THE OPPORTUNITY IS NOW:

ATTRACTING U.S. INVESTORS TO AUSTRALIA

The ambition of this report is to effect regulatory change which will see investment from the United States to Australia increase. Firm action is needed now to remove unnecessary regulatory burdens on business and incentivise US investors to choose Australia as their preferred destination. This report outlines practical recommendations to remove these burdens and drive forward the Government's deregulatory agenda.

THE OPPORTUNITY IS NOW TO PURSUE DEREGULATION AND ENCOURAGE US INVESTMENT INTO AUSTRALIA

Foreign investment plays a vital role in Australia's economic prosperity by bridging the gap between what Australia saves and invests every year (equivalent to ~4 per cent of GDP on average over the last few decades). The success of the US and Australian economies are particularly intertwined, with US activity in Australia equivalent to around seven per cent of annual economic output; the United States is arguably Australia's most trusted, strategic ally.

In 2021, economic uncertainty is widespread and a confluence of events is motivating US businesses to reevaluate their organisational structures and foreign operations. Recent developments include: the COVID-19 pandemic, from which Australia is emerging as a global leader in health outcomes; increased competition for a declining pool of foreign direct investment (FDI) globally; and geopolitical events highlighting the importance of the Indo-Pacific region to Australia and its allies. Australia should capitalise on this changing environment and effect regulatory change to position itself as a prominent destination for US investment and to increase our share of outward US investment.

The urgency to act now is exacerbated by issues closer to home. Unprecedented fiscal expenditure and revenue measures mean the Federal Budget will not return to balance until 2040-41. As Government debt swells, the Australian economy needs to grow itself out of trouble to pay down debt. Australia's weak productivity growth is also cause for concern and deregulation is critical to incentivising the productive investments which will drive future economic growth and Australian living standards.

Australia needs investment and the associated economic risk-taking, innovation and digitisation it comes with. The direct cost of regulatory compliance is estimated to be 5 per cent of GDP annually - Australia can't afford to get this wrong.

THE GOVERNMENT SHOULD PRIORITISE A NATIONWIDE SHIFT IN REGULATORY CULTURE AND MICRO-REFORMS WHICH REDUCE RED TAPE THAT HAMPERS INVESTMENT

Initially, a wide range of areas of importance to US investors was considered; this included many issues such as regulatory culture, the corporate tax rate, the cost and supply of energy and industrial relations. These issues are varied in nature but can broadly be placed into one of three categories: economy-wide reform, micro-reform and regulatory culture.

By their nature, economy-wide reforms require greater effort, consensus and therefore time to implement. This makes them potentially less effective when rapidity is required, such as now when Australia looks to continue the transition from a COVID-19 management phase to recovery (however, the difficulty of implementing economy-wide reform has no correlation with the importance or urgency of reform in the longer term). In contrast, micro-reforms and regulatory culture are often easier to change, easier to obtain cross-agency and departmental support, and faster in delivering their intended outcomes. For these reasons, the focus of this report is on regulatory culture and micro-reforms. The recommendations in this report provide government a list of clear, distinct changes that could effect significant positive change for US investors in Australia.

EXECUTIVE SUMMARY

A CHANGE IN REGULATORY CULTURE IS REQUIRED TO ALIGN REGULATORS' ACTIONS WITH THE GOVERNMENT'S DEREGULATORY AGENDA

Even the most fit for purpose regulation relies on the regulator implementing the intent of that regulation and ensuring the burden that regulated entities experience is proportionate to the risk being mitigated. In the current environment, enhanced risk tolerances to encourage investment should be reflected in the everyday decisions made by regulators – small changes leading to significant positive impacts in aggregate. There are already some promising examples where COVID-19 has created urgency to drive regulatory culture change. However, there are examples where regulators can be too risk averse and hesitate to make timely, investment friendly decisions.

TARGETED MICRO-REFORMS CAN DRIVE A STEP CHANGE FOR INVESTMENT AND ECONOMIC GROWTH IN AUSTRALIA

During the COVID-19 pandemic and prior, Australia's regulators have lent into the challenge of balancing protecting communities with minimising business impediments. However, now is the time to revisit their mandates and functions to ensure they are still fit for purpose. This report outlines practical recommendations to remove these burdens and drive forward the Government's deregulatory agenda. Proposed reforms span four main areas; the Foreign Investment Review Board, talent, tax policy, and regulatory simplification and the removal of duplication. Together, these have the potential to attract more investment from Australia's trusted strategic ally, the United States. Specific reforms, outlined in more detail in the report, include: Fringe Benefits Tax (FBT) reform to revitalise CBDs; maximum timeframes for regulator-business interactions; a passporting system for trusted, credentialed US investors; and a Federal mandate to remove inefficient and outdated regulation.

Firm action is needed now to remove unnecessary regulatory burdens on business and incentivise US investors to choose Australia as their preferred destination.

We are proposing a suite of regulatory reform recommendations to the Government – **download the full report.**

CONTACT US

TOM SEYMOUR
CEO, PwC Australia
tom.seymour@pwc.com

APRIL PALMERLEE
CEO, AmCham
aprilpalmerlee@amcham.com.au

RASA BUCKLEY
General Manager, AmCham
rasabuckley@amcham.com.au

JAMES LOUGHRIDGE
Senior Economist, PwC Australia
james.b.loughridge@pwc.com

EXPLORE MORE
www.pwc.com.au/amcham-pwc-opportunity-is-now

JOIN THE CONVERSATION
#TheOpportunityIsNow