Governance Institute of Australia

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The Treasury
Langton Crescent
PARKES ACT 2600
AUSTRALIA

By email: prebudgetsubmissions@treasury.gov.au

2025-26 Pre-Budget Submission

Dear Sir or Madam,

About us

A national membership association, Governance Institute of Australia (Governance Institute) advocates for governance and risk management professionals, providing community and support to over 8,000 members. As an Institute of Higher Education, the Governance Academy provides practical training and expert insights, equipping professionals with the tools to excel in their roles and drive better decision-making in their organisations.

Our members have primary responsibility for developing and implementing governance frameworks in public listed, unlisted, and private companies, as well as the public sector and not-for-profit organisations. They have a thorough working knowledge of the operations of the markets and the needs of investors. We regularly contribute to the formation of public policy through our interactions with Treasury, ASIC, APRA, ACCC, ASX, ACNC and the ATO. We are a founding member of the ASX Corporate Governance Council. We are also a member of the ASIC Business Advisory Committee, the ASX Business Committee and the ACNC Sector Users Group.

The submission is in several parts. We outline our observations on the state of the economy and present our vision for an economic strategy with a primary focus on productivity and competitiveness initiatives and recommendations for greater efficiency of Australia's regulatory regime. We emphasise the need for coherence in policy planning to set Australian industries up for success now and into the decade ahead. Our recommendations are aimed at low-cost strategic investments and initiatives that deliver maximum benefit to the Australian economy.

Current state of the economy

Overview

The combination of higher interest rates, cost-of-living pressures and global economic uncertainty has had a significant impact on the economy. Real GDP over the past financial year slowed to 1.4 per cent and is expected to only marginally increase to 1.75 per cent over the 2024-25 fiscal year. GDP on a per capita basis has continued its decline, reflecting a continued deterioration of living standards. Whilst moderate growth has been observed across some industries, others are retracting, placing a significant risk to overall economic output. Further volatility of major exports has also had an impact on terms of trade. Inflation is yet to fall within the target range, and the Reserve Bank of Australia (RBA) does not expect it to do so until the second half of 2026. The December Westpac-Melbourne Institute leading index, suggests economic growth dipping back to 0.25 per cent, improving slightly on 2024 but remaining somewhat lacklustre throughout forward estimates in 2025.[1]

Lacklustre economic growth set to continue throughout 2025

Economic growth is expected to have increased by 1.75 per cent in 2024-25 with a predicted increase to 2.25 per cent in the 2025-26 financial year as household consumption makes a gradual recovery.[2] The RBA's outlook for growth in 2025 and 2026 has been revised down slightly on previous estimates. GDP per capita has fallen over consecutive quarters, with the latest data showing a decline by 1.5 per cent through the year to September 2024. Terms of trade have continued to fall due to lower export prices, down by 2.6 per cent in September 2024. Weakness in global bulk commodity prices has been driven by a fall in demand, particularly from China for coal and iron ore.[3] Australia's lack of export diversification strategy and lack of economic complexity contributes to this volatility of our total terms of trade. Australia has a strikingly undiversified export profile and ranks 102nd out of 145 countries, on the Harvard Economic Complexity Index, ranking behind Senegal and being the only advanced economy to be placed out of the top 100.[4] The United States ranks 14th and regional strategic competitors, Singapore, South Korea and Japan all rank within the top 5.[5]

Company gross operating profits in decline

Company gross operating profits have declined by 8.5 per cent throughout the year to September 2024, at a time when wages and salaries have increased by 4 per cent. Company

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[1] https://www.westpaciq.com.au/economics/2025/01/leading-index-january-2025.html
[2] https://www.rba.gov.au/publications/smp/2024/nov/pdf/statement-on-monetary-policy-2024-11.pdf
[3] https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release
[4] https://www.innovationaus.com/australias-economic-complexity-ranking-worsens-again/
[5] ibid

profits have observed decreases over three consecutive quarters in the year, demonstrating a cooling in consumer spending and increasing costs of doing business. Some industries have been more heavily impacted than others. For instance, wages and salaries have risen 1.8 per cent in accommodation and food services whilst company gross operating profits have fallen by 5.2 per cent. Conditions of industries most impacted has been reflected in the recent spike in insolvencies. The latest NAB Monthly Business Survey shows that is currently well below average at -3 index points.[6]

A record number of business insolvencies in 2024

The rate of business closures in Australia has reached a four-year high, with recent data showing the rate of business closures in Australia had reached the highest since the peak of the COVID-19 pandemic in October 2020.[7] On an annual basis, insolvency rates were roughly 25 per cent higher than they were prior to the pandemic. The increasing costs of doing business is one of three primary drivers impacting business operating profits.

A patchwork of capital expenditure

Seasonally adjusted new capital expenditure rose by 1.1 per cent over the September quarter 2024, driven largely by a handful of industries, namely information media and telecommunications as well as professional, scientific and technical services. Whilst the overall rate of growth came in higher than expected, the data shows major contractions in some critical industries, notably education and training and retail trade, with total year on year capex in those industries to the September quarter declining by 9.1 per cent and 6.8 per cent respectively.[8]

Productivity continues its decline

The RBA states that productivity growth remains weak. Weak productivity growth weighs on the economy's potential supply and the demand for goods and services still exceeds the supply capacity of the Australian economy. The chart below reinforces that labour productivity growth has been in decline for over twenty years with sharp falls over the past ten years. The RBA states that weak productivity growth continues to present upside risks to inflation.[9]

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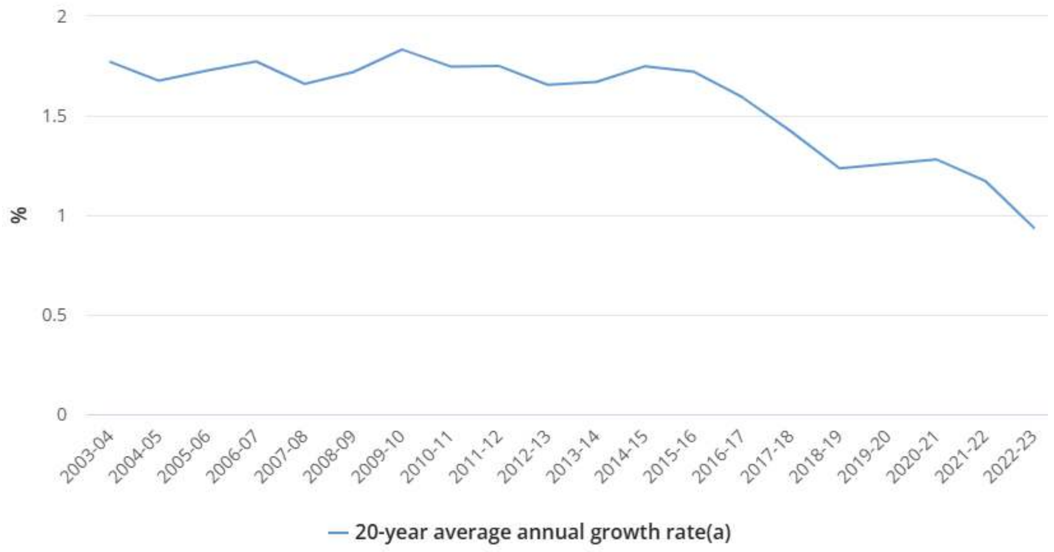
[6] https://business.nab.com.au/nab-monthly-business-survey-november-2024/

[7] https://www.brokerdaily.au/economy/19773-business-insolvencies-at-record-highs#:~:text=CreditorWatch%20released%20its%20November%20Business,has%20been%20since%20August%202020.

[8] Private New Capital Expenditure and Expected Expenditure, Australia, September 2024 | Australian Bureau of Statistics

[9] https://www.rba.gov.au/publications/smp/2024/nov/pdf/statement-on-monetary-policy-2024-11.pdf

Labour Productivity growth over 20 years



Source:https://www.abs.gov.au/statistics/measuring-what-matters/measuring-what-matters-themes-and-indicators/prosperous/productivity

Labour market resilient in the short term but uncertain in the long term

Despite a gradual easing over 2024, the labour market has continued to perform well, demonstrating resilience amid broader shifts in the economy. However, several interconnected global trends are shaping global and national labour markets. The Future of Jobs Report 2025 by the World Economic Forum shows that broadening digital access continues to be the most transformative trend, with 60 per cent of employers expecting it to impact their business by 2030 with the vast majority agreeing that AI and information processing to have the most transformative impact.[10]

International economic growth downgraded and increasingly uncertain

The RBA has found that overall GDP growth for Australia's major trading partners is expected to be moderate.[11] In 2025, global growth is projected to remain steady at 3.3 per cent according to the latest World Economic Outlook from the International Monetary Fund (IMF), below the historical average over the first two decades of this century.[12] The World Economic Forum's latest expectations for global growth shows regional divergence with the US poised for a short-term boost, with less optimistic outlooks for other major parts of the global economy, including Europe and China.[13]

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[10] Future of Jobs Report 2025: global trends are shaping labour markets| Deloitte Australia
[11] https://www.rba.gov.au/publications/smp/2024/nov/pdf/statement-on-monetary-policy-2024-11.pdf
[12] https://www.weforum.org/stories/2025/01/economic-growth-finance-davos-what-to-know/#:~:text=In%202025%2C%20global%20growth%20is,two%20decades%20of%20this%20century.
[13] Ibid

Vision for the economy

A productivity and competition policy roadmap for Australia's digital economy leveraging rapid developments in AI

Governance Institute members support an economic reform agenda that improves the competitiveness and productivity of Australia's corporate and commercial sectors. The rapid development of new technologies, particularly generative AI, has emerged as a once in a generation productivity enhancing opportunity for businesses of all sizes, in all industries. Government must strategically position Australia, in line with its strategic partners, in leading the AI revolution that is set to transform the way consumers, businesses and governments engage, transact, and do business with each other. It is critical that Australia keep pace with global innovations that will transform future labour markets and play a greater role influencing the safe and responsible development and deployment of AI globally.

Government should also continue its focus on building resilient cyber security defences and uplift private sector capability and investment in organisations acting as the first line of defence. This is particularly the case for SMEs that require greater support in understanding the crucial role of protecting their data assets.

Recommendation 1 - Continue to collaborate with industry to support AI development and deployment opportunities through a strategic AI strategy.

Recommendation 2 - Work with industry to map workforce capability gaps and design digital upskilling and reskilling initiatives to keep pace with international strategic partners.

Recommendation 3 - Continue the prioritisation and strengthening of Australia's cyber security defences, including implementing privacy law reforms to support public trust and confidence in Australia's digital economy.

A coherent and inclusive sustainable growth plan

Industries are in the process of transitioning to a greener and more sustainable business operating environment driven by consumer and investor expectations and global financial market signals. Continued leadership of a just energy transition and the reduction of environmental degradation along with the prioritisation of environmental restoration efforts is essential to ensure Australia continues to attract international capital flows. Over recent years, a marked increase in international climate litigation efforts is placing greater emphasis on the duty of care that government and the business community owe in the reduction and prevention of acute and potentially catastrophic climate change on current and future generations. Continued leadership and a roadmap to sustainable economic growth is necessary to ensure all industries are effectively decarbonising and transitioning to a lower emissions economy in a timely manner.

The Taskforce on Nature-related Financial Disclosures (TNFD), has published a risk management and disclosure framework for organisations to drive best practice reporting and action on evolving nature-related risks and opportunities. It is designed for companies and financial institutions of all sizes across all sectors and value chains with the aim of supporting the identification and assessment of nature-related issues, regardless of whether organisations are required to disclose those to regulators and other stakeholders. The TNFD disclosure framework is designed to meet the corporate reporting needs of a wide range of organisations across jurisdictions and sectors and assist in the provision of better information to support strategy and risk management. The TNFD framework, that incorporates a greater consideration of biodiversity impacts and nature loss, will reshape the risk profile of capital investment in unsustainable industries. Greater risk premiums and constraints on capital flows may be placed on industries with known impacts on nature and biodiversity loss. Industries that are highly dependent on nature generate 50 per cent of GDP, with the three largest sectors being construction, agriculture and livestock, and food and beverages.

Recommendation 4 – Develop a sustainable economic growth roadmap that strategically maps the investment required for a low emission, low-risk transition pathway for all Australian industries.

Recommendation 5 – Continue efforts to encourage nature-related financial disclosures in line with leading international reporting standards frameworks.

Administrative and regulatory complexity taskforce

Government efficiency in the provision of services will become increasingly critical as cost pressures mount and community expectations expand, particularly as the population continues to age. Government should prioritise limiting and reversing escalating business administration costs, in maintaining, starting or winding down a business. Administrative complexity raises costs and acts as a burden on the economy, resulting in working hours being diverted to unproductive activities with less time for innovation.

Recommendation 6 - Establish a Regulatory Efficiency Taskforce to reduce administrative and regulatory complexity in a timely manner.

Critical whistleblower protections required

Australian whistleblower protection laws are a complex patchwork: the Commonwealth *Public Interest Disclosures Act*, the *Fair Work (Registered Organisations) Act*, the *Corporations Act*, the *Aged Care Act,* Taxation Administration legislation as well as State legislation. The area is complex to understand, complex to administer and confusing for anyone contemplating speaking up about unlawful, unethical or irresponsible behaviour. Having raised wrongdoing in the workplace, whistleblowers continue to face detrimental outcomes for speaking out. A poll conducted by Essential Media shows that 71 per cent of respondents supported stronger protections for whistleblowers, while 68 per cent of respondents believed that whistleblowers should not be prosecuted when they speak up in the public interest.

Given the complexities involved in whistleblower protections, our members consider there is a need for an independent whistleblower protection authority with the ability to enforce whistleblower protection legislation which could also play an important role in giving practical support to whistleblowers, providing guidance and educating organisations about their obligations.

Recommendation 7 - Initiate the process to create a consistent whistleblower protection regime for both the private and public sectors, so the duplicative or different rules do not deter whistleblowers or confuse employers about whether or how protections apply.

Recommendation 8 - Create an independent Whistleblower Protection Authority. An independent, single source, sector agnostic authority for whistleblower protections would provide the necessary clarity and confidence for potential whistleblowers across all sectors to report unlawful and unethical behaviour.

Investment in sophisticated regulatory architecture

Australia's economic potential cannot be realised without investment in sophisticated regulatory architecture that eliminates wasteful administrative burdens on the business community and ordinary citizens. Improved regulatory architecture would reform the way in which corporations' law and frameworks are designed, establishes a coherent AI strategy that encourages and nudges all businesses to consider developing and deploying productivity enhancing technologies.

Recommendation 9 - Invest in modern regulatory architecture to reduce the wasteful administrative and regulatory burden being borne by the business community and ordinary citizens.

Supporting trust and confidence in the digital economy

The Government's response to the *Privacy Act* Review Report, has agreed to implement 38 out of the 116 proposals with a further 68 agreed to 'in-principle' support pending further consultation. With the vast bulk of recommendations deferred for further consultation, there is concern that the lengthy review processes will create further delay and uncertainty.

Governance Institute members have experienced firsthand the burden and confusion created by inconsistent legislation, particularly across state and Commonwealth legislation. They welcome Government recognition by demonstrating in-principle support for establishing a working group towards harmonising key elements of Commonwealth and state and territory privacy laws subject to agreement with states and territories. They also welcome amendments to the Act to permit organisations to disclose personal information to state and territory authorities under an Emergency Declaration, a proposal supported through our submission to the *Privacy Act* review.

Our members also note that the OAIC should provide additional guidance to entities about what reasonable steps an entity should take to keep personal information secure and what reasonable steps an entity should take to destroy or de-identify personal information. They also note the OAIC will also be tasked with providing individuals at higher risk of experiencing vulnerability with additional guidance that would be complimented by additional protections for this cohort. However, they still consider the OAIC should develop guidance on consent settings. Governance Institute also considers it is necessary to expand the OAIC to develop standardised templates and layouts for privacy policies and collection notices as a way of maintaining consistency across the economy.

The OAIC will play an increasingly important role in guidance and awareness, and it is critical that it is adequately resourced and funded to provide quality resources in a timely manner. This will be necessary to help inform entities about what reasonable steps an entity should take to keep personal information secure and steps to destroy or de-identify personal information.

The creation of an Office of the Privacy Commission should avoid the need for a range of proposals that will place unnecessary pressure on our court system. The Commission should be adequately resourced and provided with sufficient powers to deal with complaints and issues raised. It is critical that efforts towards harmonising key elements of Commonwealth and state and territory privacy laws are pursued. This should simplify the cost of doing business and make it easier and safer to store and process personally sensitive information.

Recommendation 10 - Create an Office of the Privacy Commissioner and expand funding and resourcing for the OAIC to support education and awareness of new privacy laws, provide affordable and accessible dispute resolution processes and an Annual Report for the Attorney General's consideration. In addition, continue to work with states and territories to harmonise laws and regulations as a matter of priority.

Productivity reform essential to drive better living standards for all Australians

Australia's languishing productivity growth rate is impacting the living standards of all Australians. Our members consider that productivity reform will play an important role in reducing business and transaction costs across the economy. Inefficient, time-consuming, and costly business transactions, including the ever-increasing regulatory burden contribute to increased costs of doing business that is subsequently passed through to consumers. Government can play a key role in reducing business costs and associated inflationary pressures via the adoption of modern regulatory architecture and structural economic reforms that drive productivity enhancing investment.

Comprehensive corporate law reform is required to kickstart the productivity reform process. The latest review of Australia's corporations and financial services legislation by the ALRC, shows that the Corporations Act is no longer fit-for-purpose. This has a flow on effect that impacts all Australians that interact with corporations and financial services regulation, from the largest company to the smallest business. Productivity enhancing reforms would trigger widespread benefits through lower prices, higher wages, higher profits leading to greater levels of investment and shareholder returns.

Recommendation 11 – Work with the States to implement productivity enhancing reforms to reduce the cost of doing business including supply-side inflationary pressures.

Corporate law reform body to initiate pragmatic policy reform efforts

There should be a dedicated independent corporate law reform body with the skills and expertise to make recommendations to the government for implementation. Without a comprehensive program of structural reform, the economy will continue to suffer from high regulatory incidence and costs that impacts consumers and their living standards. The Australian Law Reform Commission's latest assessment of Australia's corporations law describes the Corporations Act as unnecessarily complex, shrouded in obfuscation and obscurity and a legislative maze.[14]

Recommendation 12 - Reform the way in which corporations' laws and frameworks are designed to limit further complexity and improve the methods in which civil society, consumers, regulators, the judiciary and business community engage with corporations laws.

Reclaiming Australia's status as a net importer of global capital and talent

Since 2019, Australia has become a net exporter of capital. The continuation of this trend should not be the status quo. Australia is recognised as having an undiversified export profile and is currently ranked 93rd out of 133 countries, on an index ranking of economic complexity, placing us behind Uganda.[15] The Australian economy's current reliance on a narrow list of commodities to support terms of trade, is placing the economy at risk of global supply shocks and geopolitical instability. This has created the conditions for a highly volatile and uncertain economic future that is no longer viable to sustain economic growth and resilience.[16] Australia's services economy continues to be an untapped export potential. In 2022, services trade, such as legal, financial services, communications, digital and cyber security, was valued at $171 billion and made up 11 per cent of Australia's total exports.[17]

[14] https://www.alrc.gov.au/wp-content/uploads/2024/01/ALRC-FSL-Final-Report-Summary-Report-141.pdf

[15] https://www.innovationaus.com/australias-economic-complexity-ranking-worsens-again/

[16] https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/BriefingBook47p/GlobalTradeRisksAndOpportunities#:~:text=Australia%20is%20a%20major%20exporter,elsewhere%20in%20this%20Briefing%20book).

[17] https://www.dfat.gov.au/trade/services-and-digital-trade/services-trade-policy#:~:text=In%202022%2C%20services%20trade%20was,specialist%20services%20suppliers%20and%20investors

Recommendation 13 - Expedite an Australian services economy export strategy to lay the foundations for the vast untapped export potential and diversify Australia's export profile that is currently heavily reliant on bulk commodities.

Conclusion

Our members consider the recommendations outlined in this Submission are critical to fostering greater confidence in Australian capital markets and enhancing the competitiveness and productivity of Australian organisations. They would also reduce the burden and incidence of regulatory and compliance costs with the aim of making Australia a competitive and productive economy at a time of profound opportunity and change.

If you have any questions in connection with this submission, please contact me or Daniel Popovski, Senior Policy and Advocacy Adviser.

Kind Regards,

(Sgd) Megan Motto

CEO