

Senate Select Committee on Productivity in Australia

March 2026

The Australian Retail Council (ARC) welcomes the opportunity to contribute to the Select Committee on Productivity in Australia consultation.

ARC represents a \$444 billion sector, and employs 1.4 million Australians, one in ten workers, making retail the nation's largest private sector employer and a cornerstone of the Australian economy, contributing 16 percent of national GDP.

Our membership spans the full breadth of Australian retail: from family-owned small and independent businesses, which comprise 95% of our membership, to the largest national and international retailers that support thousands of jobs and sustain communities across both metropolitan and regional Australia. Our industry operates more than 155,000 retail outlets nationwide, with the majority of those also represented by an online or e-commerce presence.

A strong retail sector delivers widespread benefits to all Australians, with a significant portion of every dollar spent in retail flowing back into employees, suppliers, superannuation funds, and local communities. We are united in advocating for the policy settings, reforms and collaboration that will drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it.

Executive Summary

Productivity is fundamental to Australia's economic growth, prosperity and living standards. Australia's productivity performance has slowed materially since the mid-2000s, contributing to weaker real wage growth, reduced competitiveness and downward pressure on living standards.

ARC supports a practical productivity agenda focused on reducing avoidable regulatory burden, improving cross-jurisdiction consistency, and strengthening the conditions for investment, innovation and competition.

Regulation is essential to safeguard public interests, but productivity suffers when obligations become overly complex, duplicative, or inconsistent. Regulatory compliance costs have grown significantly over the past decade; this diverts business resources away from productivity-enhancing investment such as digital uplift, automation, modern logistics and workforce capability.¹

The productivity challenge is compounded by regulatory fragmentation across states and territories. Inconsistent requirements between jurisdictions drive duplicated compliance systems, training and reporting, and can require unnecessary variation in product and operational settings. This is particularly costly for multi-state operators and ultimately acts as a drag on productivity and competitiveness. Analysis provided to ARC indicates that, if left unchecked, regulatory inconsistency will impose substantial economy-wide costs over the coming decade.²

ARC's priorities focus on reducing regulatory drag and fragmentation, while also addressing practical enablers of productivity such as freight efficiency, labour mobility, and investment conditions. Accordingly, ARC recommends a delivery-focused productivity agenda built around a small number of high-impact reforms:

¹ Mandala, *\$160 billion and counting: The cost of Commonwealth regulatory complexity* (Nov 2025)

² Mandala, *Fragmentation in retail*, prepared for ARC.

- Reduce regulatory duplication and complexity by strengthening Federal regulatory discipline, including more rigorous impact assessment, a greater focus on measurable outcomes, and systematic post-implementation review.
- Treat internal market fragmentation as a priority productivity reform, including through clearer intergovernmental processes and incentives that drive harmonised regulatory design and mutual recognition across jurisdictions.
- Improve freight productivity and supply chain efficiency, including through nationally consistent operating rules and reforms that unlock higher-productivity freight movements, to reduce costs that flow through supply chains and into household prices.
- Strengthen labour mobility and skills portability, including reforms that reduce barriers created by fragmented licensing and recognition systems, and support faster uptake of productivity-enhancing technology.
- Support investment and capital deepening by improving predictability and speed in planning and approvals and reducing cross-jurisdictional compliance costs that lower returns on long-lived assets.

This submission draws on ARC's prior input to productivity and competition reform processes, including proposals relating to internal market fragmentation, competitive neutrality and international standards alignment, and focuses on the productivity implications of those reforms for the retail sector and the broader economy.

1. Productivity in the Retail Industry

Productivity measures how efficiently an economy converts inputs — primarily labour (hours worked) and capital (machinery, buildings, equipment and technology) into output. Labour productivity is commonly expressed as output per hour worked. When labour productivity rises, each hour of work generates more value, supporting sustainable real wage growth and higher living standards.

A broader measure, multifactor productivity (MFP), captures how effectively labour and capital are combined. While labour productivity can rise through additional capital investment (capital deepening), MFP reflects improvements in efficiency, innovation, management capability and technology diffusion. Sustained gains in MFP are the foundation of long-term economic growth.

Retail plays a significant role in Australia's productivity performance and the overall health of the economy. Retail is central to any credible productivity agenda because it is both systemically important and economy-wide in reach. Retail is the second largest private sector industry, generating around \$444 billion in total income and contributing \$125 billion to the economy in 2023–24. Retail is also a major entry point to work, with around one in three retail employees aged 15 to 24³, making the sector pivotal to building foundational skills and durable workforce attachment. When productivity lifts in a sector that touches households daily, the benefits flow quickly and broadly through lower costs, better service, and stronger wage capacity.

Retailers do not necessarily manufacture the goods they sell; they create value through distribution and service functions, including sourcing, logistics, inventory management, store and digital operations, customer service and fulfilment. Within the national accounts framework, retail output is measured through gross value added (GVA), calculated as total sales minus the cost of goods purchased for resale and other intermediate inputs. This measures the value created by the retail service function, rather than the value of the goods themselves.

³ Jobs and Skills Australia, Retail Trade

As with many service sectors, measuring productivity in retail presents complexities. Improvements in digital capability, logistics integration, inventory optimisation, customer experience and speed of delivery may not always be fully captured in measured output. Some gains in convenience, product availability and service quality are therefore difficult to quantify precisely within standard statistical frameworks.

Notwithstanding these measurement considerations, retail productivity remains central to national productivity outcomes. Retail is a large, economy-wide, labour-intensive and logistics-dependent sector that sits at the centre of household consumption. Efficiency gains in retail flow quickly through supply chains into prices, wage capacity and cost-of-living outcomes. For this reason, retail productivity is directly relevant to the Committee's consideration of the drivers of productivity growth and the reforms required to strengthen Australia's economic competitiveness.

Improving productivity in retail delivers spillover benefits beyond the shop floor. A 1 per cent increase in retail productivity is estimated to lift real GDP by around \$3.2 billion each year and reduce consumer prices, saving households around \$1.3 billion annually (around \$115 per household per year).⁴ In practical terms, retail productivity is a direct lever for cost-of-living relief that does not rely on ongoing budget outlays. The committee's focus on lifting national productivity therefore aligns closely with reforms that enable retailers, particularly small and medium businesses, to invest, innovate and scale efficiently across jurisdictions.

2. Australia's International Productivity Performance and Competitiveness

Australia's economic growth over recent years has been driven largely by strong workforce participation and population growth. However, productivity has underperformed relative to comparable advanced economies, limiting improvements in living standards. Accordingly, real GDP per capita has declined over recent years and remains below its pre-pandemic peak, indicating that average living standards have deteriorated despite headline economic growth.

Australia's productivity growth has slowed materially over the past decade and has underperformed relative to several comparable advanced economies. While productivity growth has weakened across much of the OECD, Australia's post-pandemic performance has been particularly subdued. Treasury has observed that measured productivity effectively returned to around 2019 levels following the pandemic adjustment, implying little net improvement in output per hour worked over recent years. By contrast, some peer economies continued to record cumulative productivity gains over the same period.

Australia's global competitiveness depends on lifting productivity growth and ensuring the policy environment supports investment, innovation, and efficient scaling. In recent years, Australia's productivity outcomes have weakened relative to many comparable economies, with direct implications for living standards, real wage growth, and economic resilience.

A competitive economy requires regulatory settings that are predictable, proportionate, and designed to minimise unnecessary administrative burden. International benchmarking indicates Australia's administrative and regulatory burden is comparatively high against peers, ranking second-highest among G7 economies (behind Japan) and 33 per cent above the OECD average in 2023 (up from 15 per cent above the OECD average in 2018).⁵ This matters for competitiveness because compliance overheads absorb management time and operating expenditure that could otherwise be directed to productivity-enhancing investment, including technology adoption, modernisation and workforce capability.

⁴ Mandala Partners, ARC Mandala research on regulatory fragmentation and retail productivity

⁵ Mandala, *\$160 billion and counting: The cost of Commonwealth regulatory complexity*

Rising compliance intensity is also associated with weaker investment performance. A 0.1 percentage point increase in the share of the workforce engaged in compliance activity is associated with an estimated 2.3 per cent reduction in capital investment growth.⁶ On an economy-wide basis, this relationship implies that even small increases in compliance intensity can translate to material foregone investment.⁷

For retail, these issues are magnified by the sector's multi-jurisdiction footprint and operational replication across stores, distribution networks and online channels. Where requirements differ between states and territories, nationally operating businesses must maintain duplicated systems, training and reporting, and may be required to vary product and operational settings in ways that add cost without improving outcomes. Analysis provided to ARC estimates that, if left unchecked, regulatory inconsistency between jurisdictions will cost the economy \$26 billion over the next decade.⁸

Improving Australia's competitiveness therefore requires a delivery-focused productivity agenda that reduces avoidable regulatory burden and treats internal market fragmentation as a first-order reform priority. This includes strengthening Federal regulatory discipline so new obligations are demonstrably necessary and efficient, and accelerating practical harmonisation and mutual recognition across jurisdictions so businesses can operate and invest with greater certainty and scale.

Competition and consumer choice in retail

Retail is characterised by frequent purchasing, high consumer visibility of prices, and a broad range of options across formats and channels. Consumers exercise choice regularly, switching between retailers based on price, convenience, range, service and location. Competition occurs not only between supermarkets, but across a wider set of formats including independent and specialist retailers, discount formats, fresh food providers, and online channels, with retailers competing dynamically through promotions, loyalty offers, product innovation, and service improvements.

This competitive dynamic is a key source of productivity pressure and innovation in the sector. Retailers must continuously invest in supply chain efficiency, store operations, digital capability, and customer experience to win and retain customers. As a result, policy settings that increase operating costs or constrain the ability to invest and expand can have outsized impacts on sector productivity and competitiveness.

In that context, ARC is concerned that an increasing volume of sector-targeted regulation has the potential to operate as a handbrake on productivity and growth where measures impose high compliance costs without proportionate benefits, duplicate existing obligations, or lead to inconsistent requirements across jurisdictions. This includes regulatory interventions that add layers of reporting and administrative burden, or that create uncertainty for long-term investment decisions, including in new communities and growth corridors. In practical terms, if investment signals are weakened, communities in greenfield growth areas may face slower delivery of new retail options and essential services, reducing convenience and choice for households and potentially increasing the cost to serve.

Accordingly, ARC supports a productivity reform agenda that focuses on reducing unnecessary regulatory burden, improving national consistency, and ensuring new obligations are demonstrably efficient, targeted, and designed with a clear line of sight to improved outcomes.

3. ARC's Perspective on the Drivers of Australia's Productivity Slowdown

⁶ Mandala, *\$160 billion and counting: The cost of Commonwealth regulatory complexity*

⁷ Mandala, *\$160 billion and counting: The cost of Commonwealth regulatory complexity*

⁸ Mandala, *Fragmentation in retail report*

Australia's productivity slowdown reflects deep-seated structural constraints rather than short-term cyclical weakness. Slower growth in output per hour worked has coincided with weaker capital deepening and slow technology diffusion: labour productivity fell by 0.7 per cent in 2024–25 despite GDP rising 1.4 per cent⁹, business investment intensity sits below the OECD average for non-residential capital formation¹⁰, and Australia ranks only 15th of 36 OECD¹¹ countries for workers with AI-related skills. These trends matter because productivity growth is the primary long-run driver of rising living standards, fiscal sustainability and economic resilience. Without stronger productivity growth, gains in household incomes are harder to sustain, and existing inflationary pressures including recent increases in consumer prices, are more likely to persist or re-emerge as demand strengthens.

Australia's productivity slowdown is now directly constraining living standards, wages and economic resilience. Australia's 20-year average labour productivity growth rate has fallen by 53 per cent since 2015, and real wages remain around 2011 levels after recent inflation shocks eroded purchasing power.¹² Youth labour market outcomes reinforce the stakes for jobs and skills, with youth unemployment and underemployment more than double overall rates.

Several economy-wide forces are now acting simultaneously to suppress productivity growth. Regulatory complexity and duplication across the federation raise compliance costs and reduce the returns to investment. Planning and approvals systems delay major projects and slow the rollout of new stores, logistics hubs and infrastructure. Freight inefficiencies and congestion increase the cost of moving goods across long distances, while workforce shortages, skills mismatches and limited mobility constrain firms' ability to scale and adopt new technologies. At the same time, uncertainty in regulatory and policy settings dampens incentives to invest in automation, digital systems and data-driven operations that would otherwise lift output per worker.

Retail provides a clear case study of how these national constraints interact. As a multi-jurisdictional, labour-intensive and logistics-heavy sector operating on thin margins, retail is particularly exposed to fragmented regulation, transport bottlenecks and workforce churn. These pressures directly shape decisions about store networks, distribution centres, technology upgrades and hiring. When these systems underperform, costs flow through to households in the form of higher prices and reduced service levels. Lifting productivity therefore requires coordinated reform across regulatory frameworks, infrastructure planning, skills systems and investment settings.

4. Regulatory Fragmentation Across States and Territories as a Productivity Constraint

Differences in state and territory regulatory regimes governing nationally operating retailers impose a material productivity penalty on the sector. Lack of harmonisation creates duplicated compliance systems and operational inefficiencies that collectively impose millions of dollars per year in direct costs on retailers alone, with broader impacts flowing through supply chains into prices. These costs arise not because regulation exists, but because it is inconsistent across jurisdictions.

Fragmentation imposes both direct and indirect burdens. Direct costs include additional administration and reporting, repeated testing and certification, constrained freight routes, bespoke procurement and packaging requirements, workforce training across multiple regimes and delayed capital projects. Indirect costs include foregone economies of scale and reduced incentives to invest in nationally optimised systems. The highest-impact areas include freight access, environmental and waste schemes, labour mobility, payroll tax administration, planning systems and trading-hour regimes.

⁹ Australian Bureau of Statistics, Australian System of National Accounts, 2024–25

¹⁰ Organisation for Economic Co-operation and Development, OECD Economic Surveys

¹¹ Organisation for Economic Co-operation and Development, AI Skills Penetration Indicator

¹² Mandala Partners, ARC Mandala research on regulatory fragmentation and retail productivity

Examples include state-by-state single-use plastic bans with differing scopes and timelines; electrical safety compliance regimes operating separately in NSW and EESS jurisdictions; and product safety standards that diverge from US and European equivalents, requiring additional labelling, redesign and compliance processes for globally manufactured products. These inconsistencies reduce scale efficiencies and create avoidable supply chain complexity.

Freight-specific fragmentation alone imposes \$60 to \$80 million per year in conservative duplication costs, while environmental regimes add a further \$30 to \$50 million annually in pure compliance and redesign costs. These figures exclude wider productivity losses from delayed investment, under-utilised assets and higher consumer prices.

Reducing this drag requires nationally consistent standards, mutual recognition and coordinated intergovernmental processes. Aligning with international standards by default, linking intervention to demonstrated harm and ensuring equal treatment and enforcement would preserve public-interest protections while materially improving productivity outcomes. Delivery requires formal intergovernmental agreements with clear priorities and timelines, standing ministerial forums to resolve differences and template legislation to enable coordinated adoption across jurisdictions.

5. Alignment with International Standards as a Productivity Imperative

Regulatory fragmentation is not confined to state and territory differences. For globally integrated retailers, divergence between Australian and international product standards also imposes material productivity costs.

Where Australian mandatory standards deviate from established international benchmarks without clear, evidence-based justification, retailers must redesign products, modify packaging, establish separate supply flows and absorb higher compliance costs. This reduces economies of scale, constrains product availability and ultimately raises prices for Australian consumers.

ARC supports alignment with international standards by default, unless a demonstrable safety or public-interest rationale justifies deviation. Where deviation occurs, sufficient transition time and early regulatory guidance are essential to avoid stranded inventory and unnecessary waste.

6. Freight and Supply Chains as a Core Productivity Lever

Freight productivity has become a binding constraint on Australia's economic performance as demand for transport services accelerates. Freight volumes have doubled since the 1970s and road freight is projected to grow by up to 77 per cent between 2020 and 2050¹³, yet output per unit of freight has barely improved, with road productivity rising only five per cent and rail eight per cent since the late 1990s¹⁴. Fit-for-purpose freight infrastructure is therefore central to lifting productivity and economic dynamism. Disruption has compounded these pressures, with climate-driven infrastructure shocks projected to impose costs of up to \$73 billion per year by 2060¹⁵, weakening confidence in network reliability and deterring long-lived logistics investment.

Freight logistics is a primary macroeconomic transmission channel. When congestion, delays or inconsistent rules constrain networks, fewer goods are moved at higher unit cost, pushing up inflation and eroding competitiveness. Higher dwell times raise inventories, lower asset utilisation lifts labour and capital costs per unit moved, and these pressures flow directly into supermarket prices, housing construction, manufacturing inputs and exports. Improving freight

¹³ BITRE, Australian Aggregate Freight Forecasts: 2022 Update – Summary Report, Research Report 154

¹⁴ Bureau of Infrastructure and Transport Research Economics (BITRE), Truck Productivity: Sources, Trends and Future Prospects, Report 123, Australian Government, Canberra, 2011

¹⁵ Infrastructure Australia, Market Capacity Report 2023, Infrastructure Australia, Canberra, 2023.

efficiency delivers large economy-wide returns: a one per cent lift in sector efficiency would raise GDP by around \$2 billion¹⁶.

High-return reforms are available now. Accelerating the national rollout of automated access systems would replace fragmented permitting with near-real-time, rules-based decisions, supporting uptake of high-productivity and lower-emissions vehicles while unlocking capacity from existing road assets. Regulatory harmonisation is equally central. Differences in fatigue rules, mass and dimension limits, curfews and local conditions prevent national optimisation and impose \$100 to \$130 million per year in conservative, lost economic activity¹⁷. Nationally consistent access and operating standards, supported by formal intergovernmental mechanisms, would allow infrastructure upgrades and automation to deliver their full economic returns.

Urban freight performance is a further anchor for productivity. Congestion leaves vehicles idle while still consuming labour and capital, amplifying cost-to-serve and undermining reliability. Freight-priority corridors expanded off-peak delivery and dedicated logistics hubs would lift throughput without compromising amenity. Together, harmonised regulation, automated approvals and targeted urban freight reforms form a coordinated package capable of lifting productivity, strengthening resilience and easing cost-of-living pressures for Australian households.

7. Labour Mobility and Skills as a Productivity Lever

Labour-market dynamism is central to lifting productivity, wages and living standards, yet recent performance has deteriorated across each of these dimensions. Labour-productivity growth has more than halved since 2015, real wages have fallen back to around 2011 levels following the inflation surge, and youth unemployment and underemployment sit near 10 and 13 per cent respectively, more than double overall rates. Rising global uncertainty further increases the premium on a workforce that can adjust quickly as conditions change.

Retail is a critical test case for these pressures. Employing more than 1.4 million Australians and serving as a primary entry point into work for young people, the sector feels system failures immediately. Barriers in licensing, skills recognition, training pathways and migration settings translate into constrained trading hours, slower store openings, delayed adoption of productivity-enhancing technology and higher household costs.

Workforce systems are not adjusting fast enough to shifting demand. Recognition of Prior Learning remains rare, fewer than one in ten learners transfer credits across jurisdictions, only around one in five SMEs run structured future-skills programs and state-based licensing for lower-risk roles continues to fragment labour mobility. These frictions suppress participation, slow progression into higher-productivity roles and weaken the return on automation and digital investment.

Governments must therefore act decisively. Nationally consistent licensing, standardised recognition and credit transfer, portable digital credentials and employer-responsive training pipelines are essential reforms to lift output per hour worked, sustain wage growth and strengthen economic resilience. In a labour-intensive sector that sits at the centre of consumption and supply chains, workforce dynamism is not peripheral to the productivity challenge. It is one of its most powerful levers.

8. Investment and productivity

Investment, and related capital flows, are central to productivity growth because they support capital deepening, technology adoption and the diffusion of more efficient business models across the economy. When businesses have

¹⁶ Bureau of Infrastructure and Transport Research Economics (BITRE), Freightline 1: Australian Freight Transport Overview, Department of Infrastructure and Regional Development, Canberra, 2015.

¹⁷ Mandala, The Fragmentation Tax, Australian Retail Council, 2026.

access to capital and are confident in the policy environment, they invest in productivity-enhancing assets, including automation, digital systems, logistics capacity and energy efficiency, enabling workers to produce more output per hour. Australia's recent productivity performance has coincided with weaker capital deepening and slower uptake of new technologies, alongside signs of reduced economic dynamism, including lower firm entry and slower scaling of innovative business models.

The enabling environment for investment and capital flows is shaped less by any single lever than by the overall predictability, speed and cost of doing business. For retail, investment decisions are highly sensitive to regulatory complexity, approvals timeframes, and inconsistent requirements across jurisdictions, all of which reduce the expected returns from long-lived assets such as stores, distribution centres and technology platforms. These frictions particularly constrain small and medium businesses that operate on thin margins and have less capacity to absorb compliance duplication.

Australia can best attract investment, including foreign capital, into its most productive uses by strengthening the fundamentals that determine where capital is deployed: stable and predictable regulation; efficient planning and approvals; competitive and well-understood tax settings; access to skilled labour; and fit-for-purpose infrastructure. Clear, durable policy settings encourage long-term investment rather than short-term, defensive capital allocation. They also increase the likelihood that investment flows to productivity-enhancing areas, including supply chain modernisation, digital capability and technology diffusion across the broader economy.

Foreign investment can deliver productivity benefits by expanding the pool of available capital, supporting technology transfer, strengthening supply-chain resilience and enabling businesses to scale. ARC supports a balanced framework that welcomes productive foreign investment while maintaining clear, transparent and proportionate safeguards for national security and other legitimate public-interest concerns. In areas where community concern is heightened, including housing, policy settings should aim to preserve confidence in the screening framework and avoid creating uncertainty that deters productive investment more broadly.

Stronger Federal leadership and accountability would further lift investment confidence. ARC supports clearer ownership of the productivity agenda, including through a designated Minister for Productivity or equivalent portfolio responsibility, to drive coordination across portfolios and delivery against measurable outcomes. This should be complemented by a renewed discipline around regulatory design, including robust regulatory impact assessment, the use of sunset clauses and systematic post-implementation review, to ensure regulation supports investment, competition and innovation rather than inadvertently constraining them.

9. Australia's tax system and impacts on productivity

Australia's tax system plays a critical role in shaping investment decisions, business dynamism and productivity growth. For businesses operating across multiple jurisdictions, complexity and inconsistency in tax settings can materially distort behaviour by diverting resources away from productive investment and toward compliance. These impacts are particularly acute in the retail sector, which is characterised by high volumes, low margins and geographically dispersed workforces.

Tax complexity reduces productivity in two ways. First, it raises the direct cost of compliance, absorbing management time and capital that could otherwise be deployed toward technology, automation and workforce capability. Second, it creates uncertainty around the after-tax return on investment, discouraging long-term capital expenditure and slowing capital deepening. For nationally operating retailers, inconsistencies in state-based taxes and administrative requirements amplify these effects, weakening incentives to scale efficiently across jurisdictions.

Australia's corporate tax settings also influence productivity through their impact on economic dynamism and investment competitiveness. A high statutory corporate tax rate combined with layered and sometimes temporary incentives can distort investment decisions and increase uncertainty. ARC supports simplifying company tax settings by aligning the corporate tax rate to 25 per cent for all businesses, which would reduce complexity, improve international competitiveness and support investment over time. Greater certainty around investment incentives, including making the Instant Asset Write-Off permanent, would further encourage businesses to invest in productivity-enhancing assets with confidence.

Property and transaction-based taxes similarly constrain productivity by discouraging efficient reallocation of capital. Stamp duties and payroll tax thresholds can inhibit expansion, restructuring and labour mobility, particularly for growing businesses. In retail, these distortions can delay store openings, constrain network optimisation and limit the adoption of new formats or technologies that would otherwise lift output per worker.

Addressing these productivity impacts requires a more coordinated approach to tax and federation reform. ARC has consistently supported the establishment of a Tax and Federation Reform Commission to identify practical reforms that reduce complexity, improve competitiveness and clarify Federal–state responsibilities. Such a mechanism would provide a credible pathway to address long-recognised inefficiencies while avoiding piecemeal changes that risk adding further layers of complexity.

Reforming tax settings to support productivity is therefore not solely about rates, but about predictability, simplicity and coherence across jurisdictions. A tax system that minimises distortions, reduces compliance burden and provides clear signals for long-term investment would materially strengthen productivity growth, support business confidence and contribute to sustainable improvements in living standards.

10. Effectiveness of Australia's competition policy

Strong competition is a key driver of productivity growth because it rewards efficiency, innovation and responsiveness to consumer needs. In well-functioning markets, competitive pressure encourages firms to invest in new technologies, improve service quality and lower costs, lifting output per worker and supporting real wage growth over time. Australia's competition policy framework therefore plays an important role in shaping economic dynamism and long-run productivity outcomes.

Australia's National Competition Policy (NCP) remains an appropriate and effective framework for promoting competition, but its productivity potential is constrained by uneven implementation and limited focus on removing internal barriers to entry and expansion. For nationally operating retailers, fragmented regulation across states and territories acts as a de facto barrier to competition by increasing costs, delaying investment and limiting the ability of efficient firms to scale. A renewed, delivery-focused approach to NCP, with a stronger emphasis on national harmonisation and a genuinely single-market operating environment, would materially improve competitive dynamics and productivity.

Competition policy effectiveness also depends on competitive neutrality and consistent enforcement. Competition supports productivity when it rewards businesses that innovate and operate efficiently; it is weakened when regulatory asymmetries allow non-compliant or offshore operators to compete on the basis of avoided obligations rather than superior performance. Ensuring that competition and consumer laws are enforced consistently across domestic and cross-border markets is therefore central to maintaining a level playing field that supports innovation, investment and consumer trust.

Regulatory design and implementation are equally important to competitive outcomes. Where new regulations are complex, duplicative or poorly coordinated across jurisdictions, it can unintentionally entrench incumbency by raising

barriers to entry and expansion, particularly for small and medium businesses. ARC supports a pro-competition approach to regulation that prioritises predictability, proportionality and evidence-based reform, ensuring that policy interventions strengthen market dynamism rather than dampen it.

To maximise productivity benefits, competition policy should be closely aligned with broader economic reform efforts. This includes embedding productivity objectives within NCP processes, setting clear priorities and timelines for reform, and strengthening mechanisms for intergovernmental coordination and industry co-design. A competition policy framework that actively supports market entry, investment and efficient scale will be better placed to drive innovation, improve consumer outcomes and lift Australia's productivity performance over the long term.

