per cent of GDP in 2013-14 to 0.2 per cent of GDP in 2017-18 and deliver budget surpluses exceeding 1 per cent of GDP by 2023-24. The projected fiscal consolidation is driven by announced policy measures, not assumptions, and allows for future tax cuts by capping tax revenues as a share of GDP. The average annual pace of fiscal consolidation is 0.6 per cent of GDP over the next four years (abstracting from a one-off grant to bolster the balance sheet of the Reserve Bank of Australia in 2013-14). This strikes the right balance between restoring the structural integrity of the budget and not placing excessive pressure on the economy as we transition to broader-based growth.

Returning the budget to surplus and strengthening the Government's balance sheet will support stronger and more sustainable economic growth in the medium term. By reducing the size of government, fiscal consolidation will help to keep interest rates lower over time, while rebuilding fiscal space and the flexibility to respond to future shocks. Government expenditure is being redirected to more productive uses, including greater infrastructure investment, and the Government has announced measures to encourage greater workforce participation. By getting government finances under control and laying out a credible plan for fiscal repair, the Government is also providing businesses and households with greater certainty to invest in the economy's future.

The Australian Government will **cut the company tax rate** by 1.5 percentage points from 1 July 2015. For large companies, the reduction will offset the cost of the Government's Paid Parental Leave

Scheme (see 'Employment'). For up to 800,000 small and medium sized businesses it will provide a net boost to profitability.

New Structural Policy Responses

The Australian Government is in the early stages of delivering on a comprehensive structural reform agenda. The 2014-15 Budget contained a number of initiatives for raising Australia's growth potential through measures that promote increased workforce participation and productivity.

In October 2014, the Government released its *Industry Innovation and Competitiveness Agenda* — an action plan for a stronger and more competitive economy. The Agenda sets out plans for more competitive markets, a more skilled labour force, better economic infrastructure and industry policy that fosters innovation and entrepreneurship. Some of the reforms outlined in the agenda are included in Australia's comprehensive growth strategy.

The Government has also commissioned a number of major policy processes that seek to raise Australia's growth potential through reforms to our competition policy frameworks, our financial system, our tax system, workplace relations laws and the relationship between the different layers of government in our federation. These reviews will provide guidance on the direction of future reform.

Investment and Infrastructure

The Government's reforms are aimed at increasing investment in infrastructure, by both government and private investors. Several policy measures will add to infrastructure investment by: unlocking funds from State-owned assets and prioritising investment in new infrastructure; improving project prioritisation, selection and coordination; and removing ineffective regulation that is unduly hindering project delivery and private participation. These measures directly address Australia's key challenges associated with the shift to non-resources led growth, expanding the supply capacity of the economy whilst supporting demand. By also encouraging greater private participation, they assist in easing fiscal pressures associated with infrastructure provision.

To boost infrastructure supply, the Government is investing $50 billion (which goes beyond 2019-20) including a new **Infrastructure Growth Package** announced in the 2014-15 Budget. The $11.6 billion Infrastructure Growth Package will be targeted at projects that grow the economy, boost productivity and create jobs. The Australian Government's infrastructure investment will lead to additional investment from State and Territory governments and the private sector. In total, this will deliver $125 billion of infrastructure investment.

As part of the Infrastructure Growth Package, the Government is implementing an '**Asset Recycling Initiative**', providing $5 billion in incentive payments to State and Territory (sub-national) governments to sell assets and reinvest both the proceeds from selling the assets and the incentive payment from the Government in new economic infrastructure. Incentive payments of 15 per cent of proceeds from the sale will be available for five years through to 30 June 2019, provided proceeds are reinvested in infrastructure. The initiative will increase the overall level of funding for productive infrastructure by unlocking government capital and enhancing private sector investment. The initiative has the potential to catalyse around $33 billion of additional infrastructure investment and contribute to the creation of a strong pipeline of projects.

This funding package builds on the Government's existing commitment, to fund key infrastructure including road, rail and intermodal projects. When the associated construction projects are completed, they will be adding around 1 percentage point to the level of GDP.

The Government is also further streamlining approval processes for major projects, as well as seeking to achieve better project prioritisation, selection and coordination by providing greater transparency through cost benefit analysis of major projects and **improving the operation of Infrastructure Australia** (the body that assesses major infrastructure projects). Rigorous appraisal processes will help ensure that high-quality projects that create the most benefit will be prioritised.

Employment and Participation

The Australian Government's **employment welfare reforms** will increase labour force participation and improve labour productivity. These reforms are aimed at boosting labour supply, creating more jobs and making the Australian economy more flexible. They will directly address Australia's key challenges by targeting our productivity performance and supporting the workforce adjustment to structural changes occurring in the economy.

Reforms to participation include changes to welfare arrangements to encourage young Australians to either 'learn or earn' (broadly, they should be in study or employment), with jobseekers under 30 years of age required to participate in job search and employment service activities for up to six months before receiving income support. Eligibility for family payments and the disability support pension will be tightened, while incentives to work for those who are able to will be improved. In particular, the Government will tighten the eligibility for family tax benefits, reducing the primary earner income limit from $150,000 to $100,000 per year from July 2015. Payments will also be limited to families whose youngest child is younger than six years old, to increase workforce participation among parents.

Building on the previous government's reforms to increase the Age Pension age to 67, the Age Pension age will be gradually increased to 70 years by 2035, with an expanded wage subsidy scheme to boost employment opportunities for mature age jobseekers. A new **Paid Parental Leave Scheme** will be introduced from 1 July 2015 to support higher levels of participation by women by providing recipients with up to 26 weeks of replacement wage, capped at $50,000 plus superannuation contributions. A strong child care sector is also important to improving employment and participation. Regarding reforms to the childcare system, the Government is developing a response to the Productivity Commission Inquiry into Childcare and Early Childhood Education. The Government introduced the Restart wage subsidy from 1 July 2014 to encourage the employment of older Australians. Mature age job seekers aged 50 or over who have been receiving income support (including the Age Pension) for a minimum of six months are eligible. A subsidy of up to $10,000 over two years can be paid to employers who hire an eligible mature age job seeker on a full-time basis (30 hours or more per week). This is expected to assist 32,000 jobseekers each year. These measures respond to the challenges posed by an ageing population, encouraging greater labour force participation as well as helping to close the gaps in participation between different demographic groups.

To achieve improved labour productivity, the Government has introduced legislation to **improve the operation of Australia's workplace laws**. The Government will re-establish the Australian Building and Construction Commission to boost productivity in the construction industry; introduce reforms to improve bargaining over workplace agreements for new work sites; remove the ability for unions to take industrial action as a 'first resort' option; boost accessibility to individual flexibility arrangements between employees and employers; and improve the accountability and governance of unions and employer bodies.

The Government is also **reforming the higher education system** to expand opportunities for students, support more courses, ensure greater diversity and more skills for our workforce, and make Australia's higher education system more market-based and competitive with elite international universities. The reforms will ensure that the Government's contribution to higher education is better targeted. Currently, Australia's universities struggle to compete globally because they are not able to freely set courses and fees based on student demand. The Higher Education Reform Package will improve the flexibility, competitiveness and responsiveness of the sector by: allowing universities to set their own course fees so that education providers compete for students; providing demand-driven subsidised student places for diplomas, advanced diplomas, associate degrees and bachelor courses at all accredited higher education institutions (universities, TAFEs and private colleges); rebalancing the Government's contribution towards course fees for new students; and removing student loan fees and loan limits. Expanding the demand driven funding system, which is currently limited to bachelor courses at public universities, will see the Government supporting over 80,000 additional students in 2018 at an estimated cost of $820 million over 2014-15 to 2017-18. Strengthening price signals will facilitate greater investment in quality education, but access will still be supported by the retention of income-contingent student loan facilities. These reforms also aim to improve the human capital stock of Australians by improving the quality of tuition.

The Government is **reforming the Vocational Education and Training (VET) sector** to provide Australia with a skilled and flexible workforce which will contribute to maintaining and improving Australia's economic position in the face of increasing global competition. Key reforms already delivered include streamlined governance arrangements; improved industry engagement; the introduction of Trade Support Loans for apprentices; and a $476 million Industry Skills Fund. Further reforms will be implemented cooperatively with state and territory governments, including improving contingent loan support arrangements for VET students. These reforms will ensure that qualifications are streamlined and industry-defined; trade apprenticeships are appropriately valued and utilised as a career pathway; the regulatory system supports a competitive and well-functioning market; consumers are able to make well informed decisions; and government funding is targeted and efficient to improve qualification completion rates and employment outcomes. The Government will also invest $200 million each year as part of the Australian Apprenticeship Support Network to improve apprenticeship completion rates, which are currently around 50 per cent. The Network will commence on 1 July 2015, replacing the existing Australian Apprenticeship Centres system. It will shift apprenticeship services away from administration to outcomes-focused services such as mentoring and job-matching to better support business and apprentices.

Competition

The Australian Government's competition reforms are aimed at achieving competitive and productive markets throughout the economy. After several periods of pro-competition reforms over a number of decades, market-based approaches dominate the Australian economy. However, there is more to be done to promote competition. Much like actions to promote trade and reduce regulation, competition reforms will boost the competitiveness of the economy and the efficient allocation of resources.

In addition, the Government's wider regulation reforms are aimed at boosting productivity by **cutting red tape** for businesses, community organisations and individuals. To achieve this, the Government set a target to reduce the net regulatory burden by $1 billion every year. To date, the Government has repealed more than 10,000 redundant regulations and over 1,800 redundant Acts of Parliament. More importantly, it announced a range of new policy measures and introduced legislation which will result in over $2.1 billion in annual deregulatory savings across a range of areas. These included:

- The development of a one-stop-shop to eliminate duplication between Commonwealth and State and Territory environmental approvals. The proposed changes will provide businesses with access to a much speedier and more cost effective environmental assessment process while maintaining the existing high environmental standards.
- The implementation of the myTax initiative that will facilitate streamlined tax returns for approximately 1.4 million taxpayers. The Government will enable users to automatically pre-populate income and other data already provided to the Government, reducing the amount of information that individuals must separately enter into their tax returns.
- The introduction of legislation to reduce the compliance costs for small businesses, financial advisers, and the broader financial services industry, whilst maintaining the quality of advice for consumers accessing financial advice.

The Government has also removed impediments to investment by repealing the mining and carbon taxes. The repeal of the carbon tax alone is expected to reduce annual compliance costs by $85.3 million. Both these reforms will directly reduce compliance costs and will contribute to a more dynamic economy.

The Government is committed to **creating more self-reliant and competitive industries**. Rather than providing funding for a growing array of assistance programmes through the budget that serve to protect domestic firms, the Government's focus will be on strengthening the overall business environment, so that enterprises, large and small, can create more jobs in Australia. As part of this commitment to self–reliance, the Government is simplifying industry programmes and has given a clear signal to firms that they can no longer rely on government subsidies. Past industry assistance programmes have delivered rapid growth in annual assistance, but have not always been matched by changes in firm practices required to maintain viability and improved productivity. The Government has committed $1.4 billion to make Australian industry more productive and competitive. The focus on developing intangible firm capital will have a longer lasting impact on economic growth through sustained improved performance in the market sector.

This approach to industry policy will be implemented through:

- A $484 million Entrepreneurs' Infrastructure Programme, which will improve the capabilities of small to medium business and streamline the way businesses access industry information and services by reducing red tape and providing quality and consistent services at the lowest possible cost.
- A $155 million Growth Fund, which will create jobs for employees and supply-chain businesses affected by the upcoming closure of Australia's local automotive manufacturing industry. The Growth Fund includes transitional assistance for skills, training, career planning and for accelerating private sector investment in high-value manufacturing sectors and regional areas.
- Establishing, in consultation with industry, Industry Growth Centres to drive growth and job creation, initially for five promising industries at a cost of $188.5 million over four years.
- A Manufacturing Transition Programme to help businesses transition to competitive industries and drive new innovation and opportunities for growth.

The Government has announced that it will increase the international competitiveness of Australian businesses by **improving the taxation arrangements which apply to employee share schemes**. The previous taxation arrangements meant options provided under an employee share scheme were taxed when they were provided to the employee (if there was no risk that the employee would forfeit the options), rather than when they were converted to shares (exercised). This effectively ended the provision of options under an employee share scheme. The Government has announced that it will reverse, for all companies, the previous changes made to the taxing point for options, while retaining the integrity provisions that previously applied. This means that employees who are issued with options under deferred tax schemes will generally be able to defer tax until they exercise their options, rather than having to pay tax when they receive the options. A further concession will be made available to eligible start-ups, which will allow them to issue options or shares to their employees at a small discount and not be subject to upfront taxation, provided the shares or options are held by the employee for at least three years. Options that meet certain conditions will have taxation deferred until sale. Shares (issued at a small discount) will have their discount exempt from tax.

Trade

The Australian Government is focused on reducing the costs of doing business in Australia and providing stability for companies seeking to trade and invest in Australia. Our trade reforms are aimed at lowering the costs of trading across borders, reducing regulation behind the border, and further strengthening Australia's trade ties and investment relationships. Greater trade and investment will support robust, sustainable economic growth, greater competition and spur innovation. Robust growth in trade driven by the private sector will also support growth in jobs.

Behind the border, the Government is taking broad-ranging action to **reduce the regulatory burden** on businesses, domestic and foreign, operating in Australia. These include actions to reduce red and green tape, cut taxes imposed on businesses and increase competition. Trade-related initiatives under the wider regulatory reforms and competitiveness agenda include:

- measures to reduce costs associated with bidding for public private partnerships such as excessive information requirements and ill-suited accreditation and prequalification processes associated with the Federal Safety Commissioner Accreditation Scheme;
- reviewing restrictions on Australia's coastal shipping industry to increase competition and remove regulation adding to the cost of shipping; and
- actions to improve business access to highly skilled workers.

Trade will also benefit from reforms that are being undertaking in other thematic areas:

- Australia's Infrastructure Growth Package referred to in the investment section above includes a number of large projects with a focus on modernising transport infrastructure and intermodal connections. These will enhance access for exporters and importers to international markets by easing the passage of freight. The Perth Freight Link in Western Australia will provide a high standard freight connection that will significantly reduce transport costs for heavy vehicle users, boost freight efficiency and improve access to the Port of Fremantle. Other projects include upgrades to intermodal terminals and freight rail in several states with a focus on increasing freight capacity. Extension of the Hobart International Airport runway will foster air freight exports of high value-added agricultural products to Asian markets.
- In developing the Industry Skills Fund, also referred to in the employment and participation section above, Australia has studied closely the recommendations in the international organisations' reporting to the G20 on global value chains. Specifically, governments need to ensure appropriate skills training is available for firms wishing to enter into and upgrade in global value chains. Under the new Skills Fund, firms willing to co-invest with the Government can apply for funding to train, re-skill or up-skill their existing workforce. This will improve their capacity to diversify into new markets and reposition themselves in response to market-driven structural adjustment.

At the border, Australia will support the enhancement of supply chain efficiency and more seamless trade. Australia will establish a **Trusted Trader Programme** to foster legitimate trade. Under this programme, low-risk frequent traders and industry partners exporting to Australia will benefit from reduced border compliance costs.

Australia is also seeking to reduce unnecessary regulation and cut business costs internationally through trade agreements. Australia is pursuing more open markets and trade liberalisation in bilateral, regional plurilateral and multilateral forums. This includes sector-specific negotiations to reduce tariffs on environmental goods, liberalise services and expand the information technology agreement product list.

Australia is further opening trade as a result of concluding high-quality free trade agreements (FTAs) with Japan (April 2014) and Korea (December 2013) as detailed in Annex 2. Australia will eliminate all tariffs on $28.4 billion of imports from our second and fourth biggest trading partners, with around 85 per cent of the tariffs (accounting for $23.8 billion of imports) receiving duty-free treatment on entry into force. These types of agreements have become the key mechanism for liberalising global trade. They prompt important structural change and provide new opportunities for growth in trade, jobs and prosperity.

- On entry into force of the **Korea-Australia Free Trade Agreement**, 84 per cent of Australia's goods exports (by value) will enter Korea duty free; by full implementation, tariffs on 99.8 per cent of our exports to Korea will be eliminated. Australia will provide duty-free access on 86 per cent of current imports from Korea on entry into force of the Agreement, increasing to 100 per cent in eight years.
- More than 97 per cent of Australia's exports to Japan will receive preferential access or enter duty-free when the **Japan-Australia Economic Partnership Agreement** is fully implemented. Consistent with Australia's other trade agreements, Australia will remove all *ad valorem* tariffs on Japanese goods. Tariffs on 82.7 per cent of Australia's imports from Japan will be eliminated on entry into force of the Agreement, with the remaining tariffs on Australia's products phased out within eight years.

The two agreements also raise the threshold for investment screening into Australia, so that most investments by Korean and Japanese investors valued up to $1,078 million will not be reviewed by the Foreign Investment Review Board. As with Australia's previous FTAs, given that most Australian services measures are applied on a non-discriminatory basis in practice, all of Australia's trading partners will benefit from the binding of higher levels of services liberalisation. These two agreements, together with Australia's existing FTAs, now cover 44 per cent of Australia's total trade.

Australia's move towards accession to the **WTO Agreement on Government Procurement** (GPA), on completion of necessary domestic processes, is a tangible demonstration of Australia's commitment to further strengthening the multilateral trade system and to the principle of non-discrimination. It would further strengthen competitiveness in Australia and the central role of business in contributing to national prosperity. Australia already maintains a strong and modern government procurement framework built on the principle of openness and best value for money for the Australian taxpayer. Accession would deliver new export and investment opportunities for Australian firms, provide access to the $1.7 trillion government procurement market of GPA members and provide greater certainty to GPA member country firms.

To achieve lower trading costs and reduce the regulatory burden for business, Australia will lead by example by **implementing and ratifying the WTO Agreement on Trade Facilitation** as soon as possible. Australia completed an important first step in the ratification process when it tabled the Agreement in the Australian Parliament on 18 June 2014.

ANNEX 1: ST. PETERSBURG FISCAL TEMPLATE — UPDATE

1. Update on Fiscal Strategy:

The Australian Government's medium-term fiscal strategy is to achieve budget surpluses, on average, over the course of the economic cycle. The fiscal strategy underlines Australia's commitment to budget discipline and outlines how the Government will set medium-term fiscal policy while allowing for flexibility in response to changing economic conditions.

To deliver budget surpluses building to at least 1 per cent of GDP by 2023-24, the Budget Repair Strategy requires that new spending is more than offset by reduced spending, and positive variations in receipts and payments from favourable economic conditions are banked as improvements to the budget bottom-line.

This budget repair strategy will stay in place until the surplus goal is met, so long as economic growth prospects are sound and unemployment low.

2. Medium-term fiscal strategies:

a. Overall strategy for debt sustainability

The Australian Government's budget repair strategy is designed to deliver budget surpluses building to at least 1 per cent of GDP by 2023-24 consistent with the medium-term fiscal strategy. The strategy sets out that:

- new spending measures will be more than offset by reductions in spending elsewhere within the budget;
- the overall impact of shifts in receipts and payments due to changes in the economy will be banked as an improvement to the budget bottom line, if this impact is positive; and,
- a clear path back to surplus is underpinned by decisions that build over time.

The Budget repair strategy will stay in place until a strong surplus is achieved and so long as economic growth prospects are sound and unemployment remains low.

b. Debt-to-GDP ratio objective

The Australian Government's fiscal strategy includes a commitment to reduce the Government's share of the economy over time, including by stabilising and then reducing Commonwealth Government Securities on issue over time. Australian Government net debt is expected to peak as a share of GDP at 14.6 per cent and gross debt at 25.1 per cent in 2016-17, and then begin to decline.

c. Intermediate objectives

The Australian Government will achieve fiscal consolidation through medium-term structural savings to the budget. These savings decisions will help to improve the sustainability and efficiency of Government spending. The largest savings are through changes to welfare payments for young people with full working capacity; changes to the funding of Australia's foreign aid program, reforms to hospital funding and health expenditure; reforms to schools funding to drive efficient delivery of education services; changes to family tax benefits, including tightening of eligibility requirements; changes to the method of indexation of age and disability pensions; and reforms to higher education funding and student contributions.

d. Expenditure and revenue reforms

Expenditure Reforms

The Australian Government is ensuring fiscal discipline by implementing savings measures that strengthen its financial position and underpin fiscal credibility. The 2014-15 Budget has put in place structural savings that reduce the spiralling of payment growth and drives a significantly more sustainable budget position in the medium term. Additionally, the Government has made a commitment that all new spending measures will be more than offset by reductions in spending elsewhere within the budget.

Revenue Reforms

The Australian Government is introducing a Temporary Budget Repair Levy of 2 per cent on individuals' taxable income above $180,000 from 1 July 2014 until 30 June 2017 to help reduce the deficit. This measure will raise an estimated $3.1 billion over the forward estimates period.

The Government is also re-introducing biannual fuel indexation (by the CPI) generating $2.2 billion over the forward estimates for building new and upgrading existing infrastructure.

Additionally, the overall impact of shifts in receipts and payments due to changes in the economy will be banked as an improvement to the budget bottom line, if this impact is positive.

e. Reforms to strengthen the fiscal framework

In 2012 the Australian Government established the independent Parliamentary Budget Office (PBO). The PBO is a specialised office dedicated to providing the Parliament with high quality analysis and advice on Budget related matters. The establishment of a PBO is an important reform designed to enhance the credibility and transparency of Australia's fiscal and budgetary frameworks. It will prepare estimates of the costs of policies and provide information on budget matters to Members of Parliament. It will also prepare submissions to inquiries of Parliamentary committees and conduct research on and analysis of the budget and fiscal policy settings more broadly.

The Government will also be examining further reforms to strengthen the fiscal framework through forthcoming White Papers on The Reform of Federation and Australia's Tax System.

3. Medium-term projections, and change since last submission *(required for all members)*:

		Estimate	Projections				
	2012-13*	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Debt	257.3	320.0	360.0	390.0	430.0	450.0	457.0
Net Debt ($bn)	153.0	197.9	226.4	246.4	261.2	264.2	266.4
Deficit ($bn)	-18.8	-49.9	-29.8	-17.1	-10.6	-2.8	0.6
Primary Balance	-13.4	-34.1	-14.5	0.1	6.6	14.4	n.a
CAPB	n.a	n.a	n.a	n.a	n.a	n.a	n.a

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

4. Economic Assumptions, and change since last submission (required for all *members)*:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

		Estimate	Projections				
	2012-13*	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Real GDP growth	2.6	2¾	2½	3	3½	3½	3½
Nominal GDP growth	2½	4	3	4¾	5	5	5.3
ST interest rate	n.a	n.a	n.a	n.a	n.a	n.a	n.a
LT interest rate	n.a	n.a	n.a	n.a	n.a	n.a	n.a

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

ANNEX 2: NEW POLICY COMMITMENTS

Macroeconomic Policy Reforms

Cut to Company Taxes The Australian Government will cut the company tax rate.	
Implementation path and expected date of implementation	The Australian Government will cut the company tax rate by 1.5 percentage points from 1 July 2015.
What indicator(s) will be used to measure progress?	The measure will be implemented once the relevant legislation has passed both houses of Parliament.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Investment and Infrastructure

Infrastructure Growth Package The Australian Government is investing around $50 billion in vital road and rail projects (which goes beyond 2019-20) including the new $11.6 billion Infrastructure Growth Package announced in the 2014-15 Budget and its $38.8 billion Infrastructure Investment Programme confirmed in the 2013-14 Mid-Year Economic and Fiscal Outlook (announced in December 2013). These programmes are expected to catalyse an additional $76 billion in infrastructure investment by unlocking State and Territory government balance sheets and private sector funding – for a total of more than $125 billion in additional investment.	
Implementation path and expected date of implementation	Infrastructure projects are implemented in partnership with state, territory and local governments. Construction associated with the Western Sydney Infrastructure Plan is due to commence in 2014-15. The $11.6 billion Infrastructure Growth Package is expected to catalyse an additional $46.3 billion in new infrastructure investment, in particular by unlocking state government balance sheets. This is on top of the $38.8 billion Infrastructure Investment Programme confirmed in the 2013-14 Mid-Year Economic and Fiscal Outlook (announced in December 2013), which will generate $29.7 billion more in infrastructure investment when combined with state and private sector funding. The sum of these initiatives will catalyse additional infrastructure investment in excess of $125 billion. The *Land Transport Infrastructure Amendment Bill 2014* commenced on 10 October 2014.
What indicator(s) will be used to measure progress?	Each infrastructure project will have its own measures of progress including construction and operational timelines.
Explanation of additionality (where relevant)	The $11.6 Infrastructure Growth Package, and the associated $43.6 billion in additional catalysed infrastructure investment from the states and the private sector, is a new measure and builds on the $38.8 billion of existing funding.

Infrastructure Growth Package — Asset Recycling Initiative	
A new $5.0 billion pool of funds that will be used to give Australian State and Territory (sub-national) governments incentive payments to sell their government-owned assets and redirect the proceeds into significant productive infrastructure. This is part of the new $11.6 billion Infrastructure Growth Package.	
Implementation path and expected date of implementation	On 2 May 2014, all Australian governments signed a National Partnership Agreement on Asset Recycling at the Council of Australian Governments meeting. State and Territory governments that wish to participate in the Initiative will now seek to negotiate specific asset recycling deals to put the partnership into effect. These negotiations must be concluded by 30 June 2016. Incentive payments will only be available for five years through to 30 June 2019. The Asset Recycling Initiative has the potential to catalyse around $33.3 billion of new infrastructure investment by unlocking state government balance sheets, for a total of $38.3 billion of additional investment.
What indicator(s) will be used to measure progress?	The Government will measure the amount of additional investment catalysed by the Asset Recycling Initiative, currently estimated at around $33.3 billion.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Reform of Infrastructure Australia	
The Australian Government has introduced legislation to strengthen Infrastructure Australia and make it more effective and independent.	
Implementation path and expected date of implementation	The *Infrastructure Australia Amendment Bill 2013* was passed by the Australian Parliament on 26 June 2014. The legislation provides for the re-establishment of Infrastructure Australia as an entity under the *Commonwealth Authorities and Companies Act 1997* and provides for its functions and powers, as well as transitional arrangements.
What indicator(s) will be used to measure progress?	The measure will be implemented in the second half of 2014. Implementation will be complete once Infrastructure Australia has made the relevant operational changes to comply with the legislation.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Employment

Employment Welfare Reform: Strengthening Participation Incentives and Activation Strategies	
A range of welfare reforms will be made to strengthen work incentives and participation requirements, including: • Stronger participation incentives for jobseekers under 30 years of age, requiring young people to be earning, learning or participating in Work for the Dole. Other changes include a six-month waiting period before receipt of income support and moving young jobseekers under 25 years of age on to Youth Allowance (Other) rather than Newstart. • Changes to the eligibility for family tax benefits. • A phased approach to mandatory Work for the Dole. From 1 July 2014, Work for the Dole has been mandatory in selected areas for job seekers aged between 18 and 30 years. From 1 July 2015, young unemployed people under 30 will be required to participate in mandatory Work for the Dole for 25 hours per week, for six months in every year. • Concessional Trade Support Loans for apprentices, reducing the cost of undertaking an apprenticeship and helping them to focus on completing the trade qualification. • The Restart programme, providing an enhanced wage subsidy to encourage businesses to employ mature age jobseekers who have been on income support for at least six months. This is expected to assist 32,000 jobseekers each year. • A gradual increase in the Age Pension age to 70 years by 1 July 2035. • More targeted transfer payments, with rates or eligibility thresholds for various pensions, family and working age payments to remain at current levels for three years, and pensions (including the Age Pension and the Disability Support Pension) indexed to inflation rather than wages from September 2017. • Changes to work capacity assessments for Disability Support Pension recipients, with a compulsory (labour force) participation plan for recipients aged under 35 years.	
Implementation path and expected date of implementation	Various implementation dates apply. Most of these measures will be implemented from 1 July 2014. Other measures which have later implementation dates may also have behavioural effects in the near term.
What indicator(s) will be used to measure progress?	Relevant indicators include benefit receipt, participation and employment rates for young people, women and the mature aged; and the number of students enrolled in education and training.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Paid Parental Leave Scheme	
A new Paid Parental Leave scheme, which will provide recipients up to 26 weeks replacement wage subject to an income cap of $100,000 per annum, supporting mothers to remain engaged with their employer and lifting female labour force participation.	
Implementation path and expected date of implementation	The expected date of implementation of the Paid Parental Leave scheme is 1 July 2015, subject to Parliamentary approval.
What indicator(s) will be used to measure progress?	Relevant indicators include the progress of legislation through the Parliament; the take-up of the scheme, retention rates and female labour force participation rates. The measure will also improve the incentives for small businesses to employ women of child-bearing age.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Reforms to Improve the Operation of Australia's Workplace Laws	
A range of improvements to labour market regulations will be implemented over the coming year including re-establishing the Australian Building and Construction Commission to boost productivity in the construction industry; reforms to improve bargaining over workplace agreements for new work sites; removing the ability for unions to take industrial action as a 'first resort' option; boosting accessibility to individual flexibility arrangements between employees and employers; and improving the accountability and governance of unions and employer bodies. The Government has also committed to initiate an independent review of the Fair Work laws (Australia's national workplace law system), which will make recommendations on how the system can be further improved.	
Implementation path and expected date of implementation	The majority of these labour market reforms are currently before the Parliament and are contained in the Fair Work Amendment Bill 2014, the Building and Construction Industry (Improving Productivity) Bill 2013 and the Fair Work (Registered Organisations) Amendment Bill 2014. The reforms will be implemented from 2014-15, subject to Parliamentary approval. The remaining reforms will be implemented in due course. The Government will establish an independent review of the Fair Work laws in 2015, to be conducted by the Productivity Commission. This review will make recommendations on how the system can be further improved to support job creation and economic growth.
What indicator(s) will be used to measure progress?	Relevant indicators include progress of legislation through the Parliament; less industrial disputation, increased productivity and employment; take-up of flexible working arrangements; and progress concerning the independent review of the system of labour market regulation.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Higher Education Reform Package The Australian Government is strengthening the higher education system to make it more market-based and competitive.	
Implementation path and expected date of implementation	From 1 January 2016, universities and other higher education institutions will be able to set their own tuition fees for subsidised student places. Expanding the demand-driven funding system, which is currently limited to bachelor courses at public universities, will see the Government supporting over 80,000 additional students in 2018 at an estimated cost of $820 million over 2014-15 to 2017-18. As part of this package, from 1 January 2016 the Government will provide direct financial grants to all students studying towards diplomas, advanced diplomas, associate degrees and bachelor degrees at accredited institutions; remove the 25 per cent loan fee applied to loans for fee-paying undergraduate courses and the 20 per cent loan fee for vocational education and training; and remove the loan limits for full fee-paying higher education students and vocational education and training students. From 1 June 2016, the Government will change the interest rate for HELP loans to make the HELP scheme more financially sustainable and ensure the Government can continue to enable students to defer the cost of their study until they are earning. The level of income at which graduates will begin to repay their student loan debt will also be reduced from 1 July 2016.
What indicator(s) will be used to measure progress?	The measures will be implemented once the relevant legislation has passed both houses of Parliament. Relevant indicators include progress of legislation through the Parliament; the number of higher education students; and the number of higher education institutions offering subsidised places.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Vocational Education and Training Reform	
The Government is reforming the Vocational Education and Training (VET) sector to provide Australia with a skilled and flexible workforce which will contribute to maintaining and improving Australia's economic position in the face of increasing global competition.	
Implementation path and expected date of implementation	The Australian Government has already introduced key reforms including streamlined governance arrangements, improved industry engagement and Trade Support Loans for apprentices. The $476 million Industry Skills Fund will begin on 1 January 2015. Improved income contingent loan support arrangements for VET students (to begin 1 January 2016), are subject to passage of legislation as part of the Higher Education Reform Package. The Council of Australian Governments' Industry and Skills Council recently agreed to a series of further reforms that will require cooperative implementation. These initiatives will be implemented progressively. The Australian Apprenticeship Support Network will commence on 1 July 2015, replacing the existing Australian Apprenticeship Centres system.
What indicator(s) will be used to measure progress?	Relevant indicators include improved qualification completion rates and employment outcomes for students.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Competition

Cutting Red Tape The Australian Government is reducing red tape by $1 billion every year.	
Implementation path and expected date of implementation	The Government set a target to reduce the net regulatory burden by $1 billion every year. To date, the Government has removed more than 10,000 spent and redundant regulations and over 1,800 redundant Acts of Parliament. Moreover, regulatory reforms across a range of areas have delivered more than $2.1 billion in annual savings. Some of the key reforms include: · The development of a one-stop-shop to eliminate duplication between Commonwealth and State and Territory environmental approvals. The proposed changes will provide businesses with access to a much speedier and a more cost effective environmental assessment process while maintaining the existing high environmental standards. · The implementation of the myTax initiative that will facilitate streamlined tax returns for approximately 1.4 million taxpayers. The Government will enable users to automatically pre-populate income and other data already provided to the Government, reducing the amount of information that individuals must separately enter into their tax returns. · The introduction of legislation to reduce the compliance costs for small businesses, financial advisers, and the broader financial services industry, whilst maintaining the quality of advice for consumers accessing financial advice.
What indicator(s) will be used to measure progress?	The Government will update Parliament on progress against the red tape target in the Autumn and Spring parliamentary sessions each year, and table an annual report to Parliament outlining its achievements.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Creating Self-Reliant Industries	
The Australian Government has shifted its focus away from providing general industry assistance to firms, which may be non-competitive, to creating more self-reliant and competitive industries. The Government has committed $1.4 billion to make Australian industry more productive and competitive.	
Implementation path and expected date of implementation	The package of measures to create self-reliant industries was announced as part of the 2014-15 Budget. The $484 million Entrepreneurs Infrastructure Programme commenced on 1 July 2014, while the Manufacturing Transition Programme is expected to start later in 2014. The $476 million Industry Skills Fund will commence from 1 January 2015. A $155 million Growth Fund to provide targeted support for workers and regions affected by the wind down of vehicle manufacturing in Australia.
What indicator(s) will be used to measure progress?	Further design and implementation work needs to be completed by the Government. The indicators to measure progress will be developed during this process.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Employee Share Scheme	
The Australian Government will improve the taxation arrangements for employee share schemes.	
Implementation path and expected date of implementation	The measure was announced on 14 October 2014 as part of the *Industry Innovation and Competitiveness Agenda*. The amendment is estimated to cost around $200 million over four years and will commence on 1 July 2015. It will improve Australia's international competitiveness by providing innovative Australian start-ups and businesses with a way to attract and retain high-quality staff. Further consultation on the details of the changes will be undertaken by the Government.
What indicator(s) will be used to measure progress?	Legislation is required to enact the change. Progress can be measured by the passage of this legislation and the reaction of the business community to the announcement of the measure.
Explanation of additionality (where relevant)	This is an improvement to an existing tax concession.

Trade

Commitment to Further Strengthen Multilateral Trade Institutions and to the Principle of Non-Discrimination Australia will accede to the WTO Agreement on Government Procurement.	
Implementation path and expected date of implementation	Australia will move towards accession to the Agreement on Government Procurement through domestic consultations and other preparations for a negotiating mandate this year. We would expect to commence negotiations at the WTO in 2015.
What indicator(s) will be used to measure progress?	Progress will be measured by Australia's accession to the Agreement on Government Procurement.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Lowering the Cost of Trading Across Borders Australia will implement the Agreement on Trade Facilitation and design a Trusted Trader Programme.	
Implementation path and expected date of implementation	Australia will implement the Agreement on Trade Facilitation as soon as possible, subject to Australian treaty processes. Australian Customs will begin implementation of the Trusted Trader Programme in 2014-15.
What indicator(s) will be used to measure progress?	Progress will be measured by ratification of the Agreement on Trade Facilitation. Progress will be measured by completion of the design and implementation of the Trusted Trader Programme.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Contributing to Global Trade Liberalisation Australia has recently signed two major new free trade agreements.	
Implementation path and expected date of implementation	The Australia-Korea Free Trade Agreement has been signed and is expected to enter into force by the end of 2014. The Australia-Japan Free Trade Agreement has also been signed. It is expected to enter into force in early 2015.
What indicator(s) will be used to measure progress?	For both Free Trade Agreements, progress can be measured by the date of entry into force.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.

Cutting Red Tape Behind The Border	
Australia will implement a number of trade-related initiatives that have the effect of cutting red tape and reducing barriers to entry for all businesses but especially for small and medium enterprises.	
Implementation path and expected date of implementation	As part of its objective to reduce the regulatory burden on businesses, community organisations and individuals, the Government has announced trade-related initiatives that will have the effect of cutting red tape at and behind the border including: (a) An options paper on approaches to regulating coastal shipping in Australia was released on 8 April 2014. It is anticipated the Government will develop policy proposals towards the end of 2014. (b) Actions to ease the movement of business people across borders and improve access for highly skilled workers were announced in March 2014 and have already been implemented by administrative decision. (c) Legislation for simplifying Australia's intellectual property and system of classification has been introduced to Parliament.
What indicator(s) will be used to measure progress?	The Government will update Parliament on progress against the red tape target in the Autumn and Spring parliamentary sessions, and table an annual report to Parliament outlining its achievements.
Explanation of additionality (where relevant)	This is a new measure and is not additional to any past commitment.