

The future of the Australian economy



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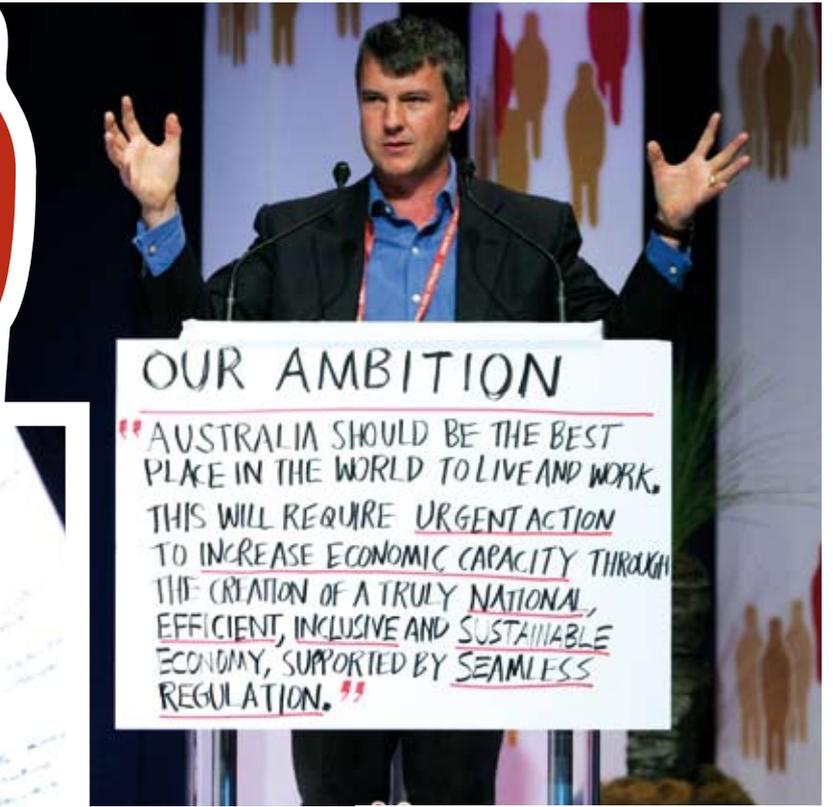
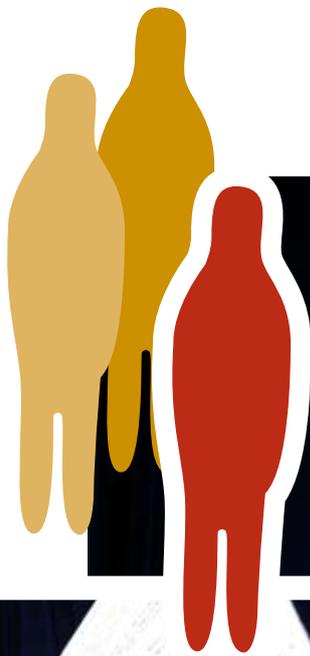
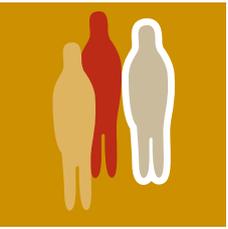
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OVERVIEW

Big challenges confront the Australian economy—among them the reality of ongoing economic change and competition, the ageing of our population, climate change, and the continued projected expansion of China and India. We must be ready, and we must devise ways to grasp the opportunities presented in a way that reinforces our national values of opportunity and fairness. The answers lie in fresh ideas that can make our economy more flexible, productive and participative, allied to a macro-economic framework that can sustain strong growth without fuelling inflationary pressures. Before the summit, participants were asked to consider the following questions:

- Is Australia in a position to respond to the challenges and opportunities that we know about?
- What events might be over the horizon that we cannot forecast? How should we prepare for them?
- In which areas could governments cooperate to achieve reforms that will boost Australia's productive potential?
- Is there scope to make greater use of market mechanisms to regulate access to natural resources?
- Are current regulatory regimes the best to respond to future challenges and opportunities?
- Are there impediments to the movement of labour and capital that we can address? Are governments responsive to a changing population distribution?
- What options should we be exploring in energy production?
- What will be the future roles of the government and private sectors in financing, building and managing public infrastructure?
- Do we have a shared understanding of infrastructure investment priorities—across sectors (for example, social services, transport, environment) and across state boundaries?
- Are there opportunities to get more international players into infrastructure, introducing true markets to replace existing oligopolies?
- What can be done with policy incentives to make our existing infrastructure work 'smarter'?
- What does a modern infrastructure network designed to incorporate sustainability challenges look like?
- What can we do to ensure ongoing universal access to high-quality communications infrastructure?
- How can we drive productivity growth and competitiveness so that we can succeed in the world economy?

This stream—dealing with the future of the Australian economy—recognised that government plays a crucial role in the economy, and its positions on taxation, regulation and investment need to be carefully defined to meet economic goals. Participants agreed that, in order for the general economic goals to be achieved, the government should prioritise a number of ideas under five broad headings: infrastructure; federalism; the role of government; public policy; and talent. Sub-groups were formed under each of these themes and ideas developed. At the end of the second day of the summit, the sub-groups came together to talk about their discussions and provide feedback on other groups' ideas and thoughts.



AMBITION

The economy stream agreed that Australia should be the world's top place to live and do business. This requires urgent action to increase economic capacity through the creation of a truly national, efficient, sustainable and inclusive economy supported by seamless regulation. There are three fundamental forces confronting the economy in the lead-up to 2020: the shift of economic and political power to China and India, demographic transitions, and policy responses to climate change. The group agreed that Australia should set national economic goals in which all Australians share, including full employment, low inflation (averaging between 2 and 3 per cent) and gross domestic product per capita in the top five countries in the world.

RECORD OF DISCUSSION

Theme 1: infrastructure

The chair of the infrastructure sub-group raised several topics to begin the discussion. These initial remarks highlighted the importance of both social and economic infrastructure; that many decisions for long-term assets are driven by political and engineering considerations instead of economic ones; that greater value needs to be derived from existing infrastructure; that the challenge is to meet future demand for investment; how the boundaries between public and private investment should be managed over time; how can government provide infrastructure better; whether decisions on priorities are sufficiently well informed and whether prices should play a bigger role; and whether allowing greater private provision might lead to incentives for efficiency but also raise the question of regulation and third party access.

The chair directed the group to focus on new challenges, especially since globalisation is seen increasingly as an opportunity rather than a threat. There is also now a domestic imperative to create a low carbon-intensive economy and greater awareness of congestion and 'slow' broadband.

It was acknowledged that Australia became much more efficient in the way it used infrastructure in the 1990s, through reforms that reduced costs through corporatisation and some privatisation, allied with greater fiscal discipline. While governments have been working on infrastructure through the Council of Australian Governments and the new Infrastructure Australia, the focus needs to be on the new challenges and ways to underpin growth for the coming decades. There was concern that Australia has under-invested in critical infrastructure.

The group identified four major problems affecting infrastructure development—funding, where to invest, how to get planning and regulation right, and community access. There was early agreement that the focus should be on the bigger picture, rather than on mechanisms in relation to private or public funding. A number of ideas were canvassed, as follows:

- improved, more accountable regulation—regulators to be held to performance indicators and have their performance reviewed
- developing a master infrastructure plan with a vision for individual sectors
- reducing regulatory complexity and providing greater regulatory certainty
- removing investment impediments to allow for rapid development and fast-tracking of projects
- creation of a single, centralised representative entity to promote infrastructure investment
- an open-access national broadband platform with a separate retail arm

- creating incentives for long-term (25-year) investment and encouraging expansion of first-generation infrastructure
- creation of an infrastructure endowment
- having governments deal more directly with funding providers
- creating satellite distribution centres to allow rail distribution from major ports and road distribution from inland hubs
- establishment of a global centre of excellence for education.

These ideas were voted on, and those receiving most support were taken forward for further discussion and assessment. The following ideas received the strongest support:

- improved, more accountable regulation—regulators to be held to performance indicators and have their performance reviewed; regulatory ‘scope creep’ to be assessed and avoided
- rapid development – fast-tracking – time-sensitive—Australia’s processes for developing project proposals and getting regulatory approval to be dramatically accelerated
- a single, representative, centralised entity to promote infrastructure investment and ‘telescope’ consideration of projects
- a satellite distribution centre—rail distribution from major ports and road distribution from inland hubs
- an open-access national broadband platform, with retail arm separated
- a global centre of excellence for education.

It was accepted that many of these ideas should be subject to rigorous cost-benefit evaluation or other review.

Discussion of these ideas led the group to agree that the infrastructure imperative is to create a regulatory and institutional framework that allows timely and efficient investment, especially in key export areas. A specific priority is a simpler, national regime for third party access to give upfront regulatory certainty and to promote competitive pricing and adequate returns. The group endorsed a need to coordinate national infrastructure priorities through Infrastructure Australia, underpinned by rigorous cost–benefit analysis and focusing on Australia’s competitive advantages. The group also discussed the impact of addressing climate change, including through an emissions trading regime, on infrastructure and transport. The impact of rising internationally driven fuel prices on transport, infrastructure investment and the community was discussed. It was noted that energy pricing issues will be critical to future investment in economic infrastructure.

Comments by members of the stream who were not part of the sub-group referred to a focus on knowledge-related and social infrastructure, consideration of privately owned public finance institutions, the need to better transition plans for upgrades (including national infrastructure corridors), dealing with increasing fuel and energy costs, dealing with sovereign risk in the regulation of infrastructure, the need for more urgency in relation to the broadband task, the need to set clear directions and market signals for a carbon trading regime, consciousness of a 30-year time frame for infrastructure investment, and greater emphasis on the urban infrastructure challenges. In the light of these remarks, the infrastructure sub-group developed the following final ideas.



IDEAS

- 2.1 A time-sensitive approach to more rapid development of infrastructure
 - 2.1.1 Telescope the development approval process for infrastructure projects, which would help reduce delays and scope creep.
 - 2.1.2 Provide clear guidance to parties so that they can act on the objective criteria that have been set for a project and make the necessary longer term investments.
 - 2.1.3 Increase accountability for regulators, with clear performance indicators to review performance.
 - 2.1.4 Review regulatory regimes to encourage private investment.
- 2.2 A single national government entity to facilitate financing, approval and development of infrastructure projects
 - 2.2.1 Increase the power of Infrastructure Australia to drive priorities, develop more competitive national markets in areas such as water, electricity and transport and ensure market-based pricing of scarce resources such as water.
 - 2.2.2 Liaise more directly with capital markets (that is, superannuation funds) and develop national standardised protocols for public–private partnerships.
- 2.3 A master plan with a clear framework for assessing infrastructure priorities
 - 2.3.1 Government should confirm its priorities in energy, transport, water and communications.
 - 2.3.2 The plan should focus on where Australia has a competitive advantage—such as agriculture, mining and education.
 - 2.3.3 The plan should impose national standards encompassing economic, environmental and social criteria for the development of infrastructure.
 - 2.3.4 The plan should provide a framework for a rigorous cost–benefit assessment of projects.
- 2.4 Competitive national broadband
 - 2.4.1 Government should assess the case for vertical separation of the network owner from retail carriers and carriage service providers to promote access.

Theme 2: federalism

The chair of the federalism sub-group asked group members to consider the costs of duplication between governments, the lack of accountability resulting from unclear roles, defining the responsibilities of different governments, how to entrench cooperation, and vertical and horizontal equalisation.

During its initial discussions the group identified a number of shortcomings with the current system, among them duplication of roles and functions between the three levels of government, lack of clarity about the respective roles of each level of government, lack of clear accountability and, as a consequence, sub-optimal delivery of government services and excessive regulation. The aspiration of the group was to provide the framework for systematically working towards a seamless national economy, with minimum inefficiencies, overlaps and bottlenecks, and clear roles, responsibilities and accountabilities between different levels of government. A true national market was the goal.

A number of ideas were canvassed during the discussion, the focus being on ways to demarcate the respective roles and responsibilities of the Commonwealth and the states and territories. Not all the following ideas attracted consensus but they enabled the discussion to develop further:

- the need to institutionalise cooperation between the states and territories
- holding a constitutional convention to review and agree on new roles
- consideration of Canada's federal system because it works in a more cooperative way than Australia's—although a number of participants queried the relevance of Canada in view of the greater power of its provinces
- any new structure to be underpinned by the notion that regulation is to be done nationally but service delivery is to be done locally
- the need to more actively and consciously try to spread innovation from one state or territory to another
- setting of a clear, national reform objective
- ensuring a nationally consistent set of regulations by recognising there is a fundamental choice between one national set of regulations and a set of concurrent uniform state and territory regulations
- any new system to devolve to the lowest practical level the running of government programs
- cities needing to work together in order to compete with cities from other countries
- the need to resolve the extent to which the Commonwealth should be able to direct or tie how the states and territories spend their money
- ensuring that the tax system works in a way that supports any new federal structure.

Among other matters raised by the participants in both this and the other economic sub-groups was the abolition of existing Commonwealth–state ministerial councils because they are seen to be roadblocks and to delay policy processes. An alternative would be to have all matters go through the Council of Australian Governments and a new independent commission properly resourced by federal and state and territory governments. (It was, however, noted that not all ministerial councils were considered roadblocks and that the Ministerial Council on Energy had been successful in implementing a reform agenda.)

After two days of discussion, the group agreed that an independent body—either a new Federation Commission or an expanded Productivity Commission—should be established to conduct a review of the roles, responsibilities and resourcing of federal, state and territory and local governments in areas of major economic activity. Other sub-groups raised additional matters that were linked to the main ideas outlined below. Among them were properly resourcing federal and state and territory governments; initially focusing on infrastructure priorities in growth regions and cities, expanding the scope of a new commission (or the Productivity Commission) to include federal matters with state ramifications, such as population and immigration; aspiring to one national education and accreditation system; and, in relation to the education system, providing a national curriculum with common starting ages and national literacy and numeracy testing but leaving the implementation to the states. There was also discussion about what functions the new commission would have—would it simply make recommendations or actually take decisions?—and how it would be funded.



IDEAS

- 2.5 Establishment of an independent body—either a new Federation Commission or an expanded Productivity Commission—to:
- 2.5.1 Within two years, carry out a detailed audit of the existing governance, management and financial arrangements applying to major areas of Commonwealth and state and territory and local government activities, including education, health, infrastructure, Indigenous welfare, and regulation.
 - 2.5.2 Make recommendations on the priorities and changes required in order to achieve efficient, effective, non-duplicating outcomes, with a clear definition of the roles and responsibilities of respective governments and a true common market.
 - 2.5.3 Include a detailed cost–benefit analysis of the proposed changes, considering the question of fiscal imbalances and resourcing, and design a road map for implementing the changes.
 - 2.5.4 Absorb the COAG Reform Council and subsequently initiate studies into areas of federal and state activity perceived to be operating at sub-optimal level and make recommendations for improvement.
 - 2.5.5 Monitor the progress of implementation of the foregoing initiatives against agreed criteria and perform these tasks through a combination of internal research and self-initiated public inquiry.
 - 2.5.6 Abolish ministerial councils and steer related matters through the Council of Australian Governments and the proposed new commission.
 - 2.5.7 Make reports public early in the process to ensure progress and transparency.
 - 2.5.8 Focus initially on infrastructure priorities in growth regions and cities.
- 2.6 Introduction of four-year fixed terms for the federal government to allow for a greater focus on longer term matters and removal of overlap between different tiers of government.

Theme 3: the role of government

The sub-group that deliberated on the role of government agreed that government plays a crucial part in the Australian economy, and its positions on regulation, direct action and taxation need to be carefully defined to ensure consistency with the overriding ambition for the economy. (One participant considered, however, that these concerns were an unambitious view of government, saying there are more varied roles for government, including the need to make connections, purchase new technologies, and act as a responsive regulator. Another participant felt the government should be viewed as the nation's largest company and that a vision and framework in that regard should be developed.) The consensus was to consider the three main roles of government and to establish three smaller groups to deal with regulation, direct action and taxation.

Regulation

The group discussing regulation (and deregulation) started with a broad statement to establish the direction for their deliberations. They felt the government should foster an open, competitive national economy that takes direct action only where it can and must uniquely and productively contribute. Regulations should be reformed to maximise productivity, encourage efficient investment and reduce the cost of doing business. The group discussed setting parameters on regulation that are clear, strategic,

national and set in an international context and are based on principles and not prescriptive. The group also canvassed the harmonisation of federal and state regulation, which would reduce the cost of doing business by taking an early look at state taxes. Governments should also consider markets as partial solutions to social problems—for example, health, education, housing, water and carbon. Early discussion raised the following ideas:

- establishment of an independent agency to review regulation parameters
- rapid elimination of ineffective policies and ineffective agencies
- a move to punish ex-post rather than to try to solve ex-ante
- rapid harmonisation of occupational health and safety, workers compensation and trade licensing
- use of market solutions to social problems by creating a price or incentive mechanism.

These ideas were further developed with input from other sub-groups (both in the role of government context and in the general economic group) to reach a suggested approach for government to improve productivity and reduce the costs of doing business. It was suggested that a review be carried out with a view to removing ineffective and distortive regulation, the starting point for the review being the Banks Taskforce Group (2006). Regulation boundaries should be set in an internationally competitive context to promote global Australian firms. The group also considered the problem of knowledge turnover.

IDEAS

- 2.7 Establishment of an independent, bipartisan agency to review regulation across the country, create systems and processes and create an opportunity for ‘quick wins’ such as reducing the number of regulatory bodies:
- 2.7.1 A committee of no more than five people with a two-month time frame could identify ineffective current policies and ineffective agencies for quick elimination.
- 2.8 Harmonisation of federal and state regulation to reduce duplication and reduce costs of doing business.
- 2.9 Paying proper market-related remuneration to staff in order to attract and retain people and create a positive culture between business and government.
- 2.10 Regulation to be seen in the context of allowing market solutions wherever possible to deal with social problems and externalities.

Direct action

The group considered that government should take direct action in the economy but only where it can and must make a unique contribution. The group originally discussed ideas across a broad range of themes. The feeling was that infrastructure encompasses more than just physical assets and that the government should focus on both physical and non-physical infrastructure supporting a modern knowledge economy. Discussions also centred on the key platforms for government interventions—stimulating market success, solving national problems and exporting solutions, and broader measuring and monitoring of services. Initial discussions highlighted a number of ideas that were further developed during the course of the summit.



IDEAS

- 2.11 Action on key platforms for growth
 - 2.11.1 Ensure that there is a fully effective housing finance market.
 - 2.11.2 Establish a national financing literacy program to provide to customers, knowledge and understanding about things such as investment in superannuation, retirement and other sectors.
- 2.12 Creation of a 'foresight centre' to look at trends and continuity over the long term to help engage future thinking.
- 2.13 Facilitating market successes
 - 2.13.1 Introduce a Prime Minister's Grand Challenge Prize for solving big national challenges of a global nature—for example, climate change.
 - 2.13.2 Invest in a carbon tax to create internationally competitive markets such as reinvesting in research and development of clean technology. This would give domestic industry a chance to solve national problems, obtain an international advantage, and use the solution to create further export opportunities.
- 2.14 Creation of a national balanced score card that focuses on the economy, people, the environment, culture, innovation and governance.

Taxation

Participants in the economic stream shared a vision of a holistic tax system that is fair, simple and efficient, minimises distortions, interacts constructively with the welfare system, and supports the global competitiveness of the economy. The taxation sub-group believed that, to achieve this vision, a comprehensive tax review is necessary. Some participants expressed the view that the need for tax reform is urgent and that a review should make progress within a quick time frame. Most believed, however, that the review should take about two years, although some suggested that up to three years might be necessary. Participants considered that interim reporting on the progress of the review would be useful. It was said that the review could be split into different parts with different reporting time frames, but the majority thought that the links between different aspects of the tax system call for a comprehensive approach.

Participants considered the scope of the review should include state as well as Commonwealth taxes and that tax bases and the allocation of tax revenue between the states and the Commonwealth could be part of the review. A few participants also favoured the inclusion of local taxes. Given the interactions between the tax and welfare systems, it was agreed that welfare systems and income support should also be included in the review. Participants discussed the need to review the interaction between the taxation system and retirement incomes, including Australia's superannuation policies and arrangements and pensions.

Further, many emphasised that the review should consider implementation and transitional matters since these are central to the success of reform. There was broad agreement that the review would consider the following initiatives and ideas, although not all participants supported all initiatives:

- The review should aim to simplify the tax system by further harmonising taxes across jurisdictions and reducing the number of taxes.
- The review should aim to remove distortions, including those imposed on investment, to reduce wasteful taxes and to eliminate transaction taxes that can impede movement of resources.

- The taxation of housing, including negative gearing, should be reviewed.
- The review should aim to increase fairness and create incentives for participation—including shifting the tax mix toward consumption and away from income while ensuring that the overall tax system is progressive in practice.
- The review should look at negative interactions between the tax and welfare systems—including the high effective marginal tax rates faced by some individuals moving into or increasing their work.
- The review should remain mindful of the global context, and the tax system should be robust in the context of global capital flows and reflect the mobility of capital and the labour to which it applies. Participants stressed that competitiveness with Asia is particularly important and could create pressure for a flatter, simpler tax system.
- It would not be the role of the review to determine the total tax levied on the economy, but participants supported indexation of tax scales to promote transparency and to reduce the buoyancy of the tax system.

A number of other ideas were put forward in broader discussions of the tax system, among them the introduction of death duties, how to develop an environmentally sustainable tax system, how the tax system affects education, the current fragmentation of resource taxes, how to reduce the bias against labour in the tax system, and ways of abolishing the capital gains tax discount for housing.

IDEAS

- 2.15 Conduct of a comprehensive tax review
 - 2.15.1 Increase harmonisation across jurisdictions, reduce costs of administration and decrease the number of taxes.
- 2.16 Removal of distortions
 - 2.16.1 Reduce wasteful taxes that create perverse incentives—such as the fringe benefits tax threshold that encourages people to increase their driving mileage.
 - 2.16.2 Eliminate transaction taxes such as stamp duty.
 - 2.16.3 Recognise that some taxes will be deliberately distortive but ensure that any distortion is driven by deliberate socially beneficial policy.
- 2.17 Moving the tax base from income towards consumption
 - 2.17.1 Ensure that the tax system is progressive in practice.
 - 2.17.2 Provide incentives for participation—such as marginal tax rates on second family incomes.
 - 2.17.3 Redress negative interactions with the welfare system—such as effective marginal tax rates on transition from welfare to work.
- 2.18 Reviewing tax offsets and tax deductibility and considering ways of encouraging older people's participation in the workforce. The taxation review should include consideration of the relationship with retirement incomes.
- 2.19 Ensuring that Australia is not permanently disadvantaged vis-à-vis the flatter, simpler tax systems in Asia.



- 2.20 Indexing the tax scales to reduce buoyancy in the tax system.
- 2.21 Eliminating distortions on taxation of investment.

Theme 4: public policy

The public policy sub-group worked towards achieving an Australia that was first class in public policy advice, formulation, implementation and evaluation. Their first focus was to develop themes for discussion. After a brainstorming session about the public sector and the current formulation of policy, the group identified a number of areas for improvement but also acknowledged the value and benefits the public sector brings to public policy in dealing with important matters. The group agreed that, to augment this value, the public sector needs to be open, contestable, vigorous, innovative and responsive. In order to achieve improvements and suggest ways forward, three main themes were canvassed on the first day of discussions—the quality of public debate, the quality of the public service, and the transparency of the policy process.

Participants expressed concern that the flow of people between the public and private sectors is currently all one way. To help resolve this and maintain the quality of people in the public service, they felt there needed to be a reduction in the attractiveness gap between the public and private sectors; that is, pay the public sector more. This should also lead to people entering the public service who have direct knowledge of and experience in the operation of markets. The group felt that, in order to increase productivity and deliver services with fewer resources, the public sector needed to be actively involved in innovation. It was noted, however, that the culture of the public sector is risk averse and that this does not foster innovation. The group agreed there are substantial gains to be made from engaging with business, academics, public policy institutes and non-government organisations. They felt the Productivity Commission was not being used enough and its mandate was too narrow. The commission's work should be about managing the political economy of reform-looking agendas and helping government manage the process of this reform.

The initial ideas to come out of the discussion were as follows.

The quality of public debate

- Consciously generate informed debate about forward issues by ensuring the government is willing to engage and to involve non-government organisations.
- Return to Green and White Paper consultation, which will enable greater diversity in analysis.
- Allow greater independence of action for the Productivity Commission.
- Encourage research-based advocacy.
- Improve the information flow, to ensure good public policy debate.
- Use resources such as the Productivity Commission or the Australian National Audit Office to look at alternative ways of getting what the government wants.
- Encourage the Reserve Bank of Australia and the Treasury to seek advice from the private sector.
- Conduct sectoral analyses every 10 to 15 years, which will support a regular review of 'inside-government processes'.
- Fund public policy institutes.

The quality of the public service

- Create career paths between the public and private sectors.
- Preserve and strengthen the role of the Department of the Prime Minister and Cabinet to bring a whole-of-government approach.
- Introduce better performance management in the public service.
- Develop education fellowships for public servants.
- Make greater use of parliament and parliamentary committees.

Implementation and transparency

- Create an independent statutory body to assist with implementation.
- Introduce a two-stage process for implementation.
- Develop clear deliverables upfront to build accountability.
- Set realistic timetables for implementation of policy.
- Encourage regular, robust reporting on all projects in a portfolio in order to limit the continuation of programs that are unsuccessful.
- Introduce full reviews of projects and policies after three years.
- Audit every department against its objectives.
- Introduce an independent evaluation process similar to the World Bank, which has an audit office that audits every funded project.
- Make managers accountable.
- Mainline institutions after developing huge policy proposals.
- Encourage private sector feedback on how the public sector operates.
- Prioritise implementation through the Budget.
- Have post-implementation reviews of policy.

These ideas were used as the basis for further discussion. Flowing from them was the importance of innovation in the public service. The participants suggested that the public sector should look at new approaches to policy making and implementation and new ways of engaging business. In this context, less focus should be placed on the process and more consideration should be given to the outcomes of policies. Increasing innovation in the public sector was seen to be of high importance: the group felt there were limited incentives for people in the public sector to be innovative. One suggested solution was higher pay for public servants. The group also felt it would be beneficial if the general public became more broadly engaged through encouraging public submissions to inquiries. It was hoped that this involvement would help the public service test new ways of working by engaging the public and business sectors.

The group looked back over 20 years of reform and agreed that strong public policy debate has been important to empower action by governments. The group's ideas all focused on creating well-resourced, well-informed, evidence-based public policy with a strong public sector that is encouraged to be innovative, open and responsive.



IDEAS

- 2.22 Strengthening the public policy debate
 - 2.22.1 Governments must be willing to engage with the policy debate and work with academics, non-government organisations, businesses and unions.
 - 2.22.2 Develop and strengthen institutions such as the Productivity Commission, university research departments and independent institutions that produce credible research results.
 - 2.22.3 Carry out whole-sector (such as education) reviews every 10 to 15 years.
- 2.23 Re-establishing annual budgets as the sole priority-setting mechanism for government policies in order to help avoid 'short-termism'.
- 2.24 Preserving and strengthening the whole-of-government approach in policy development, as opposed to silos between departments.
- 2.25 Leveraging technology: using the internet as a way to engage the broader community in policy debate.
- 2.26 Establishing a 'bottom-up' approach instead of a 'top-down' one—fostering an environment for experiments that are monitored, measured and shared with the public through the internet.
- 2.27 Seeking out opportunities to change the way the public service operates and engages by becoming a thought leader in innovation.
- 2.28 Focusing more on effective implementation
 - 2.28.1 Make strengthening implementation a priority, with line managers accountable.
 - 2.28.2 Create a mind-set that implementation is highly valued.
 - 2.28.3 Carry out regular reviews of clear deliverables and outcomes in years following implementation.
 - 2.28.4 Create a specialised implementation capability that helps line managers develop plans and carry out reviews.
- 2.29 Expecting innovation in delivery approaches to all initiatives
- 2.30 Managing risk instead of avoiding it in relation to innovation by people in the public sector.
- 2.31 Strengthening the quality of the public service
 - 2.31.1 Promote the noble purpose of the sector in order to attract and retain the best people.
 - 2.31.2 Create career paths from the private sector to the public sector and back, between government departments and the community.
 - 2.31.3 Instil greater independence to encourage the provision of frank and fearless advice.
 - 2.31.4 Introduce better, more competitive pay.
 - 2.31.5 Ensure diversity at all levels.

Theme 5: talent

Despite the Economy stream being aware that the Productivity stream would be considering things to do with human capital, it felt it was important to discuss the subject in the context of the vital role people play in the success or otherwise of the Australian economy. As a result, the stream developed a sub-group called 'talent' for the purpose of considering the role of human capital. The sub-group's leader suggested that the group consider ways of encouraging creativity, how to better allocate and direct people to the right areas, and increasing broader workforce participation and skills. Sub-group participants felt there was a serious need to develop the collective talents of Australians in order to generate a more productive economy.

Discussion focused on five themes—greater creativity and engagement, world-leading education and skills, improved participation, increased workforce mobility, and languages. Some ideas were considered on the first day and were further developed during discussions on the second day. While a number of outcomes from these discussions are not reflected in the ideas agreed to by the sub-group, they are outlined here and do connect with, or touch on, discussions held with other sub-groups in the economic stream:

- Determine how outcomes will be measured for education, accreditation and participation.
- Introduce measurable targets for educational outcomes and accreditation, including international accreditation agreement.
- Greater value and flexibility need to be given to teacher and academic salaries to improve the quality of teachers.
- Increase geographical mobility.
- Increase access to global labour and compete for talent internationally, including Australian talent.
- Establish a 'talent institute'.
- Improve access to secondary education in remote areas.
- Determine ways to improve our university performance relative to that of leading overseas universities. Government should create world-class institutions.
- Abolish the retirement age.
- Make education in mathematics a priority.
- Foster closer relationships between business and education.
- Retain both ageing workers and overseas postgraduates.
- Reform national accreditation for all trades and professions.
- Increase mobility between universities, government and business.
- Encourage life-long learning.
- Provide tax incentives to encourage expatriates to move back to Australia.
- Offer government contracts to companies that have sourced a proportion of their workforce from among the long-term unemployed.



The sub-group reached consensus on the main ideas, which are aimed at unleashing and investing in Australia's talent. The ideas were formed by considering the main themes that were agreed to early in the discussion and were refined during the two days of the summit.

IDEAS

- 2.32 Publicly funding the education system so that it is in the top quartile of the OECD (excluding HECS).
- 2.33 Having a single national education system that promotes diversity, flexibility and mobility.
- 2.34 Unleashing Australian talent by removing direct and indirect discrimination, which means improving structural support, strengthening laws and creating public accountabilities beyond gender—that is, age, race and disability.