

# BUSINESS NSW

18 September 2020

Mr Peter Achterstraat AM  
NSW Productivity Commissioner  
GPO Box 5469  
SYDNEY NSW 2001

## **Business NSW response to the Productivity Green Paper**

*Business NSW* welcomes the opportunity to provide a submission to the *Continuing the Productivity Conversation Green Paper* and believes the recommended program of reforms would contribute to improvements in NSW's productivity performance.

The economic impact of COVID-19 has heightened the need for a robust productivity agenda, and the green paper's draft recommendations, among other microeconomic reforms, will be crucial to ensuring NSW can recover and prosper.

*Business NSW* is predominantly supportive of the green paper's draft recommendations and our response to each recommendation is provided in the attached submission.

We're also pleased to see that many of the green paper's draft recommendations overlap with proposals put forward in our submission to *Kickstarting the Productivity Conversation*, and I would like to thank you and your team for regularly engaging with us throughout the consultation process.

Recently *Business NSW* released its COVID-19 recovery plan *Back on track*, outlining ten business recovery drivers and a further forty measures to boost the performance of business and our economy.

While some of the recommended measures focus on the short-term needs of the economy, our recovery plan also includes initiatives that would boost productivity over the longer-term. For example, we believe there is scope to explore the opportunities and productivity implications of the remote workforce, particularly in light of existing working from home arrangements.

If you have any questions about our submission or would like to discuss in more detail, please feel free to contact me at [mark.frost@businessnsw.com](mailto:mark.frost@businessnsw.com).

Yours sincerely

**Mark Frost**  
Chief Economist

Formerly NSW Business Chamber, Business NSW is the peak policy and advocacy body which has been representing businesses in NSW since 1826. Business NSW is one of Australia's largest business support groups with a direct membership of 20,000 businesses. Business NSW works with government, industry groups, as well as business and community leaders to provide a voice for our members. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level.

# Submission to *Continuing the Productivity Conversation Green Paper*

## Best-practice teaching to lift school results

*Business NSW* has long advocated for ensuring that the best and brightest people are attracted to the teaching profession and is supportive of recommendations that aim to increase the attractiveness of the profession.

### Comments on specific recommendations

#### Draft recommendation 2.1

Design and implement accelerated pathways into teaching to broaden the supply of quality teachers and address workforce gaps:

- Pilot an employment-based pathway to target urgent teacher shortages in Science, Technology, Engineering and Mathematics by 2021.
- Review the costs and benefits of the requirement for a two-year Masters program for teaching by 2021, compared to shorter accreditation pathways.
- Following the review, design and implement alternative accelerated pathways within two years.

*Business NSW* has no objections to this recommendation.

Teaching is a complex profession that can take many years of training and many more to master. It would seem logical for teachers to gain more classroom experience before delivering unsupervised teaching in the classroom.

#### Draft recommendation 2.2

By 2022, revise teacher appraisal and evaluation so school leaders can better identify and address teachers' development needs:

- As a priority, embed mandatory classroom observation by supervisors and principals in the Performance and Development Framework and build the teacher assessment capabilities of school leadership.
- Develop a suite of measures of teacher effectiveness including: 360-degree feedback from students, parents, school-leaders and peers; in-class observation; and individual teacher 'value-added'.
- Embed the consistent use of these measures, with monitoring by the NSW Department of Education to inform support it provides to schools.

*Business NSW* has no objections to this recommendation.

The green paper could consider more support for early years teachers. Research indicates that the highest rates of attrition occur during the early years of teaching<sup>1</sup> (Queensland

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<sup>1</sup> [https://cdn.qct.edu.au/pdf/QCT\\_Qld\\_Graduate\\_Attrition\\_Report\\_2019.pdf?\\_ga=2.88327000.216980687.1600329176-1735152856.1600329176](https://cdn.qct.edu.au/pdf/QCT_Qld_Graduate_Attrition_Report_2019.pdf?_ga=2.88327000.216980687.1600329176-1735152856.1600329176)

College of Teachers, 2013), and teachers may be lost to the profession before schools are able to identify who has the potential to be most effective.

Initial teacher education course retention and completion rates are not vastly different from that of similar courses<sup>2</sup> (AITSL, 2016) and there are significant supports provided by the NSW Government under the *Beginning Teacher Support Funding Policy*<sup>3</sup> (NSW Department of Education, 2018).

However, the recent What Works Best update (CESE, 2020) has identified collaborative practice areas that NSW teachers are missing out on compared to other education systems overseas. In particular, the CESE notes that "...teachers in Shanghai and Singapore are considerably more likely than Australian teachers to participate in formal mentoring, observation visits to other schools, and peer and/or self-observation or coaching as part of a formal school arrangement."<sup>4</sup>

It is therefore recommended that further consideration be given to opportunities to support, and therefore retain, effective teachers, particularly during the early years of teaching.

### **Draft recommendation 2.3**

Develop an 'instructional lead' career pathway for highly effective teachers as an alternative to an administrative career progression. Highly effective teachers should be identified using a suite of robust measures, as outlined in draft recommendation 2.2.

*Business NSW supports this recommendation.*

It is critical that highly effective teachers have a variety of career pathways that enable them to progress but remain in the classroom should they wish.

### **Draft recommendation 2.4**

Create a culture of continuous improvement that actively fosters best-practice teaching. Embed strategies, interventions, resources and support tailored to individual school and teacher needs, including guidelines on best-practice by learning area.

Require schools to regularly report their progress implementing evidence-based best-practice teaching to the NSW Department of Education and explain departures from best-practice methods.

Develop further state-wide assessment resources to support all schools to more effectively use data to monitor student progress, and to inform and target teaching practices.

*Business NSW has no objections to recommendations aimed at supporting teachers.*

Teachers and principals need to ensure they complement the 'top-down' development of their professions with the 'bottom-up' evidence of effective practice across a variety of schooling contexts. A culture of continuous improvement should be pervasive, such that teachers and principals are consistently seeking out and implementing 'best practice' tailored to the needs of their classrooms and schools.

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<sup>2</sup> [https://www.aitsl.edu.au/docs/default-source/research-evidence/spotlight/spotlight---attrition.pdf?sfvrsn=40d1ed3c\\_0](https://www.aitsl.edu.au/docs/default-source/research-evidence/spotlight/spotlight---attrition.pdf?sfvrsn=40d1ed3c_0)

<sup>3</sup> <https://policies.education.nsw.gov.au/policy-library/policies/beginning-teachers-support-funding-policy>

<sup>4</sup> NSW Centre for Education Statistics and Evaluation. What works best: 2020 update

## A modern VET system to deliver the skills we need

*Business NSW* absolutely agrees with the need for a modern VET system to deliver the skills we need. However, *Business NSW* has concerns around some of the draft recommendations in this chapter, particularly around alternative pathways into trades.

Overall, *Business NSW* feels that the Productivity Green Paper does not fully recognise the importance of VET in skills development and the productivity benefits arising from training, including in service industries. While qualifications may not necessarily be required for a particular position, training can lead to an increase in the quality of labour and productivity, by equipping employees with greater skills and knowledge (and possibly fostering greater effort), supporting flexibility throughout careers and delivering foundational skills that can sometimes be lacking (see recommendation 3.3).

The answer to the question on page 65, “So why has the VET system declined so dramatically, despite it being seemingly so well supported by industry and government?”, is complex. However, a key reason that is not considered in detail by the paper is the reduction in funding to the VET sector over the last 10 years.

Total NSW and Commonwealth Government funding to the VET sector in NSW was \$2.3 billion in 2018<sup>5</sup>. In 2010, this figure was \$1.95 billion<sup>6</sup> – representing a decrease in funding over the last 8 years in real terms. Funding has not kept pace with population growth, growth in salaries, infrastructure investment nor the growth in government funding to other education sectors over that same period.

The Expert Review of Australia’s Vocational Education and Training System (Department of Prime Minister and Cabinet, 2019) found that government funding for VET is the lowest of the three education sectors. In 2016-17, funding to the VET sector was around \$12,500 per FTE, compared to \$22,000 per FTE in higher education and \$15,000 per FTE in schools.<sup>7</sup>

VET qualification costs are increasingly being met by students and employers. Funding inconsistency and uncertainty hinders the ability of providers to meet the demands of students and businesses, with businesses frequently reporting that VET courses, particularly in regional areas, are often full, cancelled or unavailable due to funding constraints. While there may be other reviews occurring regarding VET funding, the impact of the reduction in funding is still worthy of further consideration as part of this process, particularly the correlation between declining enrolments in the VET sector and funding reductions.

Further, the VET system should not be conceived as a narrow system aimed at young people and solely delivering apprenticeships and traineeships. Over half of the 1.37 million total VET students in NSW in 2019 were over the age of 30. For apprenticeships and traineeships, over 30 per cent of students in training were over the age of 25 (NCVER, Apprentices and Trainees, December 2019 collection).

While there are a multitude of reasons for long-standing skills shortages, there remain significant issues around awareness of these shortages, and more joined-up thinking towards this issue would help.

A key reason for air-conditioning mechanics being in such shortage, for example, is evident in VET in schools’ data. The Certificate III in Air-conditioning and Refrigeration is only

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<sup>5</sup> Australian Government. Productivity Commission. Report on Government Services 2020.

<sup>6</sup> Australian Government. Productivity Commission. Report on Government Services 2012.

<sup>7</sup> Department of Prime Minister and Cabinet. 2019. Expert Review of Australia’s Vocational Education and Training System.

available to students undertaking a school-based apprenticeship, and since 2015, 150 school students nationally have enrolled.<sup>8</sup> In NSW, this figure is 70 – and zero since 2018.<sup>9</sup>

The issues related to a lack of uptake are compounded further by none of the twelve Stage 5 VET Board Endorsed courses in NSW offering a pathway to becoming an air-conditioning mechanic. An alternative option could have been to use the NSW Government's Cooler Classrooms initiative as an opportunity to provide an innovative way to increase interest in becoming an air-conditioning mechanic.

Our *Skillsroad 2020 Youth Skills Survey* (unpublished) suggests that high school students generally have a low level of awareness of the occupations in shortage, and very few could identify *air-conditioning mechanic* as an area of need.

Yet obtaining more information about occupations is of great interest to young people. Of the 1,238 respondents to the survey, 68 per cent said they wanted more information about 'jobs of the future'. Further, in response to our *2020 Youth Survey* (Skillsroad 2020), 48 per cent of respondents said they wanted 'career discussions started earlier in school'.

It would be of interest to understand how many careers advisors would identify the occupation of air-conditioning mechanic as being in critical shortage. It is our long-held view that careers advisors in schools are currently under resourced which inhibits their capacity to maintain a contemporary understanding of labour trends. The newly formed National Careers Institute has a critical role in addressing this issue by providing contemporaneous data tailored to local regions and easily accessed and understood by students and careers advisors alike.

While noting that it may not solve skills shortages, *Business NSW* has frequently called for the NSW Government to increase support for School-Based Apprenticeships and Traineeships as a viable option to help young people into work (see recommendation 3.2).

## Comments on specific recommendations

### Draft recommendation 3.1

By the 2020-21 Budget, develop a medium-term 'earn or learn' skills strategy that guides and supports skills transitions for workers displaced by COVID-19.

*Business NSW* supports this recommendation in principle.

However, it is not clear how this strategy would be implemented and whether it would see people forced or incentivised to participate. Expanding on existing resources could be the most effective method for delivering on this strategy.

Of note, Australian Apprenticeship Support Network (AASN) providers are already contracted by the Commonwealth Government to deliver gateway services. This provides a mechanism for career advice and support to access resources that are already there (*Business NSW* is a shareholder in Apprenticeship Support Australia – an AASN provider). Gateway services help provide information to individuals (including prospective apprentices) about non-apprenticeship VET pathways.

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<sup>8</sup> National Centre for Vocational Education Research. DataBuilder. VET in Schools.

<sup>9</sup> National Centre for Vocational Education Research. DataBuilder. VET in Schools.

### **Draft recommendation 3.2**

Introduce two new and more flexible pathways to trades qualifications: one for HSC-holders (two years or less) and one for mature-aged workers (18 months or less).

- Incentivise registered training organisations to develop more flexible modes of course delivery, including after-hours learning and short intensive periods of full-time study.
- Establish a Training and Skills Recognition Centre to implement the new training pathways, starting in the construction sector.
- Regulate to allow employment of unqualified juniors (those below 21 years of age) in a recognised trade vocation outside an apprenticeship, provided they have completed, or are enrolled in the relevant trades qualification.
- Endorse a marketing campaign to raise the profile and awareness of new trades pathways.

*Business NSW* does not fully support this recommendation.

The apprenticeship model is a long-established pathway into trades which has met with significant success since its introduction to Australia, but there is scope to refine and improve the model.

*Business NSW* supports increasing the proportion of women in trades. However, the green paper's assertion that the underrepresentation of women in trades is due to the training system is an oversimplification of the issue. Many women progress through the same training system on traineeship pathways. NCVER data indicates that in NSW in 2019, 40 per cent of all apprenticeship/traineeship completions were female. This appears to indicate that the training model is not necessarily exacerbating this issue, but barriers are primarily institutional practices and workplace culture referred to in the green paper.

Careful consideration therefore needs to be made prior to the introduction of alternatives to the current apprenticeship pathway, particularly due to the potential trade-off between shortened pathways and the maintenance of quality. Employers frequently report that courses without industry involvement are not valued as highly as those with more workplace experience. Many businesses also believe that more workplace experience results in better outcomes for apprentices and employers.

Any changes to apprenticeship pathways will also have implications for industrial award classifications that currently utilise AQF levels and qualifications descriptors, including pay rates. These impacts will require careful consideration in the implementation of any new model.

As noted in the green paper, the competency-based system in NSW already accommodates early completion. There is an opportunity to further consider why early completion rates are so low.

One reason put forward by many businesses is the unavailability and inflexibility of training. *Business NSW* agrees that greater flexibility in training is required, particularly to support an increase in mature-aged apprentices.

*Business NSW* is aware of training models that offer greater flexibility, such as the Nirimba TAFE campus in Quakers Hill which offers part-time evening classes in a range of apprenticeship courses. Expansion of this type of flexibility should be mirrored elsewhere. Consideration should also be given to increasing the availability of training to more than one day per week in many courses, which will increase opportunities for early completion.

Further, there are opportunities to consider increased flexibility in on-site training, such as at an employer's place of work. Alternatively, industry representatives could be supported to attend training centres and deliver industry specific current practices. Currently, the requirement for trainers to hold a Certificate IV in Training and Assessment acts as a barrier to qualified tradespeople becoming trainers.

The instances of people already working in an industry without formal recognition could be addressed more simply by ensuring a robust and transparent Recognition of Prior Learning (RPL) process. While *Business NSW* is not a Registered Training Organisation (RTO), we are aware that the current NSW Smart and Skilled payment structure disincentivises RTOs from completing RPL.

The Smart and Skilled Fee Administration Policy<sup>10</sup> states:

*Where RPL is granted, student fees are calculated as follows:*

- *The fixed cost of the qualification will be reduced by 50 per cent of the proportion of UoCs (Units of Competency) granted RPL.*
- *The variable cost will be reduced by 50 per cent of the total cost of each UoC granted RPL.*

In addition to the financial disincentive of providing RPL instead of delivering the full qualification, RPL is a time-consuming process not regularly undertaken and which can vary greatly. Specific providers could be funded to regularly undertake RPL on a frequent basis for specific occupations.

Improving recognition between VET and university and providing greater clarity for students would enable greater movement between the two sectors as people's occupational needs change. Research indicates that people will have a variety of jobs during their career. Even if they have the same job over many years, they may require different skills that may originally have required a degree but now require a formal VET qualification. More transparent RPL processes that support movement between different educational institutions would increase productivity.

The recommendation around unqualified juniors is already at least partially addressed by the availability of School-Based Apprenticeships and Traineeships (SBAT). Greater flexibility could be introduced for SBATs that enable apprentices to complete the first two years of the apprenticeship at school before transitioning to full-time. This would not require significant changes to the current system.

Recent research conducted by Apprenticeship Support Australia NSW (unpublished) demonstrated the merit of SBATs for both employers and students.

Three-quarters of young people who had started a SBAT agreed that the experience had given them an advantage over those who hadn't started one. Further, the self-reported unemployment rate from completed SBAT participants was only 4.3 per cent – far lower than the NSW state-wide youth unemployment rate of 9.4 per cent.

Overall, 88 per cent of young people who had commenced an SBAT were likely to recommend it to a friend.

Despite these positive outcomes, our research found that students were far less satisfied with the support received from their school or teacher than any other aspect of the SBAT. Of concern is that many current and former SBATs identified timetabling barriers that made it

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<sup>10</sup>[https://www.training.nsw.gov.au/forms\\_documents/smartandskilled/contract/fee\\_administration\\_policy\\_2020.pdf](https://www.training.nsw.gov.au/forms_documents/smartandskilled/contract/fee_administration_policy_2020.pdf)

more challenging for the student to satisfactorily complete their schooling, training and employment requirements.

*Business NSW* would support a marketing campaign to raise the profile and awareness of any pathways into trades, including SBATs.

### **Draft recommendation 3.3**

Target Smart and Skilled funding more effectively by refining the NSW Skills List. Prioritise funding to courses with demonstrated value to industry, in skills shortage areas.

*Business NSW* does not fully support this recommendation.

*Business NSW* is concerned by the possibility of lower level qualifications such as Certificates I and II being removed from the NSW Skills List. During consultation with members it has become clear that lower level qualifications are essential in providing young people, and particularly disadvantaged individuals, with a pathway into meaningful, highly valued work and are often the first step forward to higher qualifications. Moreover, many employers expect people to have these skills prior to employment, or to gain them from training.

In our 2019 Workforce Skills Survey<sup>11</sup>, we examined the key capabilities in demand. Members told us that they need people to have core capabilities and would expect that education and training systems – whether schools, VET training providers or universities – help people develop these core capabilities.

In the survey, businesses were asked about their experiences of employing young people aged 24 or under. Over half reported that the young people they had employed were either not at all or only somewhat prepared for the workplace.

The key reasons for this unpreparedness were:

- poor attitude, which was summarised by one employer as “we can teach or provide training but we need staff who are willing to learn and initially put in the hard yards”
- a lack of enterprise skills/key capabilities particularly in communication, decision-making and team-work
- low levels of reading and mathematical literacy.

The conclusion that these skills can be “picked up on the job” is one that is not shared by businesses. Employers expect people to already have core capabilities prior to employment or to be gained through formal training. In this competitive labour market, businesses will likely have even greater expectations that people will possess these core capabilities, particularly as there will likely be significant growth in the hospitality workforce post-COVID 19.

Of note, the Certificate II in Hospitality also requires successful completion of a unit on hygienic practices. Accordingly, *Business NSW* challenges the statement that some popular VET courses have little to no value to employers and would not support their removal from the NSW Skills List.

*Business NSW* has been consulted as part of NSW Skills List review process and notes the recent release of the NSW Skills List Management Policy (Training Services NSW, 14 September 2020).

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<sup>11</sup>[https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Workplace%20Skills/Recent%20submissions%20and%20publications/2019-Workforce-Skills-Survey-Report-FINAL\\_1.pdf](https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Workplace%20Skills/Recent%20submissions%20and%20publications/2019-Workforce-Skills-Survey-Report-FINAL_1.pdf)

It appears that the policy addresses many of *Business NSW's* concerns around the process of reviewing the Skills List. These concerns include:

- lengthy periods without consultation
- a lack of responsiveness of the Skills List (particularly for the inclusion of new qualifications)
- opaque criteria for inclusion and removal
- inadequate consultation.

It is still far too early to identify whether the policy will speed up the process and increase flexibility and responsiveness, but *Business NSW* appreciates that having a clearly articulated policy could help resolve some of the frustrations.

This lack of responsiveness is however mirrored elsewhere throughout the VET system. For example, *Business NSW* is aware of one employer that has commenced the process of getting the Certificate II in Underground Metalliferous Mining (RII20415) added as an approved traineeship in NSW and subsequently added as a Funded Traineeship to the NSW Skills List. The employer made representations in April/May 2020 but expects the process to gain recognition through a Vocational Training Order (VTO) will take at least six months, and potentially longer for inclusion on the Skills List. During these long waiting times, employers' needs remain unmet and productivity losses occur due to shortages of qualified staff.

#### **Draft recommendation 3.4**

Extend Smart and Skilled subsidies to targeted short courses and micro-credentials that provide discrete skills employers recognise and value.

- Use economic and industry data to identify high value micro-credentials to fund.
- Prioritise courses that have better evidence of employer trust and recognition, high quality assessment, and alignment with the Australian Qualifications Framework (AQF).
- Use a risk-management approach to funding, with the capacity to quickly freeze or withdraw funding if problems are identified.

Support the development of voluntary systems of trust and recognition for micro-credentials, for example alignment to AQF levels or the adoption of 'credit points' standards.

*Business NSW* supports this recommendation.

Targeted micro-credentials that lead to clearly identified skill or occupational outcomes are supported. However, *Business NSW* recognises risks with undertaking training for training's sake and has heard concerns from members around how to *trust* and *recognise* micro-credentials.

A system which supports the use of micro-credentials as a top up to a nationally recognised qualification would be valuable. Micro-credentials being used and recognised as part of a learning pathway would be supported. Narrowly focussed training delivered in isolation can stymie innovation and flexibility due to its inability to help people to think beyond a current occupation or need. Worth noting is that the Senior Secondary Pathways review recommends the creation of a digital Education Passport.<sup>12</sup> Such an approach would be supported.

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<sup>12</sup> <https://uploadstorage.blob.core.windows.net/public-assets/education-au/pathways/Final%20report%20-%202018%20June.pdf>

Further, the Deakin University report *Making Micro-Credentials Work* offers a number of sensible recommendations to support the roll-out and uptake of micro-credentials (Deakin University, 2019). These include identifying how micro-credentials are aligned with formal qualifications and ensuring that they deliver robust occupational outcomes.

## Forward-looking regulation supports competition and innovation

*Business NSW* supports most of the draft recommendations related to regulation reform to support competition and innovation.

*Business NSW's* report [Back on track](#) (page 24) provides a five-point regulatory reform plan that identifies a range of recommendations, some of which have been considered in the green paper as recommendations or areas for further investigation.

Proper policy development processes are crucial to meeting regulatory objectives at least cost. *Business NSW* strongly supports earlier recommendations made in the Greiner Review of the NSW Regulatory Policy Framework.

### Comments on specific recommendations

#### Draft recommendation 4.1

Extend the operation of temporary COVID-19 regulatory changes for 12 months while we evaluate their success. Keep them in place where we see a net public benefit.

*Business NSW* supports this recommendation.

Clear and compelling evidence should inform any decision to reverse a temporary arrangement. In these circumstances, alternative options should also be considered before restoring prior arrangements.

#### Draft recommendation 4.2

Retain the temporary adjustments to regulatory and legal formalities, including digital solutions to replace paper-based reporting, physical witnessing and attestation of documents and various other in-person requirements for compliance. Explore opportunities to similarly update other outdated regulatory requirements.

*Business NSW* supports this recommendation.

#### Draft recommendation 4.3

Pursue automatic mutual recognition, or if that is not possible, unilaterally recognise occupational licences from other jurisdictions to help overcome skills shortages in New South Wales.

*Business NSW* supports this recommendation in principle.

The case for unilateral recognition is most clear where NSW faces skills/capacity shortages and where it can be implemented in a way that does not compromise the potential to achieve a mutual recognition arrangement.

**Draft recommendation 4.4**

Reform mandatory Continuing Professional Development by removing requirements where costs exceed benefits.

*Business NSW* supports this recommendation.

**Draft recommendation 4.5**

Remove pharmacy ownership and location restrictions, with licence requirements targeted at pharmacist control of quality systems and practices. Allow pharmacies to co-locate with supermarkets.

*Business NSW* supports this recommendation in principle.

Further consultation should be undertaken to better understand potential impacts and ensure an appropriate transition. This consultation should also encompass broader aspects considered in the green paper, including matters relating to recommendations 4.6 and 4.7.

**Draft recommendation 4.6**

Work with the Commonwealth Government to evaluate the costs and benefits of the current restrictions applying to over-the-counter medicines, including Schedule 2 (pharmacy-only) and Schedule 3 (pharmacists-only) medicines. Explore opportunities to abolish or relax the regulation, where the costs outweigh the benefits.

*Business NSW* does not have any comments on this recommendation.

**Draft recommendation 4.7**

Evaluate the costs and benefits of reforms to make better use of pharmacists' skills, including letting pharmacists more often prescribe medicines and provide more vaccinations with fewer restrictions.

*Business NSW* supports this recommendation in principle (see recommendation 4.5).

**Draft recommendation 4.8**

Build on retail trading measures introduced during the COVID-19 pandemic and allow all retailers to trade on restricted trading days, on the condition that staff freely elect to work.

*Business NSW* supports this recommendation.

**Draft recommendation 4.9**

Review the restrictions on supermarkets, general stores and other retailers selling packaged alcohol, particularly low-alcohol beverages, for off-premises consumption to promote competition and opportunities for small business.

*Business NSW* supports this recommendation.

**Draft recommendation 4.10**

Allow the single-desk export arrangement for rice grown in New South Wales to expire on 30 June 2022, unless it can be shown that it delivers a net economic benefit to the community.

*Business NSW* supports this recommendation.

**Draft recommendation 4.11**

Allow the *Gene Technology (GM Crop Moratorium) Act 2003 (NSW)* to expire on 1 July 2021.

*Business NSW* is unaware of any reason to oppose this recommendation.

**Draft recommendation 4.12**

Have the Independent Pricing Regulatory Tribunal of New South Wales review the NSW Rail Access undertaking, including its interaction with the national rail access regime.

*Business NSW* supports this recommendation.

**Draft recommendation 4.13**

Have the Independent Pricing Regulatory Tribunal update the NSW Government's competitive neutrality policy and processes.

*Business NSW* supports this recommendation.

**Draft recommendation 4.13**

Revise laws to encourage Personal Mobility Device innovation and use.

*Business NSW* supports this recommendation.

**Draft recommendation 4.14**

Improve regulatory practices in local government by expanding the scope of the 'Your Council' website. Encourage greater regulatory collaboration between state regulators and local councils.

*Business NSW* supports this recommendation.

*Business NSW's* report [Back on track](#) (page 28) outlines proposals to improve business experiences with local government.

**Draft recommendation 4.15**

Work with the Commonwealth regulator to support greater take-up of drones in industry, beginning with the agricultural sector.

*Business NSW* supports this recommendation.

**Draft recommendation 4.16**

Support the implementation of interoperability in the NSW e-conveyancing market as a matter of urgency.

*Business NSW* supports this recommendation.

**Draft recommendation 4.17**

Ease childcare costs by bringing NSW requirements into line with national requirements for additional early childhood teachers.

*Business NSW* supports this recommendation.

**Draft recommendation 4.18**

Create a best-practice regulatory policy framework, with Regulatory Stewardship as the cornerstone, that promotes rigorous and transparent impact assessments and improves regulator performance.

*Business NSW* supports this recommendation.

## Meet the challenge of reliable, well-priced water and energy

*Business NSW* supports the draft recommendations related to energy and water in the green paper.

Energy costs remain among the top issues raised by members. Recent drought conditions have raised problems with the management of water and shown up inadequacies in current infrastructure and policies.

Reforming energy markets is a challenging undertaking. For many of the issues raised, NSW is not the optimal venue for reform – nationwide or NEM-wide alternatives are preferable. However, *Business NSW* acknowledges that inactivity at the Commonwealth level leaves NSW in a dilemma. That is, go alone and potentially exacerbate distortions in the market and complexity for market participants in NSW, or wait for joint action and risk prolonging problems of uncertainty and a mis-calibrated status quo.

It should also be noted that there is a considerable amount of change already underway, particularly in the electricity sector. The capacity of the sector to effectively manage the proposals already underway (such as 'two-sided energy markets', demand response, 5-minute settlement, revised frameworks for self-generation and storage, amongst others) may limit its ability to also digest proposals emerging from this work.

The pressures for rapid reform that the emergence of distributed energy (especially solar PV) and digital technologies have put on the electricity system have increased to bursting point. Now that these overdue reforms are finally underway, it is difficult to find the time and perspective to stand back from them and assess how well optimised they are. *Business NSW* applauds the Commission for attempting to do that, though as a whole, these recommendations may be difficult to reconcile with the current pace of change in the sector.

In the gas market, time is also a factor that potentially works against the Commission's recommendation. In order to stave off forecast shortfalls for 2024-25, there is little scope for reviewing and reassessing policy frameworks. The time needed for construction of significant projects means that approvals need to have been provided, and ideally development works commenced, by the end of this year. Deferring these projects will mean missing the deadline and make the long-forecast crisis inescapable.

### Comments on specific recommendations

#### Draft recommendation 5.1

Outline the long-term vision for the whole water sector (including rural water, wastewater, stormwater, flood management) and develop a plan to meet the challenges facing the sector

*Business NSW* supports this recommendation.

*Business NSW* made a [submission](#) to the Commonwealth Productivity Commission's recent review of National Water Reform outlining the priorities our members and challenges they face in rural and metropolitan water supply and management.

**Draft recommendation 5.2**

Issue Statements of Expectations to state-owned water corporations to provide clear guidance on the Government's plans and direction.

*Business NSW* does not have any comments on this recommendation.

**Draft recommendation 5.3**

Bring together leaders from all key NSW water sector organisations to coordinate and deliver the vision outlined in the planned state water strategy.

Identify governance measures to solve the fragmentation of water responsibilities across New South Wales.

Draw on the experience of the INSW South Creek Sector Review to identify other areas in New South Wales that would benefit from integrated land use and water planning.

*Business NSW* supports this recommendation.

**Draft recommendation 5.4**

Sydney Water should continue to work with the Independent Pricing and Regulatory Tribunal of New South Wales to estimate long-run marginal costs for its wastewater catchment areas and consider implications for pricing.

*Business NSW* supports this recommendation but notes that the issues raised are not unique to Sydney and Sydney Water.

An equivalent recommendation should be made for other principal water corporations in the state, including Hunter Water.

**Draft recommendation 5.5**

Coordinate with state-owned water corporations to develop and implement a public engagement program for recycled water. Explore the establishment of a Demonstration Plant in Sydney to help people understand the water cycle.

*Business NSW* does not have any comments on this recommendation.

**Draft recommendation 5.6**

Identify and assess alternative models to help local water utilities meet quality and reliability standards.

*Business NSW* supports this recommendation.

**Draft recommendation 5.7**

Monitor the effectiveness and efficiency of the new Sydney Water scarcity pricing model in managing demand and use this to guide water demand management policy.

*Business NSW* supports this recommendation.

In our submission to the National Water Reform Productivity Commission review (see recommendation 5.1), we described that business water use is relatively price-inelastic, and so price signals alone were a weak driver of water efficiency. Targeted support (grants or discounts) for business water efficiency investments were more likely to engage members. Businesses were willing to invest if it avoided tighter water restrictions being imposed, but felt it was unlikely that their investment alone would make a meaningful difference, especially during serious drought conditions.

**Draft recommendation 5.8**

Review NSW's Building Sustainability Index scheme to ensure it meets both environmental and economic objectives.

*Business NSW* supports this recommendation.

Both water and energy efficiency technologies and expectations have progressed since BASIX was implemented. The cost-benefit value of different technologies has evolved, which should be reflected in updated assessment criteria. It should also better connect water and energy performance, identifying options which can improve both fields simultaneously.

**Draft recommendation 5.9**

Revisit the NSW Energy Security Target in the context of reliability standards endorsed by the Council of Australian Government (COAG) Energy Council:

- If it imposes greater reliability requirements, demonstrate that this is consistent with consumers' willingness to pay.
- Otherwise, adopt the COAG Energy Council standards in its place.

*Business NSW* supports this recommendation.

**Draft recommendation 5.10**

Commit to a contestable private energy market based on technology-neutral, competitive neutrality principles.

Create a NSW-specific emissions intensity scheme to help optimise investment in electricity, having regard to climate change mitigation objectives and the pace of innovation.

*Business NSW* partly supports this recommendation as a commitment to a contestable, technology neutral market is worthwhile.

However, *Business NSW* believes that the most appropriate implementation of market mechanisms to drive decarbonisation would occur at a national level and cover all major emitting sectors. Even if a policy is restricted to the electricity sector, coverage of the whole of the National Electricity Market (NEM) is preferable to an NSW-only implementation. The aim of climate change policy must be to cut emissions in aggregate, not to change incentives that merely serve to relocate emissions to other jurisdictions.

This section emphasises the importance of investor certainty in driving low-carbon generation investment. The assumption that a policy where NSW goes it alone would prove more durable and predictable than other policy approaches (even including the *status quo*) may not be justified. Such a policy would come under pressure from actions taken by the Commonwealth and in neighbouring states, and so may not provide the investor certainty it is proposed to achieve.

#### **Draft recommendation 5.11**

Evaluate options for rolling out smart meters to all consumers and for time-of-use, cost-reflective electricity pricing.

*Business NSW* supports this recommendation.

Moves towards time-of-use, cost-reflective pricing are occurring across the NEM, and a coordinated approach for NEM states is preferable. Time-of-use tariffs have the potential to bring benefits to some businesses, though others whose electricity use tends to be at peak load times may lose out compared to their current (non-time-of-use) position. Assessment of time-of-use tariffs should not be limited to the price/cost impacts on users, but also the demand placed on consumer understanding of more complex tariff structures.

#### **Draft recommendation 5.12**

Establish a single NSW Energy Regulator and remove the Independent Pricing and Regulatory Tribunal's responsibility for regular monitoring of the retail electricity market.

*Business NSW* does not have any comments on this recommendation but notes that regulatory complexity in energy does not stop at the NSW state border.

The multiple agencies governing the NEM contribute significantly to the dispersed and complex governance of the energy sector in NSW.

#### **Draft recommendation 5.13**

Review the Strategic Regional Land Use Policy and Strategic Release Framework to ensure they maximise the balance of costs and benefits to industry and the community

*Business NSW* does not have any comments on this recommendation but notes that this recommendation alone is not adequate to meet the section's objective (i.e. to prevent New South Wales from running short of gas).

There are three ways to increase gas volumes available for customers in NSW:

- produce more gas from NSW
- import more gas from neighbouring states by pipeline
- import more gas from more distant markets as LNG.

Changing land use permitting may help with increasing in-state production but does not address permitting or business cases of LNG import terminals, nor incentivise increased gas pipeline capacity.

*Business NSW's* second concern relates to timing. AEMO has warned of shortfalls in NSW by 2024-25. In order for projects to be developed in time to address this shortfall, there is not time for changes to planning and land use policy to be proposed, reviewed and implemented. Development proposals at Narrabri need to be approved this year to be able to deliver gas to the market in time to prevent shortfalls. There simply isn't time to carry out the proposed review and for it to have useful impact.

#### **Draft recommendation 5.14**

Improve efficiency and accessibility of administering energy rebates and support programs by incorporating them into the *Government Made Easy: Tell Us Once* initiative.

Review the suite of rebate and assistance measures with a view to consolidating their number and better aligning them to the needs of vulnerable and low-income households.

*Business NSW* does not have any comments on this recommendation.

## Smarter infrastructure will support jobs and communities

*Business NSW* supports the draft recommendations for more efficient use of transport infrastructure and better integration with the planning system.

However, we are cautious about moving forward with some of these recommendations in the immediate future given the range of uncertainties following the COVID-19 pandemic. During the pandemic, travel behaviour has been significantly altered. Whether these changes will persist or revert to pre-pandemic 'normality' over the months and years to come is far from clear at present.

Where possible, government should focus its efforts on solutions that are robust to different possible future states and avoid having to predict whether long-term trends will be largely unaffected, or dramatically affected, by the changes witnessed over the course of the pandemic. While some of the recommendations in the green paper achieve this, it may make sense to pause on others to see how things play out.

### Comments on specific recommendations

#### **Draft recommendation 6.1**

Change planning controls to enable more housing and business activity within reasonable walking distance of transport hubs on underutilised corridors.

*Business NSW* supports this recommendation.

Further comment on planning controls can be found in *Business NSW's* responses to the recommendations in part 7.

#### **Draft recommendation 6.2**

Require Infrastructure NSW to publish, within one week of an announcement for all Tier 1 and Tier 2 projects:

- Gate 1 strategic business case and Gate 2 final business case documents
- a simple 'social value for money' rating based on the project Benefit Cost Ratio
- a risk report, drawing on historical experience, with probabilities where feasible.

To further increase the transparency of spending priorities:

- Have Infrastructure NSW publish its five-yearly infrastructure plan (and annual updates), along with underlying analysis, at the time of the Budget.
- Provide additional justification in the Budget where investments are prioritised that do not align with the Infrastructure NSW priorities.

*Business NSW* supports this recommendation.

### **Draft recommendation 6.3**

Ensure that agency project business cases comply with the NSW Government Business Case Guidelines, including planning for monitoring and evaluation at the detailed business case stage.

Ensure that post-evaluation costs are included in funding requests.

*Business NSW* supports this recommendation.

*Business NSW* would also like to see post-implementation evaluations published routinely, and not only for the highest cost projects. Understanding the efficiency of delivery and the realised benefits of smaller scale projects – such as those funded by Restart NSW - would be useful to better meet the needs of regional and rural NSW.

### **Draft recommendation 6.4**

Explore options to reduce driver behaviours that increase road congestion, focusing on trip timing, merging, intersection etiquette and driver distractions.

Develop a strategic options (Gate 1) business case for cordon charging in the Sydney Central Business District and at other congestion hot spots.

*Business NSW* supports this recommendation, but notes that, as a result of changes to travel patterns due to the COVID-19 crisis, there is greater uncertainty about the case for road use charging.

In the near term, the focus should be on investments and programs which are compatible with a variety of possible future scenarios. This requires avoiding the temptation to assume either a rapid resumption of pre-COVID 'normality' or that recent experience has led to a permanent change in workplace and travel behaviour. As either of these scenarios is possible, and it is far too soon to tell where things are headed, any big decisions should be resilient to multiple possible pathways.

### **Draft recommendation 6.5**

Ask the Independent Pricing and Regulatory Tribunal to review the Opal fare structure to reflect the costs of travel and encourage a more even distribution of demand throughout the day.

Simplify and retarget the concession system. Make fares more efficient and reflective of need:

- reduce the number of concession classes
- increase incentives for off-peak travel
- ensure that discounted fares target those who most need them.

*Business NSW* supports this recommendation in principle.

Getting the economy up and running will depend on confidence in transport. In the near term, the principle focus will need to be on ensuring travellers have confidence in the safety of public transport in NSW, and that they can travel to work or school in a COVID-safe manner. This may involve, for example, flexibility to travel at off-peak times. Fare structures are a secondary problem. Changes to fare structures through the COVID-19 crisis have shown that

adjustments can be made rapidly when conditions demand it. As discussed in recommendation 6.4, predictions of travel behaviour are subject to greater than usual uncertainty, which will need to be considered in any fare review.

## Planning for the housing we want and the jobs we need

*Business NSW* supports the draft recommendations in this chapter. Housing shortages and their impact on cost of living are a major impediment to productivity growth in Sydney and surrounding areas, limiting labour mobility and holding back quality of life.

It remains to be seen whether changes in working practices resulting from the COVID-19 pandemic lead to lasting changes to people's choices about where to live. Cultural and logistical changes may enable some people to work remotely who have not previously been able to, though whether or not this trend is sustained long term is uncertain.

NSW has long been a high-price property market, and lack of housing construction has contributed to that. While the proposals in the green paper are welcome, the roots of NSW's (especially Sydney's) hostility to development run deeper. The challenge will be whether NSW can shift its attitudes, culture and politics from being inherently 'NIMBY' (where development cannot occur unless permission is expressly given) to a fundamentally YIMBY environment (where development is approved by default unless specific grounds to prevent it are identified).

### Comments on specific recommendations

#### **Draft recommendation 7.1**

Require councils to analyse housing supply capacity and show that planning controls are consistent with the dwelling needs identified by Greater Sydney's 20-year strategic plans for 5-year, 10-year and 20-year windows.

Where a lack of capacity is identified, ensure councils revise their Local Housing Strategies and Local Strategic Planning Statements to reflect the objectives identified in the Greater Sydney strategic plans.

Ensure councils immediately update relevant planning instruments to meet 6-to-10-year housing targets and report housing completions by Local Government Areas every six months.

Publish annual 10-year forecasts for State-led/partnered precincts. Monitor housing forecasts and projections on a six-monthly basis.

Where housing shortfalls arise, require councils to revise housing strategies and Local Strategic Planning Statements to indicate how the shortfalls will be remedied.

*Business NSW* supports this recommendation.

### **Draft recommendation 7.2**

Review and revise SEPP 65, aiming to minimise prescriptions so as to ensure maximum flexibility for housing that matches consumer choice while maintaining minimum basic quality.

Review the Guide to Traffic Generating Developments by the end of 2021 to ensure it reflects current travel behaviour and the best approach to traffic management.

Review parking controls within strategic centres and areas with good public transport accessibility. Reduce car parking requirements within 800 metres of public transport nodes by the end of 2021.

*Business NSW* supports this recommendation.

*Business NSW* would also support more flexible rules about parking and transport access for commercial premises, given the variety of business needs for deliveries and freight movements as well as access for workers and visitors.

### **Draft recommendation 7.3**

Rationalise existing business and industrial zones in the Standard Instrument LEP to reduce the number of zones.

Broaden the range of permissible activities to ensure prescriptions are reserved for genuinely incompatible land uses.

Expand application of the complying development assessment pathway to the newly consolidated employment zones.

*Business NSW* supports this recommendation.

Attempts to precisely specify desired land uses through the zoning system are increasingly at odds with the more complex business activities taking place in NSW. Attempts to distinguish between broad categories of light industrial, industrial and commercial uses, let alone the narrower classes contained in the different zoning rules, are unnecessary. As the economy recovers from the COVID crisis, precise zoning categories will impede business development or expansion and inhibit efforts to increase business activity and employment.

Flexible zoning classes allowing for more use types and setting a default expectation that businesses can invest confidently in these locations should replace existing zoning rules as a matter of urgency to support the COVID recovery effort.

### **Draft recommendation 7.4**

Require councils to prepare economic strategies (including commercial centre strategies) with the aim of increasing employment and productivity outcomes when updating Local Environmental Plans.

*Business NSW* supports this recommendation.

**Draft recommendation 7.5**

Better manage the retain-and-manage category of industrial and urban services lands in Greater Sydney to optimise employment and productivity outcomes

*Business NSW* supports this recommendation and the proposals for a review of industrial lands.

It will be important to regularly update government's understanding of changing demands and characteristics of industrial land use in metropolitan NSW, and the increasingly blurred distinction between light industrial, industrial and commercial categorisations. See also recommendation 7.3 above.

**Draft recommendation 7.6**

Continue to implement measures to reduce red tape and complexity in the planning system. Bring NSW approval assessment times into line with other jurisdictions' times by the end of 2023.

*Business NSW* supports this recommendation.

Temporary measures introduced during the COVID-19 crisis to reduce approval times should be made permanent.

**Draft recommendation 7.7**

Develop a consistent approach to measuring benefits to community welfare from the provision of open and green space to help inform government business cases involving development.

Develop better options for taking into account green infrastructure and public space in strategic land use planning.

*Business NSW* supports this recommendation and looks forward to considering more specific proposals.

**Draft recommendation 7.8**

Progress reforms to the infrastructure contributions system after the Productivity Commissioner's current review, to deliver a principles-based, transparent and certain system.

*Business NSW* supports this recommendation and has recently made a separate submission to the infrastructure contributions review.

## A better mix of state and local taxes can encourage growth

*Business NSW* supports the draft recommendations in this chapter. As a long-time advocate for tax reform, *Business NSW* supports efforts to review the tax mix in the context of broader revenue considerations, including those of local government.

### Comments on specific recommendations

#### Draft recommendation 8.1

Replace inefficient taxes with more efficient ones. Start by replacing transfer duty with a broadbased land tax. Before proceeding, identify how various designs will improve the economy and the state budget, and how adverse impacts on various groups can be minimised.

Propose, for consideration by the Board of Treasurers, the establishment of a single interjurisdictional body to coordinate the adoption of a consistent approach to the administration of payroll tax systems in all states and territories.

*Business NSW* supports this recommendation.

There are considerable economic costs associated with NSW's increasing reliance on transfer duty. While an appropriate transition approach is needed, there are alternative taxes that are more compatible with NSW's longer-term needs.

*Business NSW* would like to see the ambition for payroll tax reform to extend beyond tax administration challenges alone.

*Business NSW* agrees there is considerable scope to streamline payroll tax administration arrangements across Australia. *Business NSW's* report [Back on track](#) highlighted the potential to solve businesses' payroll tax administration challenges by exploring options identified in the Henry tax review.

#### Draft recommendation 8.2

Use the Review of Infrastructure Contributions to find ways to deliver a more sustainable system of rates and infrastructure contributions, so that councils can provide the infrastructure and services required to accompany development and growth.

Evaluate reforms within three years and if reforms do not provide sufficient funds to deliver services, councils should hold a plebiscite of ratepayers to test support for abolishing the rate peg.

*Business NSW* supports this recommendation and has recently made a separate submission to the infrastructure contributions review.