



# Orange Book 2025

Policy priorities for the next federal government

Briefing pack

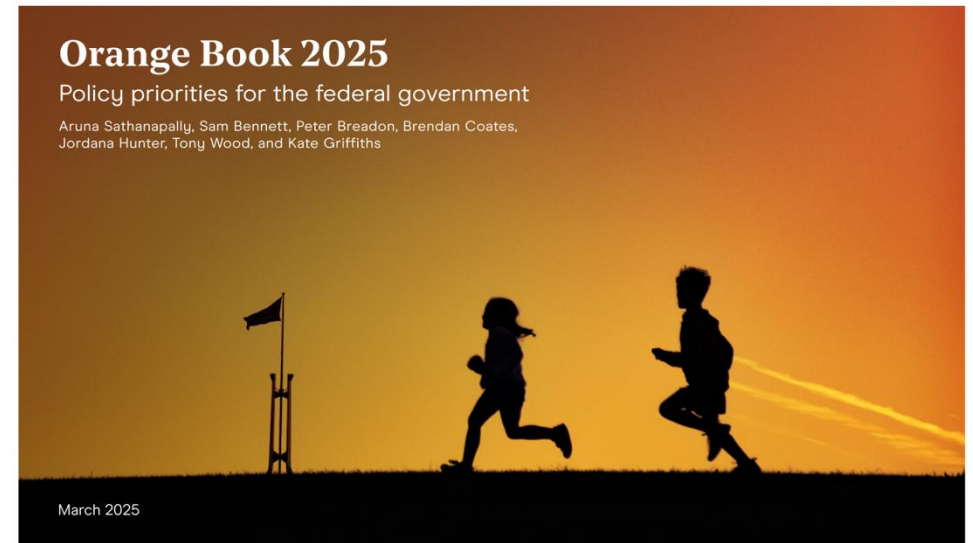
March 2025

**GRATTAN**  
Institute

# Why have an Orange Book?

Grattan's **Orange Book 2025** sets out the policies we think should be part of the next federal government's agenda (whichever party wins the 2025 election)

- The 'Orange Book' follows the public service tradition of naming incoming government briefings after colours – and we chose our signature colour, orange
- Our **recommendations cover a wide range of policy areas**, where Grattan has done detailed research and analysis (but are not comprehensive)
- Some recommendations are **major reforms**, some are **quick wins**, some would cost money, others would help provide services more efficiently
- The Orange Book is published in advance of the election, to inform public debate



# Imagining a more prosperous Australia



- A **resilient, cohesive society**, supported by strong and trusted institutions
- Flourishing as a **dynamic net-zero economy** with strong growth in real incomes
- Broad-based social and economic participation, supported by:
  - High-quality **health care**
  - Secure and affordable **housing**
  - An **education** system that supports social mobility and excellence from the early years to the workforce
  - Effective and sustainable **disability** and **retirement** supports

# Meeting the moment

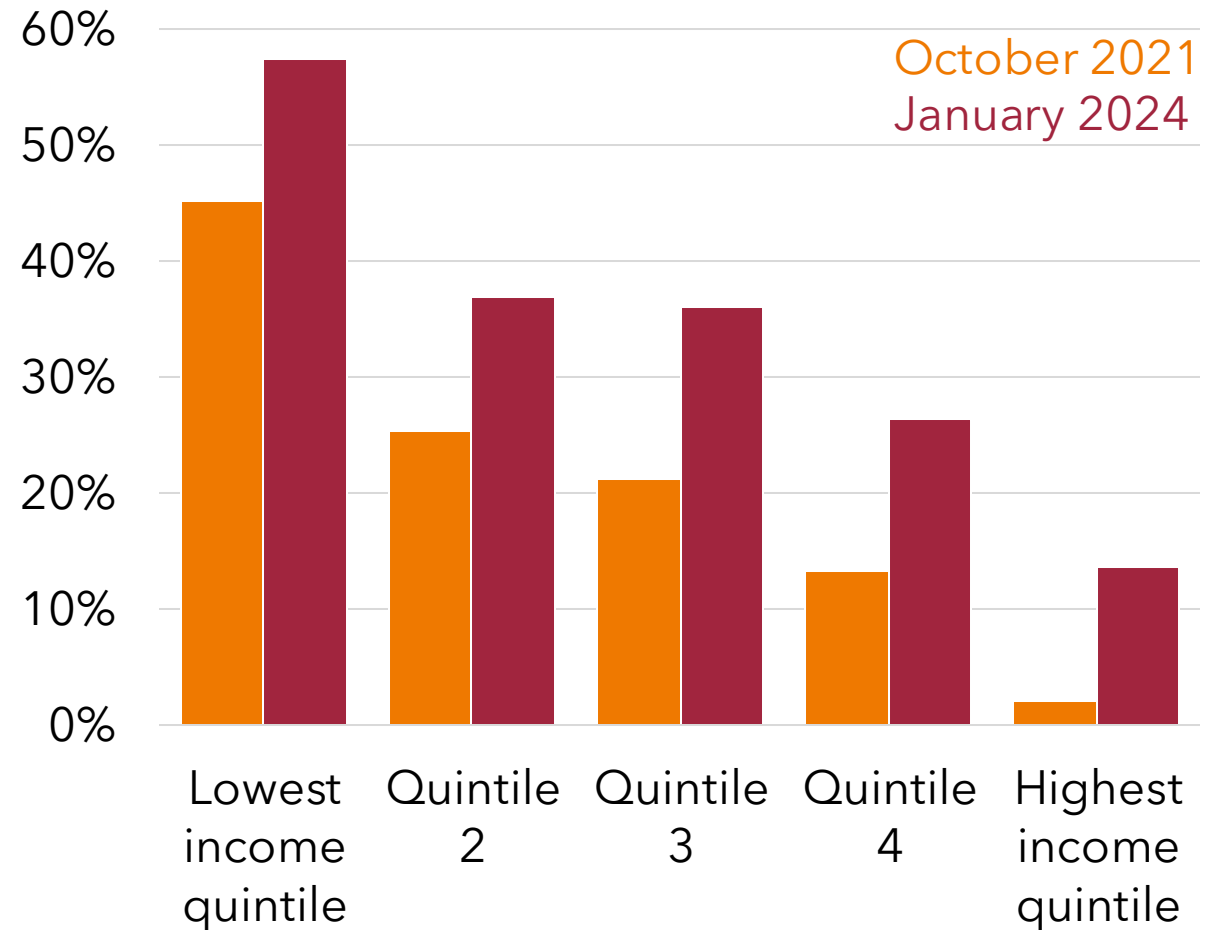
## Australians are feeling the pinch...

- Higher cost of living particularly impacting renters and mortgage holders
- Weak real income growth despite a strong labour market
- High service expectations, with demands on governments to spend and fix things but constraints on government's ability to do so
- Supply constraints easing but still backlogs and delays on construction

## ... at a time of significant uncertainty

- The world around us becoming more unstable, less predictable
- A looming climate challenge with more frequent, extreme weather already upon us
- Technology reshaping the nature of work
- A fracturing public discourse

Share of Australians finding it difficult or very difficult on their current incomes



# Australia comes from a position of strength to forge a path forward

**Trust and strength of our institutions** is high relative to many peers

**Fiscal situation** is challenging, but significantly better than Europe and United States

**Demography** is challenging, but as a migrant society, far better than many others

**Natural resources**, incl. renewable energy are strong, and have a global market

But we need **clear direction**, **bold reforms**, and a **big reset** in how we talk about and execute policy:



Politicians must be willing to **contend with trade-offs and losers** in the public interest



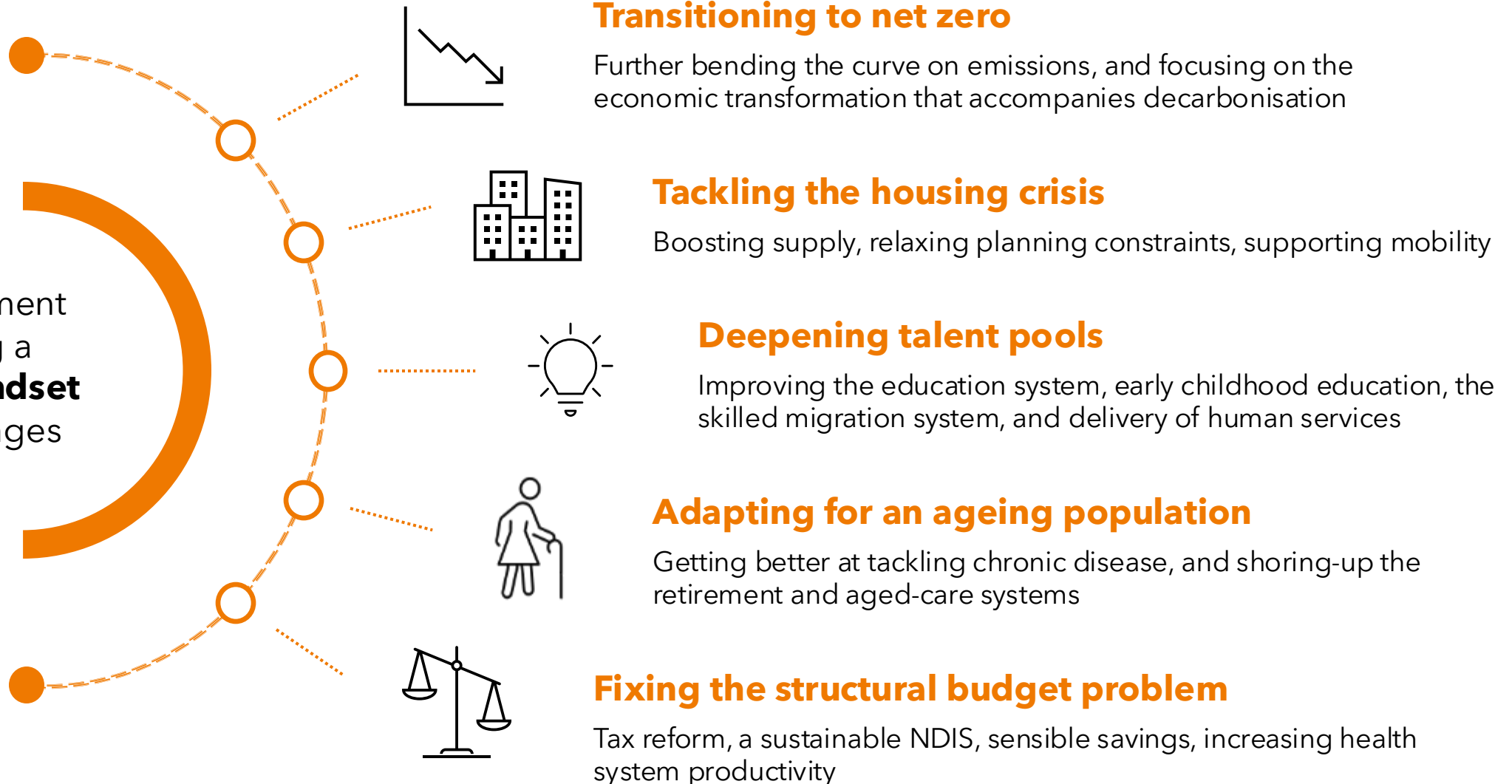
Public servants need to exhibit sophistication in **stewardship, market design**, and **service system management**



Public discourse needs voices who can **explain the choices we realistically have**

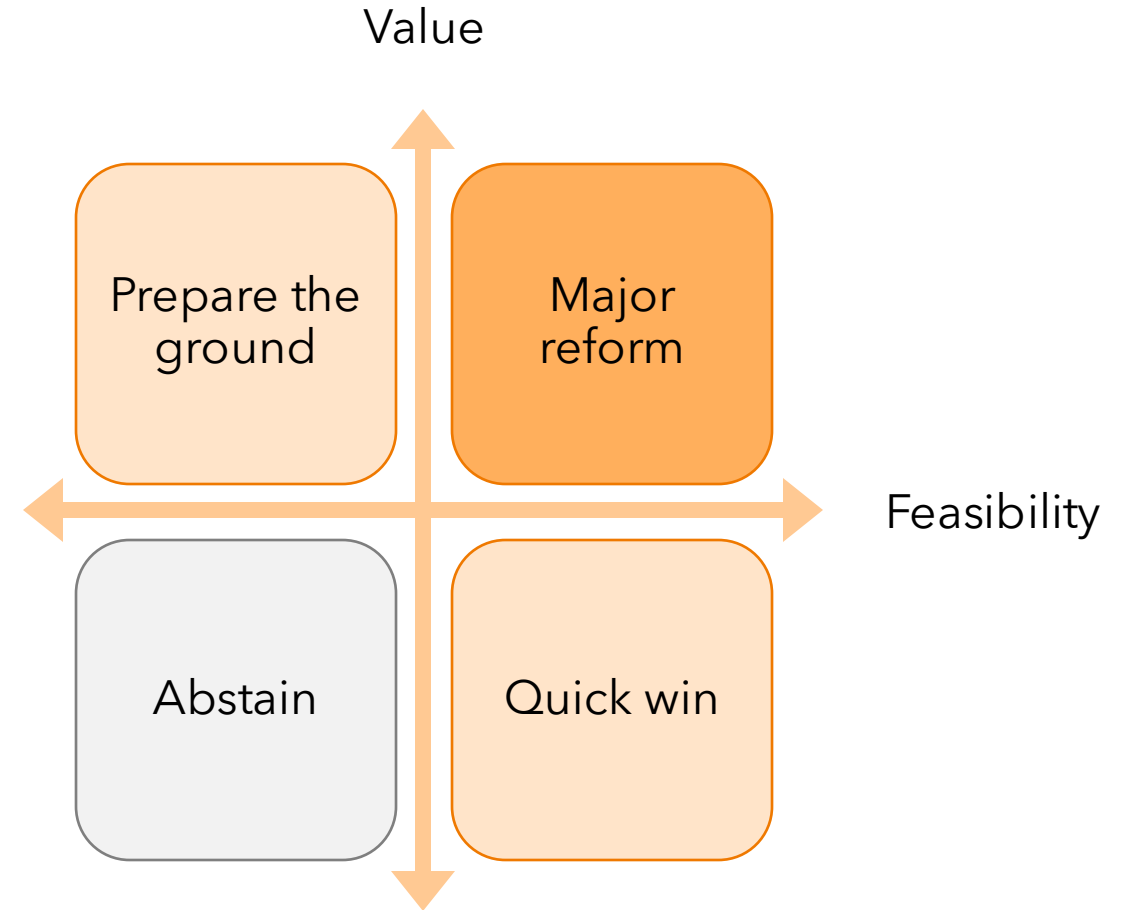
# A prosperity agenda

The next government will need to bring a **productivity mindset** to the big challenges



# A prosperity agenda will require active prioritisation

- Without prioritisation there is a real risk that only easy but trivial reforms will succeed
- It is very easy for the 'urgent' to displace the 'important', crowding out improvements that would make a bigger difference to people's lives
- Major reforms require more resources - including political capital, ministerial time, public attention, and fiscal, workforce, and capability bandwidth
- No government could implement in a single term all the reforms we recommend in the Orange Book. But if governments were to tackle a reasonable number of them over the next decade, we would be well on our way to a more prosperous Australia.



# A menu of measures to build a more prosperous Australia

	Major reform	Quick win	Prepare the ground
<b>Economic growth and budgets</b>	<ul style="list-style-type: none"> <li>- Tax reform</li> <li>- Simplify skills recognition</li> <li>- Pathway to universal childcare</li> </ul>	<ul style="list-style-type: none"> <li>- Reform skilled migration</li> <li>- Increase JobSeeker</li> <li>- Pursue sensible savings</li> </ul>	<ul style="list-style-type: none"> <li>- Improve infrastructure and defence procurement</li> <li>- Unwind the WA GST deal</li> </ul>
<b>Net-zero economy</b>	<ul style="list-style-type: none"> <li>- Create a national Net Zero Plan</li> <li>- Maintain the 2030 target and set the 2035 target at 65-75% below 2005 levels</li> </ul>	<ul style="list-style-type: none"> <li>- Stay the course on the Safeguard Mechanism</li> <li>- Stay the course on the New Vehicle Efficiency Standard</li> <li>- Wind back fuel tax credits</li> </ul>	<ul style="list-style-type: none"> <li>- Make the Future Made in Australia framework a comprehensive industry policy</li> <li>- Introduce an economy-wide, enduring carbon price framework</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>- Develop the post-coal NEM structure</li> <li>- Address barriers to critical transmission infrastructure</li> <li>- Fix the Future Gas Strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Update the role of gas price caps</li> <li>- Signal the case for a carbon price to guide investments</li> <li>- Find a fix for the south-eastern Australia gas shortfall</li> </ul>	<ul style="list-style-type: none"> <li>- Extend the role of the Integrated System Plan</li> <li>- Revisit the Petroleum Resource Rent Tax</li> <li>- Prioritise under a comprehensive Consumer Energy Resources Integration Plan</li> </ul>
<b>Housing</b>	<ul style="list-style-type: none"> <li>- Sharpen states' incentives to boost housing supply</li> <li>- Fund states to swap stamp duty for land tax</li> </ul>	<ul style="list-style-type: none"> <li>- Further increase Commonwealth Rent Assistance</li> <li>- Increase the Housing Australia Future Fund</li> </ul>	<ul style="list-style-type: none"> <li>- Work with states to improve tenancy laws</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>- Primary care funding reform</li> <li>- Pathway to universal dental</li> <li>- Prevention governance and funding</li> <li>- Public specialist investment</li> </ul>	<ul style="list-style-type: none"> <li>- Improve vaccination rates</li> <li>- Introduce better food regulation</li> <li>- Fund a national secondary consultation scheme</li> <li>- Get better value from PBS and pathology spending</li> </ul>	<ul style="list-style-type: none"> <li>- Establish a health workforce planning agency</li> </ul>
<b>School education</b>	<ul style="list-style-type: none"> <li>- Raise expectations for school performance</li> <li>- Fund evidence-based national professional development courses to upskill schools' workforce</li> </ul>	<ul style="list-style-type: none"> <li>- Invest in an independent quality-assurance process for curriculum materials</li> <li>- Mandate a Year 1 Phonics Screening Check with a Year 2 re-sit for those students not at benchmark</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthen the evidence base and guidance on best-practice instruction</li> </ul>
<b>NDIS</b>	<ul style="list-style-type: none"> <li>- Further moderate NDIS growth</li> <li>- Establish a new National Disability Agreement</li> </ul>	<ul style="list-style-type: none"> <li>- Establish an NDIS innovation fund</li> <li>- Invest in foundational supports using NDIS funds</li> </ul>	
<b>Retirement incomes</b>	<ul style="list-style-type: none"> <li>- Offer a government annuity</li> <li>- Further curb superannuation tax breaks</li> <li>- Create a top 10 list of the best super funds</li> </ul>	<ul style="list-style-type: none"> <li>- Performance test account-based pensions</li> <li>- Assess all retirement products</li> <li>- Establish a government guidance service</li> </ul>	<ul style="list-style-type: none"> <li>- Include more of the value of the family home in the Age Pension assets test</li> <li>- Review default insurance in super</li> </ul>
<b>Integrity</b>	<ul style="list-style-type: none"> <li>- Prevent gambling harm</li> </ul>	<ul style="list-style-type: none"> <li>- Boost transparency of lobbying</li> <li>- Better processes for public appointments, grants, and taxpayer-funded advertising</li> <li>- Amend electoral reforms</li> </ul>	



# Chapter by chapter

1 Charting the path to a more prosperous Australia

2 Economic growth and budgets

3 The net-zero economy

4 Energy

5 Housing

6 Health

7 School education

8 The NDIS

9 Retirement incomes

10 Integrity

# Australia is a prosperous country by global standards

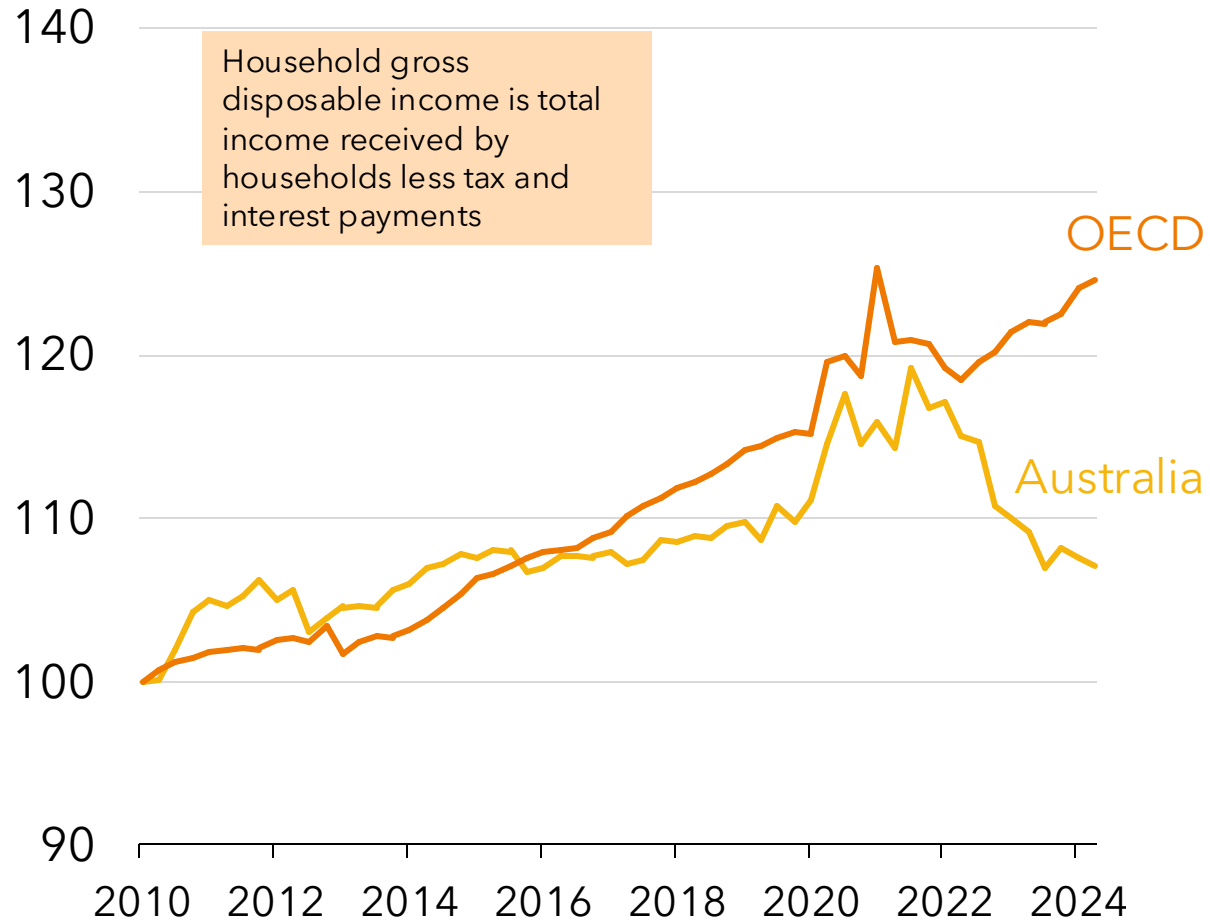
Selected OECD countries similar to Australia. The darker the colour the worse the performance.

	Human Development Index	Life expectancy at birth	Gross national income per capita	Inflation	Employment rate	Youth not in employment, education, or training	Income inequality	Old-age dependency ratio	Government debt
	2022 ranking	2022	PPP converted, US dollars, 2022	CPI, excluding food and energy, annual % change to December 2024	June quarter 2024	15-29 year-olds, 2022	P90/P10 disposable income ratio, 2021	Number of people aged 65 or older per 100 people aged 20-64, 2022	General government gross debt, % of GDP, 2023
Australia	10	83.2	\$68,785	3.6%	76.8%	9.6%	4.3	29	55%
Canada	18	81.6	\$61,234	1.9%	74.8%	11.0%	3.7	32	104%
Germany	7	80.7	\$69,207	3.0%	77.4%	8.9%	3.9	38	64%
Japan	24	84.1	\$50,053	1.9%	79.3%		5.2	55	229%
Netherlands	10	81.7	\$76,146	4.5%	82.5%	4.5%	3.4	35	50%
New Zealand	16	82	\$50,528	3.0%	78.9%	11.8%	4.1	28	54%
South Korea	19	82.7	\$56,160	1.8%	69.5%		4.9	26	46%
Sweden	5	83.1	\$69,484	1.3%	76.9%	7.3%	3.4	36	42%
UK	15	80.9	\$57,697	4.2%	74.6%	10.6%	4.3	33	98%
US	20	76.4	\$77,880	3.4%	71.9%	14.5%	5.4	29	121%

Notes: The Human Development Index is the average of life expectancy at birth, years of schooling for adults aged 25 and older and expected years of schooling for children of school-entering age, and gross national income per capita. PPP = purchasing power parity. Inflation: CPI = consumer price index. Japan is trimmed mean inflation. Income inequality: P90/P10 refers to 90th and 10th income percentiles. Australia and Germany are 2020 data. Government debt: South Korea is 2022 data. Grey indicates data not available.. Sources: Grattan analysis of OECD and national statistics agencies.

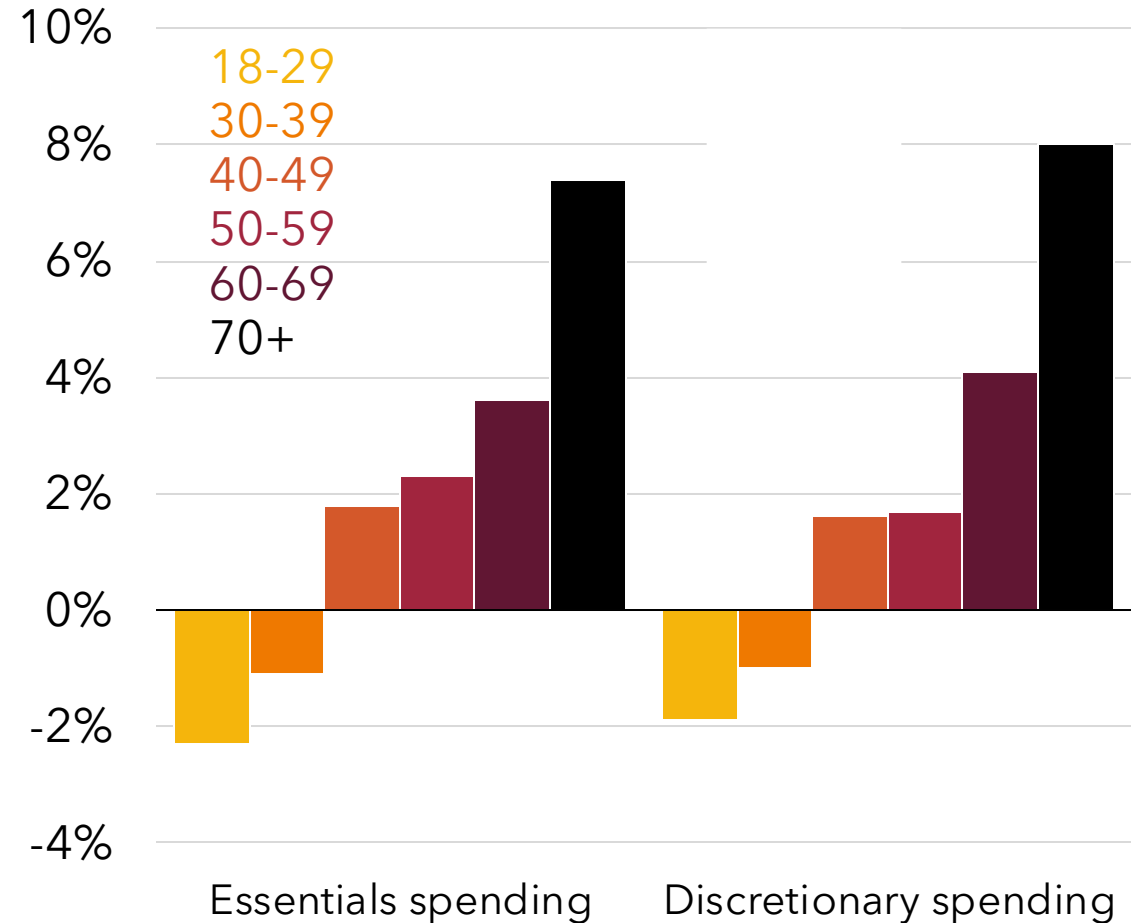
# But household income growth has lagged our peers in recent years, particularly hurting young people

Real household gross disposable income per capita, March quarter 2010 = 100



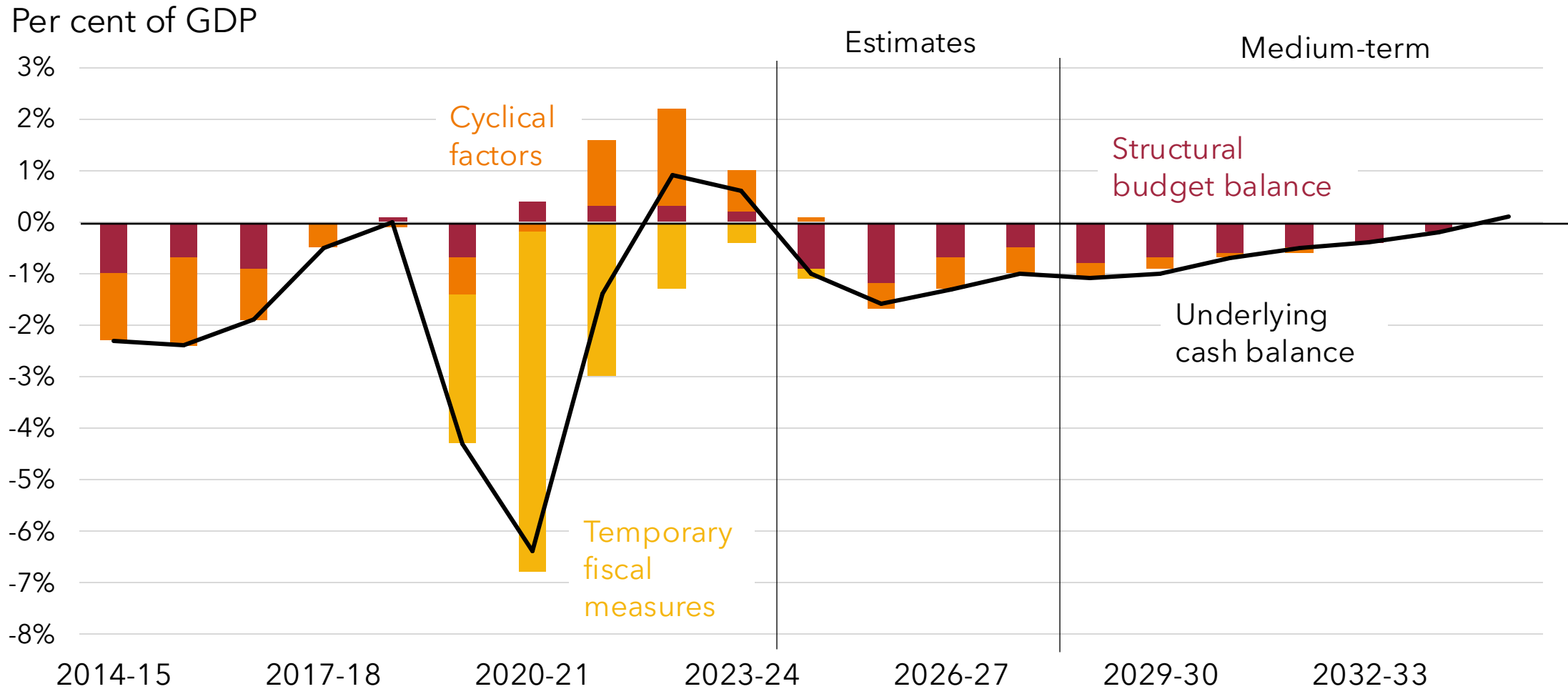
Source: OECD

Change in spending by age group, 2023 to 2024



Note: Jul-Sep 2023 vs. Jul-Sep 2024.  
Source: CBA

# The structural budget balance is expected to be in deficit for nearly a decade



# Economic growth and budgets: where we are

Australia is a prosperous country, but income growth has stagnated

- Australians enjoy some of the highest incomes and living standards in the world. But incomes for working-age people have stagnated and post-COVID inflation has eroded progress on real wages.
- Younger and poorer people, who are more likely to rent or have a mortgage, have been most affected by high inflation, high interest rates, and falling real wages.
- A strong labour market has helped most Australians and will deliver long-term benefits. But we face a growing need for workers. And barriers across Australia's labour markets impede us getting the right people into the jobs where they are most needed.

The Australian economy is in the midst of structural change

- Like all advanced economies, Australia's population has been ageing, but challenges created by an ageing population have been partly offset by higher participation among women and older Australians in paid work, and a young migrant intake.
- Our economy has shifted towards services, and in particular, our workforce will need to shift into the services sector, with implications for the productivity of the overall economy on traditional measures.
- The net zero transition will see a transformation across all sectors of our economy; prioritisation in public infrastructure and effective land use planning will be critical across the economy.

The longer-term budget situation requires work

- Australia's net government debt has now stabilised at 20 per cent of GDP, around where it was pre-COVID.
- Inflationary pressures, a strong labour market and supply-constraints in the economy mean that fiscal policy is a delicate balance.
- The longer-term budget outlook is challenging: the federal structural budget deficit is about 1 to 1.5 per cent and spending pressures are growing for the Commonwealth and the States, particularly in health, aged care, the National Disability Insurance Scheme (NDIS), and defence.

# Economic growth and budgets: what we should do

## Focus on productivity and promoting a more dynamic economy

- Stronger productivity growth is the way to raise our living standards in the long-term
- Get tax, education, migration, intellectual property, and other settings right so we can soak up the world's best ideas, innovations, and processes
- Better market design and delivery of human services: healthcare, education, aged care, and childcare
- Boost competition to encourage innovation, and get planning right to boost the power of our cities - revitalise National Competition Policy

## Make better use of our existing talent pool

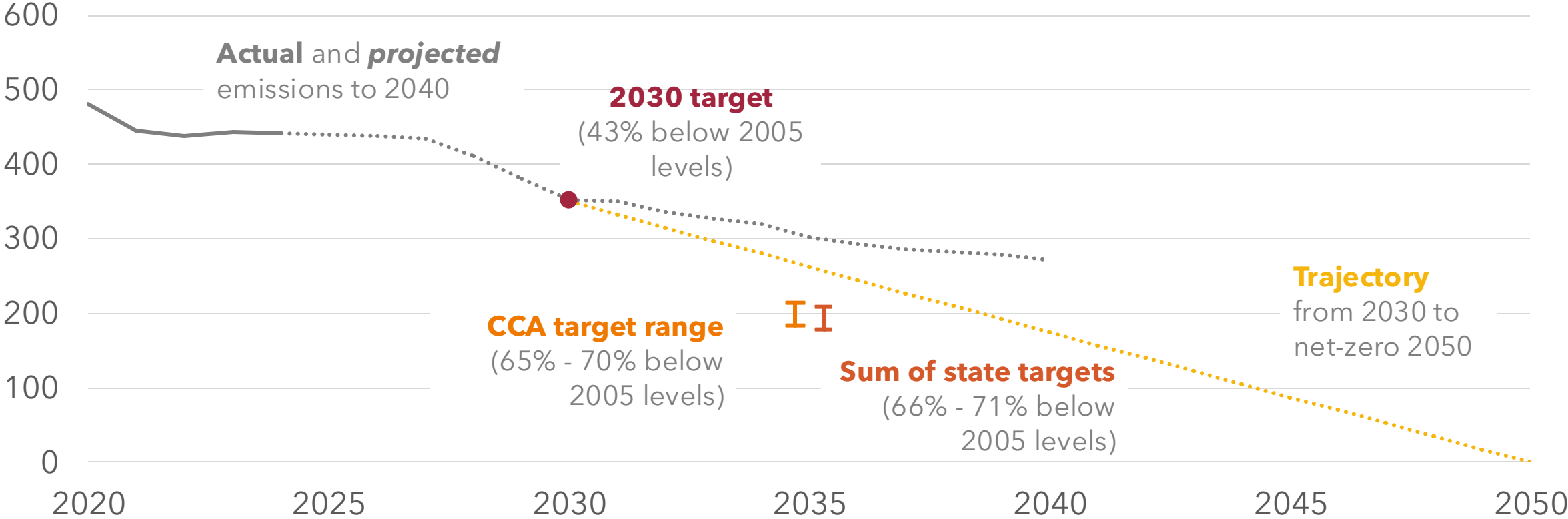
- Support working parents through universal childcare
- Retain flexibility in the labour market
- Improve skilled migration and reform the skills recognition process
- Increase JobSeeker and review the case for unemployment insurance

## Tax reform and sensible savings

- Reduce income tax breaks; broaden and/or raise the GST; support the states and territories to replace stamp duties with general property taxes; redesign resource rent taxation
- Sensible savings include improving infrastructure and defence procurement; unwinding the WA GST deal; counting more of the family home in the Age Pension asset test; winding back fuel tax credits; and abolishing FTB-B for couples

# Energy and the net-zero economy: the big challenge is getting to net zero

Emissions (MtCO<sub>2</sub>-e)



Source: Grattan analysis.

# Net-zero economy: where we are

Emissions reduction has been achieved and targets abound

- National emissions are now 28 per cent below 2005 levels. Meeting the 2030 target is possible but challenging.
- There is bipartisan, albeit fragile, federal commitment to net zero by 2050 and similar commitments by state and territory governments.
- Policies have been introduced to reduce emissions beyond electricity.

... but progress is narrowly based has stalled recently and the climate war continues

- Reductions in emissions have mostly come from land use and electricity generation, but neither can carry the entire forward load.
- Construction delays, cost escalation, and social licence issues have contributed to a slowing of progress in the electricity sector where the easy yards have been made.
- Cost of living issues have pushed climate concerns lower down general community concerns and contributed to an ongoing divergence over priorities on climate change.

Meeting objectives requires a step change in delivery while new opportunities beckon

- Projections that the 2030 target will be met depend on a step change in project implementation in electricity and effective outcomes from new policies in heavy industry and transport.
- There is no comprehensive policy framework to provide a credible and predictable pathway to net zero. The Net Zero Plan is a work-in-progress, and clarity on the 2035 target is urgently needed to guide investment.
- Australia is well-positioned globally to benefit from opportunities based on our minerals and renewable energy resources, but clear implementation plans are still emerging.



# Net-zero economy: what we should do

## Complete development of a National Net Zero Plan

- Consolidate sector roadmaps into a national comprehensive Net Zero Plan.
- Introduce an enduring, nationally consistent carbon price framework.
- Stay the course of the revised Safeguard Mechanism and New Vehicle Efficiency Standard, and wind back fuel tax credits.

## Coordination targets and actions across sectors and jurisdictions

- Lead alignment of the Net Zero Plan with the targets and policies of the states and territories to provide a consistent basis for planning and investment.

## Consolidate current actions into a comprehensive industry policy

- Build on the Future Made in Australia framework to become a comprehensive industry policy that links the existing various plans and strategies to drive investment in R&D and commercialisation of low emission technologies consistent with Australia's comparative advantages.

Poor coordination, outdated market designs, and community opposition threaten reliability, affordability and decarbonisation

- Coal generation plants are exiting faster than renewables, storage, transmission and gas backup can replace them.
- Previous attempts through the Energy Security Board to ensure the electricity market is fit for purpose beyond 2025 failed due to jurisdictional and vested interest opposition.
- Coordination of planning and investment in transmission, renewable generation and storage has been ineffective. The Integrated System Plan, while providing a constrained view of a low-cost pathway, is not effectively used for that purpose.

Traditional natural gas reserves are depleting, and there is no clear path to a future, diminished role for gas

- Combustion of natural gas is a material contribution to Australia's emissions and there is no comprehensive policy for degasification.
- Gas reserves offshore Victoria are depleting at an accelerating rate and there is no current solution to avoid looming shortfalls in supply.
- The role of gas as a backup in a high-renewables electricity system lacks any effective market driver.

# Energy: what we should do

## Develop the post-coal NEM structure

- Ensure that the latest NEM review delivers market settings to promote investment in firmed, renewable generation and storage capacity following the conclusion of the Capacity Investment Scheme.
- Update the respective roles for the market bodies, consumers, and governments in the future market.
- Revamp the Integrated System Plan to be a single optimal development plan to guide investments in generation, transmission and storage in the transition to net zero.

## Signal the case for a carbon constraint to guide investment decisions

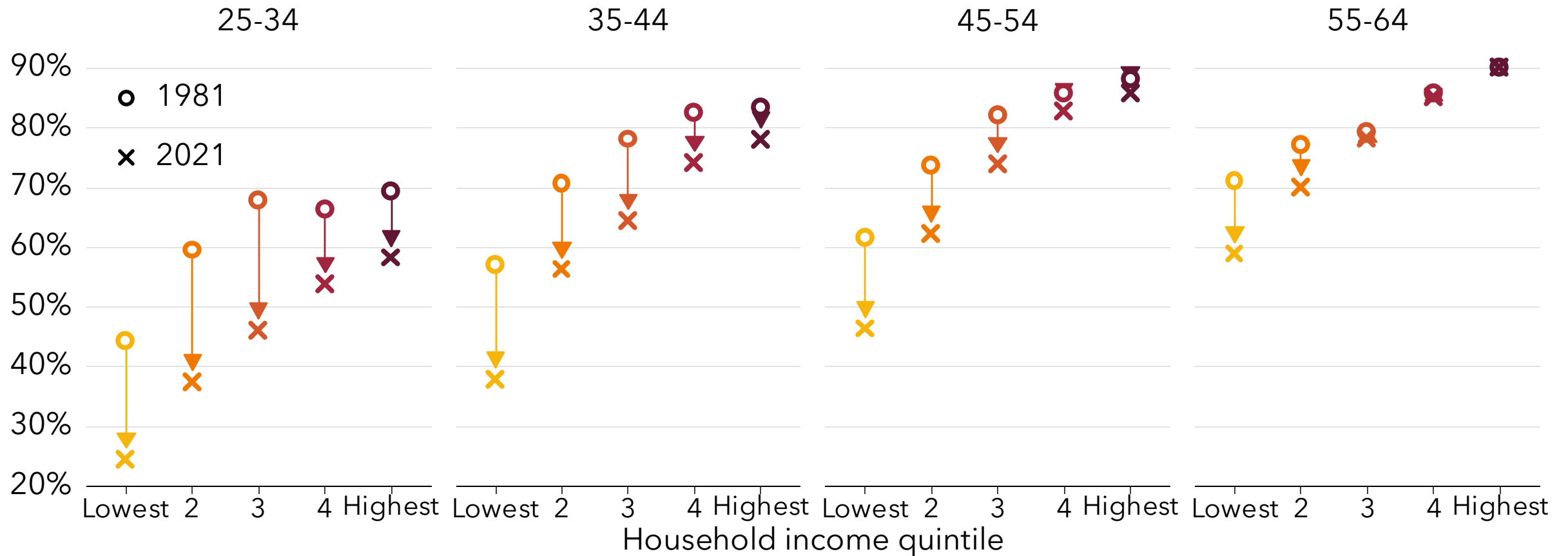
- Even once the market settings from the NEM Review have been developed and market reforms implemented, there will still be no constraint on emissions in the electricity sector. A complementary, enduring carbon price should be developed to guide investment decisions, including gas plant entries and exits.

## Fix the immediate SE gas shortfall and revise the Future Gas Strategy

- The Energy and Climate Change Ministerial Council must ensure that actions to address the looming gas shortfall are urgently finalised and implemented.
- The Future Gas Strategy should be reworked to provide clarity on the role of gas in the net zero transition, including coordinating state and territory degasification plans.
- The ADGSM and Mandatory Code of Conduct should be revised to reflect current and expected market dynamics.

# Housing: home-ownership is falling particularly among low-income earners

Home-ownership rates by age and income, 1981 and 2021



Notes: Private dwellings only. Excludes observations where tenure or income were not stated. Other tenure is counted as a non-owner. Excludes income not stated. Household incomes are reported in ranges so sorting into quintiles is an approximate exercise (i.e. there will be large ties at the margins of each quintile). This means small changes in ownership rates may not be significant.  
Sources: Grattan analysis of ABS 1981 Census 1% sample file and 2021 Census 5% sample file.

# Housing: where we are

## Housing is expensive

- Australia prices have grown much faster than incomes - from four times median incomes in the early 2000s to more than eight times today
- Rental vacancy rates are at record lows and rents have risen sharply - the 'race for space' and a spike in net overseas migration has led to a tightening of the rental market
- Homelessness is rising - 48 in every 10,000 Australians were homeless in 2021, up from 45 in 2006

## Homeownership is falling, especially for the young and poor

- Between 1981 and 2021 homeownership rates among the poorest 40 per cent of 25-34 year olds fell from 52 to 31 per cent. The poorest 40% of older age groups have also seen big declines.
- It's harder to save for a deposit - in the early 1990s it took about seven years, now it's more than 12
- Mortgage burdens are bigger - first home buyers today spend a larger share of their income on their mortgage than at any time in the past decade

## Housing construction is down

- New building approvals are at their lowest in a decade
- The cost of construction materials has risen by over 30 per cent, and labour is harder to come by with low unemployment and booming infrastructure construction
- Higher interest rates make it harder to finance developments, particularly higher-density ones

# Housing: what we should do

## Reform tax and welfare rules

- Reduce the capital gains discount and curbing negative gearing
- Include more of the value of the family home in the pension assets test
- Support the states to abolish stamp duty

## Sharpen states incentives to boost supply

- Reform federal incentives to states - adjust the baseline to align with cyclical conditions, and bring forward to New Homes Bonus to be paid in instalments
- Use the National Competition Fund to incentivise reforms to land-use planning

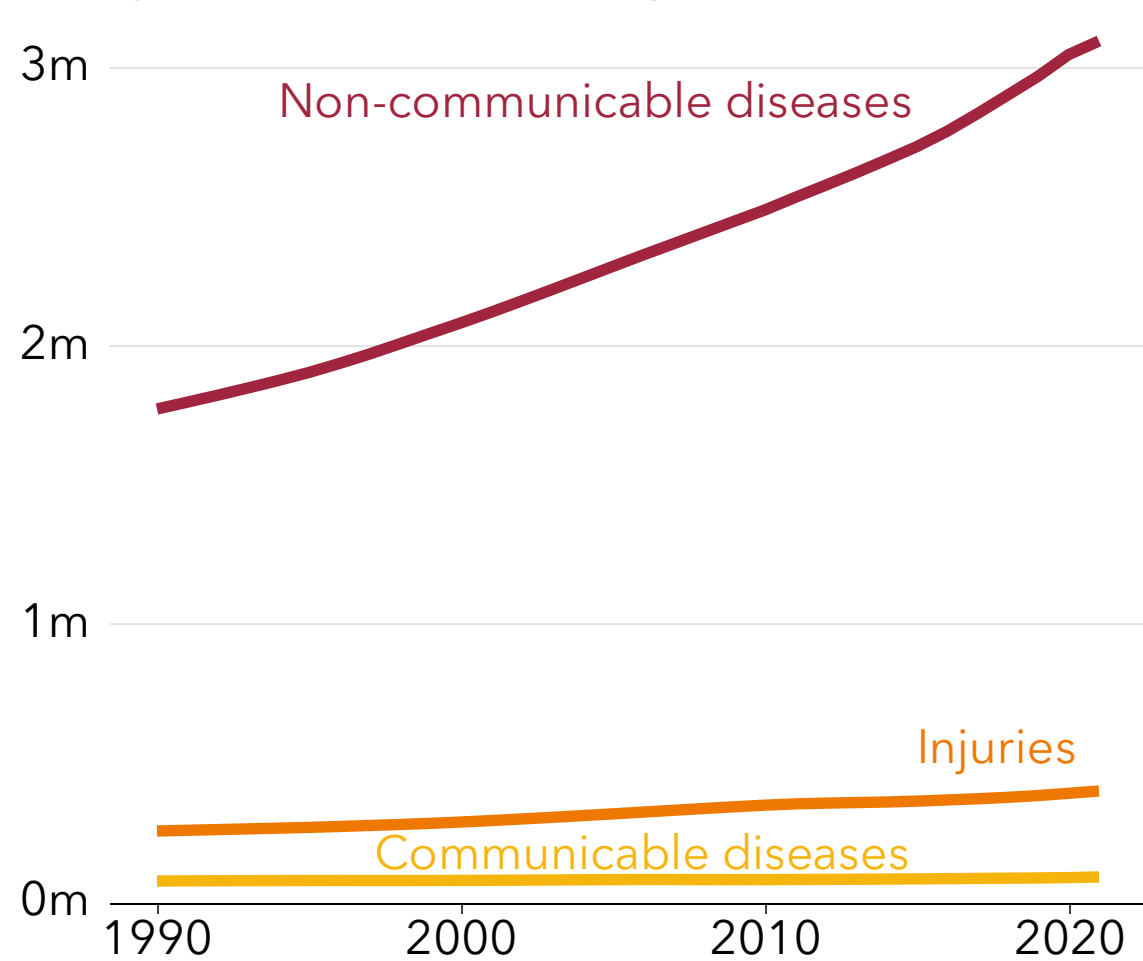
## Boost rent assistance and social housing

- Increase the maximum rate of rent assistance by a further 50 per cent for singles and sharers and 40 per cent for couples, and index to changes in rents for cheap homes
- Triple the Housing Australia Future Fund to \$30b

# Health: the rise of chronic disease is a fundamental challenge, requiring structural reform

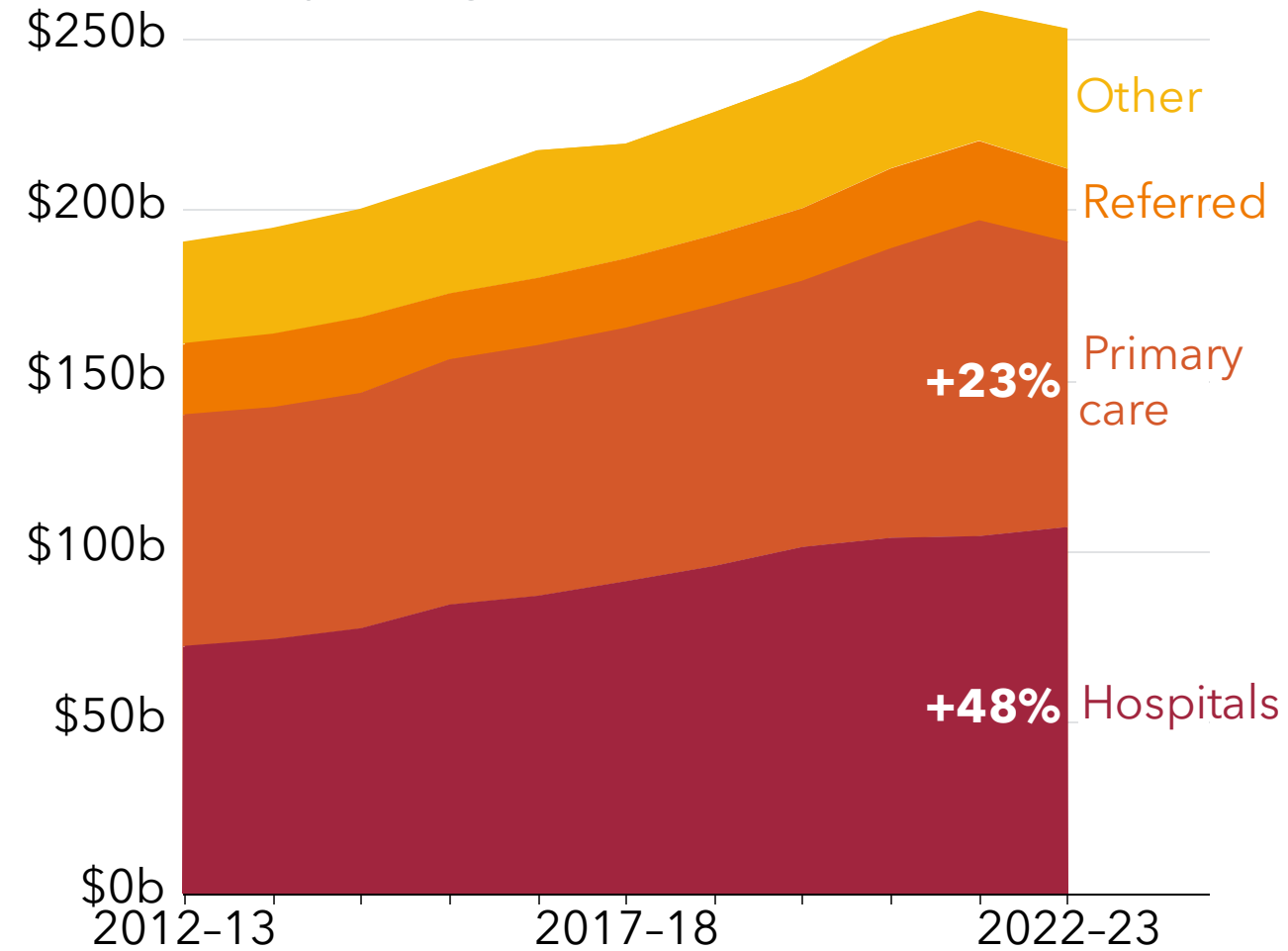
## Chronic disease is the biggest health challenge ... and part of why hospital spending is surging

Total years lived with disability



Note: Communicable diseases includes maternal, neonatal, and nutritional diseases.  
Source: IHME (2024).

Total health spending, 2023 dollars



Source: AIHW (2024).

# Health: where we are

Our life expectancy is good, and our health spending is average...

- Life expectancy is among the best in the world
- Spending on healthcare, as a share of the economy, is around the average for wealthy countries

... but chronic disease is a fundamental challenge ...

- Chronic disease risk factors, prevalence and multimorbidity are all rising fast, increasing demand for healthcare. This will continue due to population aging and lifestyle factors
- The health system still looks much the same as it did when injuries and infections were responsible for the bulk of illnesses, instead of diseases that must be managed over decades

... causing growing fiscal and equity headwinds

- Long lives and high rates of illness mean we have more years lived with illness and disability than almost any other country, with flow-on effects beyond health
- Budget pressures will keep growing due to rising demand for care and lost productivity
- Some groups have more risk factors, more disease, and higher barriers to care, which will entrench health and economic inequity



# Health: what we should do

## Prevent chronic disease

- Establish a strong, independent Centre for Disease Control that informs policy-making
- Fund prevention through a new national agreement, tied to Centre for Disease Control recommendations
- Build a universal dental scheme

## Manage chronic disease

- Extend general practice funding reform with a bigger departure from fee-for-service on an opt-in basis
- Formalise general practice co-commissioning in thin markets to improve access to care
- Improve access to specialist care through a national secondary consultation system to reduce referrals and targeted expansion of public specialist clinics in the most under-served areas

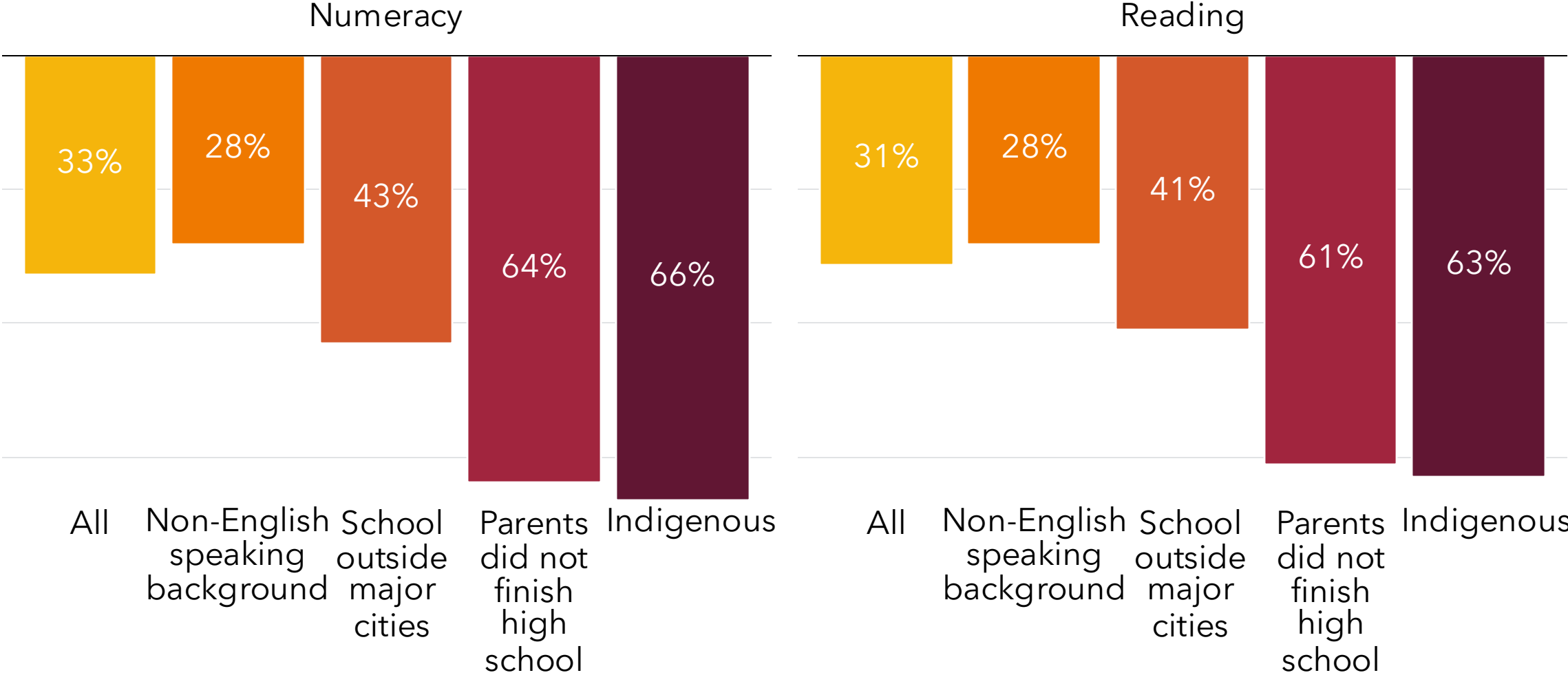
## Improve productivity

- Use new investments in prevention, dental care, general practice, and hospitals to boost sector productivity (through tighter policies on pricing, service models, and performance measurement)
- Reduce unwarranted cost variation in public hospitals

Build a prevention system, make bolder changes to general practice funding, and integrate productivity into all reforms

# Education: in both numeracy and reading, 1 in 3 Australian students aren't proficient

Proportion of students who are not proficient in 2024 NAPLAN



Notes: Students are not proficient if their score placed them in the 'Needs additional support' or 'Developing' proficiency level. Percentages are the average proportion of tests below proficient across Years 3, 5, 7 and 9, weighted by the number of participating students in each test. Percentages are taken from ACARA. ACARA includes students exempt from NAPLAN as part of the total from which percentages are calculated. Source: ACARA (2025).

# Education: where we are

## Too many students are behind in their learning

- Despite pockets of excellence, 1 in 3 students in Australia fell short of the 2024 NAPLAN proficiency benchmark in reading and numeracy.
- Disadvantaged students struggle most, but even advantaged students are underperforming.
- Australia lags well behind the best performers internationally. In PISA maths, our 15-year-olds lag Singapore's by more than four years.

## An evidence-to-policy-to-practice gap holds back school performance

- Schools need clear, robust, and detailed guidance on what works best to build strong learning foundations, while also encouraging excellence.
- But existing guidance is often silent on key issues, too vague to be helpful or not based on robust evidence, which means teachers are often given ineffective - or even counter-productive - advice.

## Schools are not set up for success

- As expectations on schools increase, school staff risk being pulled in so many directions they find it hard to deliver. Teacher shortages and perceptions of workload are also ongoing challenges.
- Despite this, many teachers still don't have the right training and the basic tools they need, including robust curriculum materials and effective assessment tools, to focus on the core of their job.

# Education: what we should do

## Raise the level of ambition for student learning

- In the long term, at least 90 per cent of students should hit NAPLAN reading and numeracy proficiency
- Set an interim 10-year target of a 15 percentage point uplift from baseline results
- Keep pressure on states and territories, and Catholic and independent sectors, to drive the reforms needed to hit these targets
- Mandate the Australian Government Year 1 Phonics Screening Check with a Year 2 resit for all schools, and publish results

## Raise the quality of guidance and tools

- Strengthen the evidence base on best practice, and publish clear guidance
- Invest in a genuinely independent, non-government body to quality assure comprehensive curriculum materials for teachers
- Ensure schools have the assessment tools they need to monitor progress and identify learning gaps

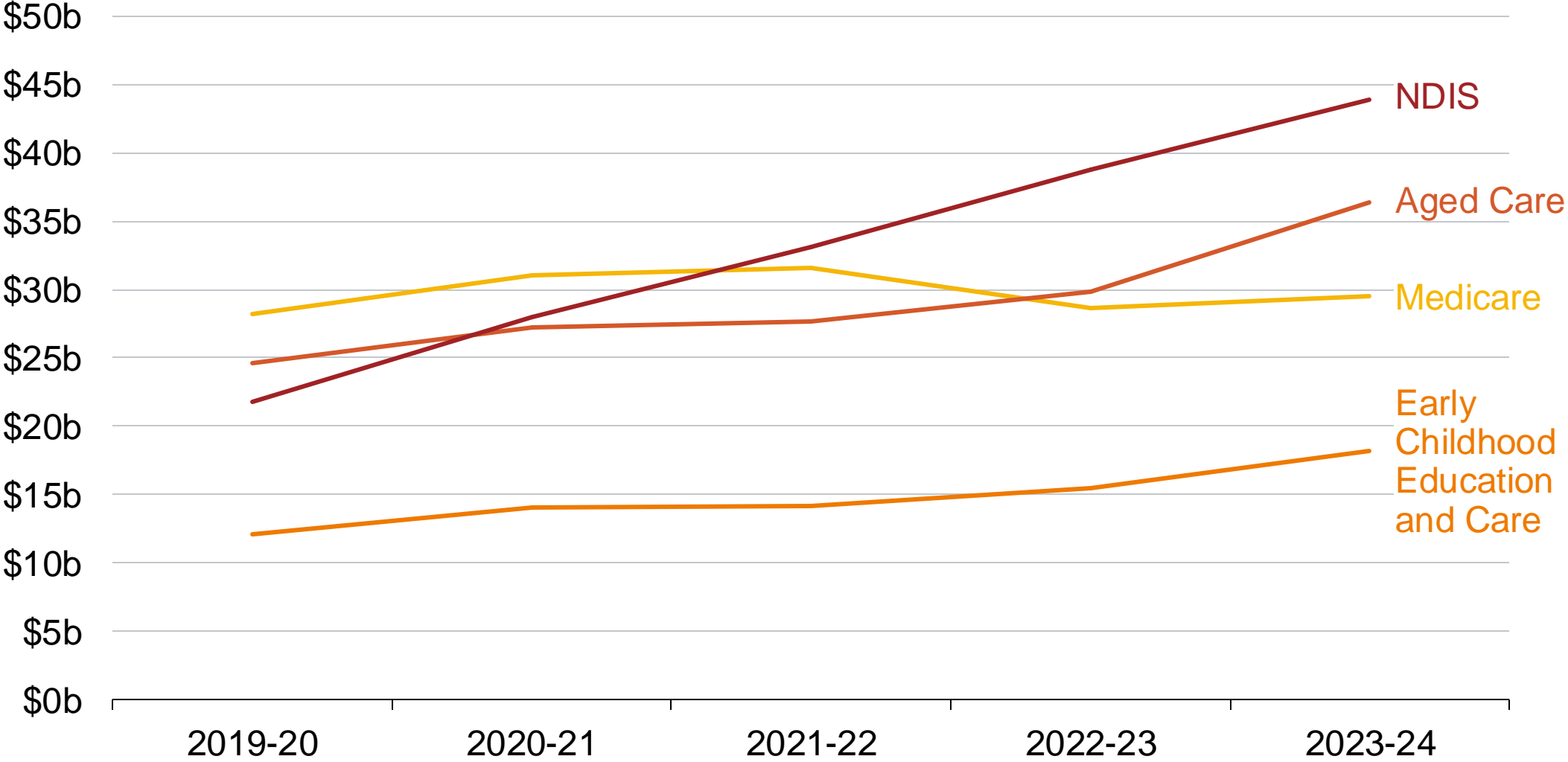
## Ensure schools' workforce is deployed effectively

- Fund a suite of rigorous, evidence-based and quality assured national professional development courses to upskill the schools' workforce

Improving the quality of school education should be a national priority. Better academic results would improve students' lives, lift workforce productivity, and support Australian prosperity.

# The NDIS is growing much faster than other government social care expenditure

Government expenditure, 2023-24 dollars



Note: Dollar amounts inflated to 2023-24 dollars using the general government final consumption expenditure chain price deflator (see Productivity Commission Return on government services 2025)  
Sources: Productivity Commission Return on government services (2025), National Disability Insurance Scheme Quarterly Report Q4 2023-24 (2024) and Department of Health and Aged Care Quarterly Medicare annual statistics (2024)

# The NDIS: where we are

Australia is spending more than ever on disability

- The NDIS is the third largest program in Australia by Commonwealth government expenditure, costing \$43.9 billion last year and growing to \$58 billion by 2028
- The IGR projects the NDIS will reach 2.4 per cent of GDP by 2043-44
- If expected reforms don't bite, the projection rises to 6.3 per cent of GDP by 2062-63, higher than projected health spending over the same timeframe.

... but too few people are benefiting

- This spending is concentrated on an NDIS population that represents only a fraction of the disabled people that need some level of support
- Services outside the NDIS have contracted which means many people are not having their needs met, increasing demand pressure on the NDIS
- Some groups are not well served by the NDIS design, including children with developmental delay

...and the NDIS is growing at an unsustainable rate

- Unsustainable growth is the result of long-standing failures in program design and governance
- Moderating growth to 8% as agreed by National Cabinet by 2026 (from 13% in real terms in 2023-24) will be tough
- But this won't be enough, further bold policy decisions are needed to get the NDIS back on track

# The NDIS: what we should do

## Clarify NDIS eligibility and establish alternatives

- Work with states to make a serious joint investment in “foundational supports,” including using existing funding already committed to the NDIS over the forward estimates
- Legislate new NDIS eligibility criteria to ensure that key groups that currently access the scheme are supported in the most effective and efficient way

## Improve NDIS resource allocation and market stewardship

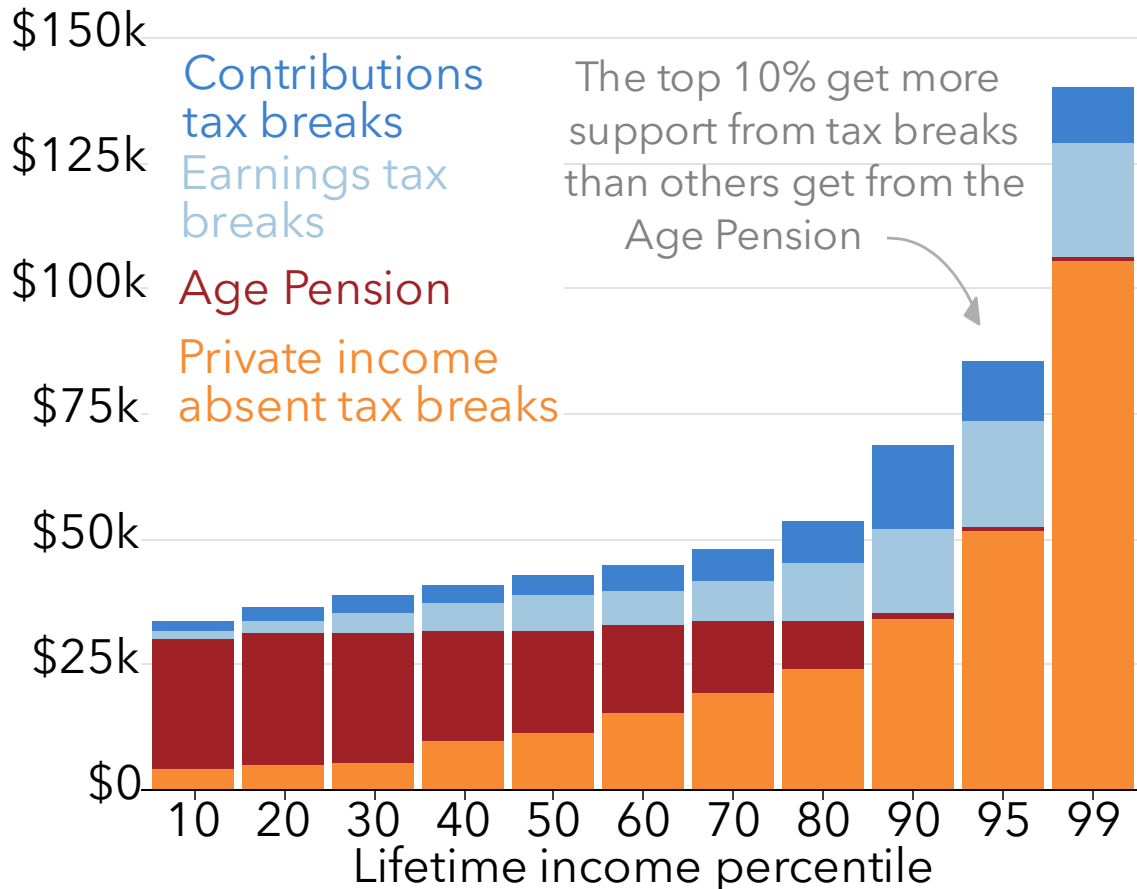
- Develop and implement a fair, objective and consistent method for allocating individual NDIS support packages and expedite rules to support its adoption
- Establish regional hubs to take on a market stewardship role, including directly commissioning services
- Establish an NDIS innovation fund to trial and spread alternative service offerings, starting with intensive NDIS housing and support (which represents about 40% of total costs)

## Establish a new National Disability Agreement

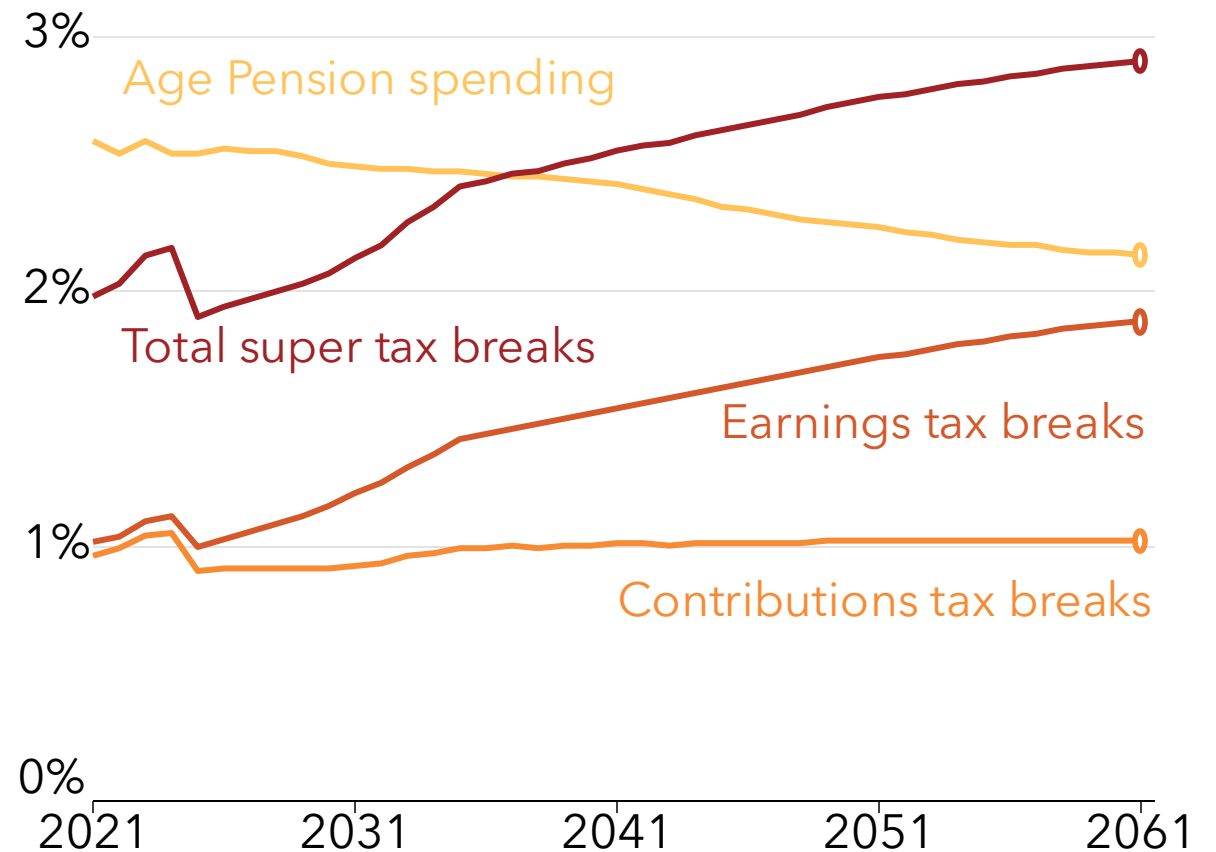
- Work with states to develop a new agreement reflecting the content and scope recommended by the Productivity Commission in its 2019 report
- Incorporate a strengthened performance framework to improve accountability and measurement and reporting of results

# Retirement: super tax breaks are too generous and will soon cost more than the Age Pension

Individual projected annual average retirement income by source and income percentile



Projected cost of the retirement income system by component, per cent of GDP



Note: Tax breaks are measured against a comprehensive income tax benchmark. Private income includes that from super and non-super savings. The 'income from tax breaks' components were estimated by projecting retirement incomes with contributions and earnings taxed at individual marginal tax rates

Source: 2020 Retirement Income Review (Chart 4A-20)

Source: 2020 Retirement Income Review.



# Retirement: where we are

## Retirement incomes are adequate, except for renters

- Most retirees are financially comfortable: few experience financial stress
- The median worker can expect to replace 90 per cent of their pre-retirement, post-tax earnings - well above the OECD benchmark of 70 per cent
- The Age Pension is adequate for homeowners, and Age Pension spending is sustainable
- But retirees who rent are struggling, as are early involuntary retirees

## Super tax breaks and fees are too high

- Super tax breaks cost nearly \$50 billion a year - and will soon exceed the cost of the Age Pension
- Super tax breaks are poorly targeted - two thirds go to the top 20 per cent who already have enough resources to fund retirement
- Australians continue to spend too much in superannuation fees

## Super is too complex in retirement

- Most people find retirement planning stressful, and most retirees are net savers
- Unlike in most countries, Australian retirees are given little guidance as to how to use their super
- Despite the higher stakes, retirement super is less regulated than working-age

# Retirement: what we should do

## Curb super tax breaks

- Tax earnings on balances above \$2 million at 30 per cent
- Raise Division 293 tax to 35 per cent, and apply it from incomes of \$220,000 a year
- Lower the pre-tax contribution cap to \$20,000
- Tax retirement earnings at 15 per cent

## Improve working-age super

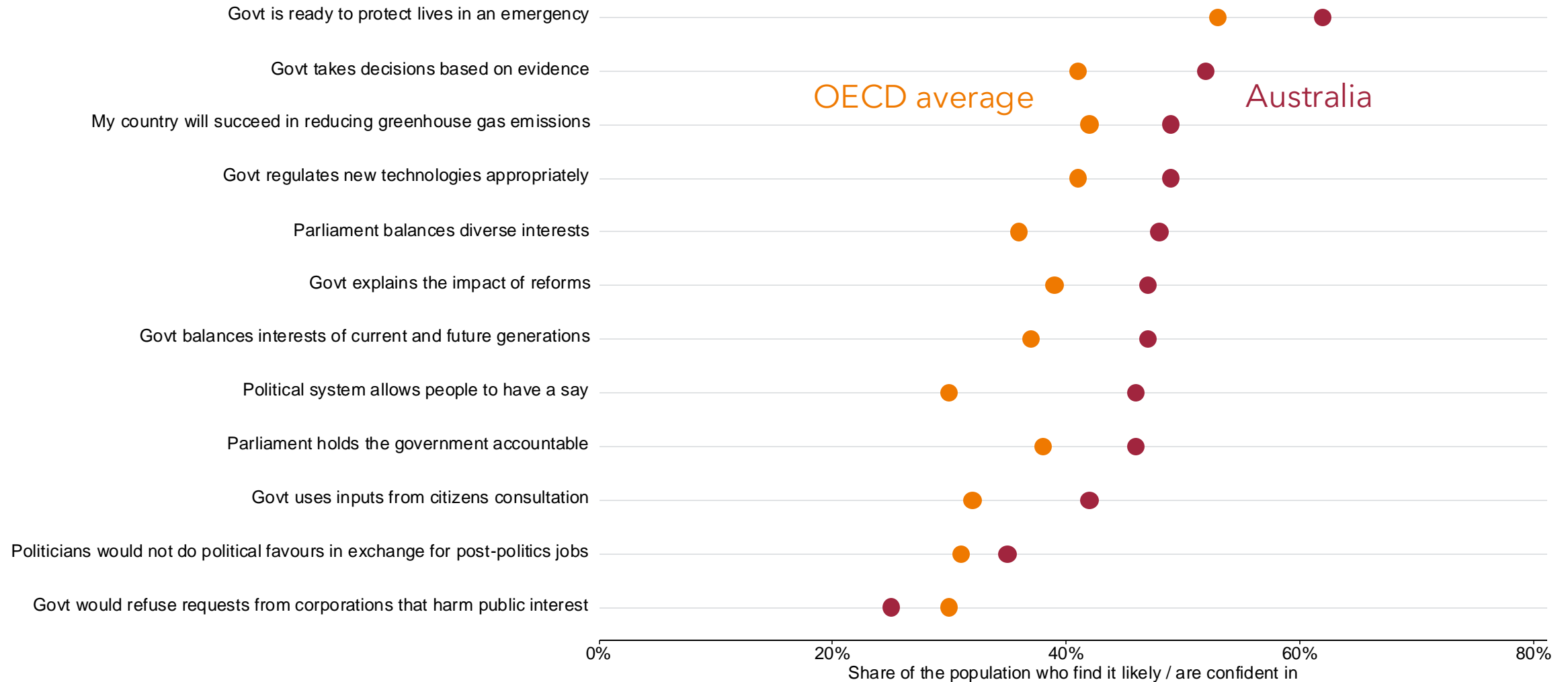
- Reform the process of allocating new workers to default super funds - 'Best-in-show', and extend to the retirement phase
- Review default insurance in super

## Simplify retirement super

- Offer government annuities and encourage people to take them up
- Setup a government guidance service
- Tighten regulation of funds in retirement

# Integrity: Australia is generally above average on trust, except when it comes to corporate influence

Share of the population who are confident in, or find a surveyed behaviour likely



# Integrity: where we are

Australia's institutions are generally strong...

- Australia is well-positioned, above the OECD average, on many dimensions of trust in government.
- Institutions are a key determinant of economic prosperity. But our institutions must maintain the trust and confidence of the Australian people to be effective.

... but they don't work for everyone

- Trust tends to be lower among groups who are less well served by the status quo
- Lower trust among young people, lower incomes, lower education
- But higher trust among migrants who have experienced other systems

Concerns about vested interest influence

- Australia remains vulnerable to policy capture, some checks and balances are weak
- The gambling industry is particularly powerful, and gambling protections are weak
- More than half of Australians say government is run for a few big interests and about half believe that corruption is a widespread issue

# Integrity: what we should do

## Further reduce the influence of money in politics

- The new Electoral Reform Bill substantially improves transparency of political donations and introduces caps on donations and electoral expenditure that will help to reduce the fundraising 'arms race'
- Some design issues remain though: the total cap for electoral expenditure (\$90 million) is too high. And the per-seat cap (\$800,000) is too low, advantaging incumbents over new entrants.

## Improve checks and balances on decision-making

- Improve transparency of lobbying activity (diaries, orange passes)
- Better processes for public appointments, grants, and taxpayer-funded advertising
- Boost countervailing voices through more inclusive policy review processes

## Prevent gambling harm

- Ban gambling advertising
- Mandatory precommitment for online gambling
- Work with states on pokies reforms and improving support services

Guard against cynicism and build on our shared values: this is what makes it possible to tackle the challenges and uncertainties ahead

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