

Labor's Economic Policy Priorities

March 2015

On 4 December 2013 at a speech to the National Press Club of Australia, Shadow Treasurer the Hon. Chris Bowen MP outlined four economic policy priorities for the Australian Labor Party in the 44th Parliament: productivity, economic engagement in the South East Asian region, housing affordability and small business.

On 20 May 2014 in his Budget Reply Address to the National Press Club, Mr Bowen built on these policies, announcing ideas that Labor is interested in pursuing in order to encourage growth and innovation and create high tech jobs. These ideas include legislative changes to enable crowd-sourced funding, and the establishment of an entrepreneur's visa.

On 11 September 2014 Mr Bowen announced Labor's approach to fiscal policy in particular Labor's plans for reform of the Parliamentary Budget Office.

Most recently, on 11 March 2015, in an address to the Center for International Finance and Regulation, Shadow Treasurer Chris Bowen, outlined Labor's approach to financial services and superannuation.

This Occasional Paper provides an update of some of the key economic policy priorities announced by the Federal Parliamentary Labor Party.

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Productivity

The Labor Opposition plans to build on former Prime Minister Kevin Rudd's National Competitiveness Agenda to develop policies that encourage productivity in the Australian economy.

The Opposition will focus on policies that improve productivity through increased innovation, competition and infrastructure investment, rather than reductions in wages.

Part of this focus is a commitment to help boost innovation and productivity across the Australian technology sector. The Opposition indicated support for increased collaboration between researchers and industry, investment in the universities and public research agency capabilities, and an examination of incentives to translate knowledge into innovations.

A major concern for the Opposition is the impact the Coalition Government's changes to the National Broadband Network will have on productivity, specifically the ability of business to receive and shift large chunks of data.

Hawker Britton's Occasional Paper on the National Competitiveness Agenda is available [here](#).

Economic engagement in the region

The Opposition is wishing to strengthen Australia's relationship with Indonesia through increased cultural ties. Policies mentioned by Mr Bowen in his address to forge links between the two countries include encouraging more Australians to study Bahasa Indonesia and encouraging international students studying in Australia from Indonesia.

More broadly, the ALP is committed to developing stronger relationships with the entire ASEAN region. This commitment follows recommendations from the former Labor Government's *Australia in the Asian Century White Paper*, which called for earlier and better engagement in the curricula on language and culture.

This policy priority builds on former Prime Minister Kevin Rudd's call for business to sharpen its engagement with Asia, in particular Indonesia, as outlined in his National Competitiveness Agenda.

Mr Bowen announced that he will work with Deputy Opposition Leader the Hon. Tanya Plibersek MP and Leader of the Opposition in the Senate, Senator the Hon. Penny Wong to develop this policy priority.

Hawker Britton's Occasional Paper on the Australia in the Asian Century White Paper is available [here](#).

Housing Affordability

Housing Affordability will be another key policy area for the Opposition. The former Labor Government delivered a record \$31 billion investment in housing, which included programs such as the \$4.5 billion National Rental Affordability Scheme and a \$6 billion investment in social housing.



Additionally, interest rates under the Labor government remained low: the average standard variable rate for home loans was 6.20 per cent.

However, the Opposition recognises that housing affordability is an increasing problem. In 2009, around 30 per cent of lending activity involved first home buyers but this has now decreased to about 12 per cent in 2013.

The Labor Opposition supports a discussion on this policy area across each of the three levels of government. This follows on from the former Labor Government's work with the States and Territories through the Council of Australian Governments (COAG) *Housing Supply and Affordability Reform Report*, published in August 2012.

Mr Bowen referred to a recent report by the Grattan Institute on housing affordability, which called on governments to take a systemic approach to housing policy by setting clear principles and objectives over time and commencing a public conversation on housing policy and affordability.

Mr Bowen also noted that since coming to office, the Coalition Government has abolished the Housing Supply Council, which was established by the Labor Government 2008 to monitor housing demand, supply and affordability in Australia and to identify gaps between housing supply and demand.

The Grattan Institute report, *Renovating Housing Policy*, is available [here](#).

Hawker Britton's Occasional Paper on the decision by the Coalition Government to abolish, amalgamate or absorb 21 Commonwealth non-statutory bodies, including the National Housing Reform Supply Council, is available [here](#).

Small Business

Opposition Leader the Hon. Bill Shorten MP has made small business a key policy area and has taken direct responsibility for the portfolio as Leader, assisted by the Hon. Bernie Ripoll MP as Shadow Minister Assisting the Leader for Small Business.

At his address, Mr Bowen queried the Coalition Government's decision to abolish Loss Carry-back measures and to reverse Labor's steps to improve the Instant Asset Write Off. Both measures aimed at improving cash flow and reducing red tape for small businesses and encouraging non-mining sector investment.

The Loss Carry-back measures enabled a company making a tax loss of up to \$1 million to recoup taxes paid on an equivalent income amount earned in the previous two years.

The Instant Asset Write Off allowed small businesses to immediately write off eligible new assets of up to \$6 500 per asset. The Coalition government's proposed legislation reduces threshold to \$1 000, so that small businesses will only be able to claim a deduction for the value of a depreciating asset that costs less than \$1 000 in the income year the asset is first used or installed.

Both these measures are to be implemented through the Government's *Minerals Resource Rent Tax Repeal and Other Measures Bill 2013*. The Economics Affairs References Committee report on the Bill is available [here](#).

Hawker Britton's Occasional Paper on the Small Business inclusions in the 2012-13 Federal Budget is available [here](#).

Crowd-Sourced Funding

On 20 May 2014 in his Budget Reply Address to the National Press Club, Mr Bowen built on the above policy priority areas and announced that Labor would be pursuing policies to encourage crowd-sourced funding in Australia.

Mr Bowen noted that crowd-sourced funding is estimated to generate \$65 billion in funding globally and generate 270 000 jobs. However, the application of this funding mechanism in Australia is complicated by the Australian Securities & Investments Commission's classification of crowd-sourced funding as a 'financial services undertaking', which requires a licence.

Mr Bowen announced that Shadow Parliamentary Secretary to the Shadow Treasurer the Hon Ed Husic MP will coordinate Labor's response to this policy challenge. Mr Husic will consult with the finance sector on potential legislative remedies to provide the regulatory framework for crowd-sourced funding, and will examine options for Labor to put forward in either Government or Opposition in the absence of action from the Coalition Government.

Entrepreneur's Visa

Mr Bowen also announced that Labor will be pursuing policies that not only encourage Australians to start innovative companies domestically, but also policies to attract entrepreneurs from overseas to create jobs in Australia.

The former Labor government established a 'Significant Investors Visa' aimed at attracting individuals with access to significant capital to Australia. Mr Bowen announced that Labor is considering a broader model which can attract entrepreneurs with ideas who may not yet have access to capital—similar to the specific entrepreneur visas introduced by New Zealand, Ireland, Singapore and the UK.

Mr Bowen, along with Shadow Minister for Immigration and Border Protection the Hon Richard Marles MP, will be pursuing this policy measure in consultation with the venture capital sector.

Parliamentary Budget Office reform

At an address to the National Press Club in September 2014 Mr Bowen announced further ALP policy on the Parliamentary Budget Office (PBO), offering three proposed changes to the body.

The PBO is presently prohibited from preparing economic forecasts. Mr Bowen announced that a future Labor government would legislate to enable the PBO to prepare economic forecasts and projections to underpin budgets and economic statements. This will include forecasts for all key



economic parameters, including unemployment, inflation, terms of trade and nominal and real GDP.

Labor also plans to legislate for the PBO to publish an annual report on whether the budget is in structural deficit or surplus—this will look through annual fluctuations and cyclical events to provide real time analysis of the structural budget balance.

Finally, Labor plans to mandate that the PBO prepares the five-yearly Intergenerational Report independently of government. As such, the report would not be the property of the Government of the day, but a completely independent process. This is in line with the many fiscal councils and independent budget offices globally that independently undertake long-term projection of budget finances.

Mr Bowen’s speech is available [here](#).

The Hawker Britton Occasional Paper on the Parliamentary Budget Office is available [here](#).

Financial Services

On 11 March 2015, in an address to the Centre for International Finance and Regulation, Shadow Treasurer Chris Bowen commented on the findings of the Murray Inquiry. The Murray Inquiry is a report commissioned by the government on the financial sector in Australia.

Recommendation two of the inquiry sought to foster a more competitive banking system by putting big and smaller financial institutions on a level playing field when it came to capital requirements. Mr Bowen supported this recommendation.

The Shadow Treasurer acknowledged the intersection between the recommendations in the Basel Discussion Paper (the paper discussed international financial regulatory regimes) and recommendation two from the Murray Inquiry. He noted the importance of coordination of local and international regulatory policy, however, did not endorse pro-competitive domestic policy being delayed for the sake of coordination with international regimes. Mr Bowen indicated that Labor would give bipartisan support to the government should it choose to move on Recommendation two in advance of the Basel process.

Mr Bowen’s speech is available [here](#).

Superannuation

In his address to the Centre for International Finance and Regulation, Shadow Treasurer Chris Bowen repeated Labor’s support for the Murray Inquiry’s recommendation for the establishment of a clear objective for the superannuation system against which new policy ideas could be tested.



The Murray Inquiry also highlighted that 35% of the value of tax concessions in superannuation accrue to the top decile of income earners. Labor supports changes to the tax treatment of superannuation to address this inequality.

Mr Bowen outlined Labor would continue to consult and further develop policy on the taxation of superannuation, prior to the next election- seek and win a mandate to implement it; and then ensure a period of policy stability.

In particular, Labor supports the creation of a Council of Superannuation Guardians to advise governments on potential changes to superannuation policy on a five year cycle, ideally linked to the release of the intergenerational report.

Mr Bowen's speech is available [here](#).