ARA/NRA SUBMISSION
PRODUCTIVITY COMMISSION – INTERIM REPORTS ON PRODUCTIVITY PILLARS

September 2025

The Australian Retailers Association (ARA) and National Retail Association (NRA) welcome the opportunity to provide a submission to the Productivity Commission's *Pillars of Productivity - Interim Report.*

The ARA and NRA, which propose to amalgamate to form the Australian Retail Council (ARC), represent a $430 billion sector, and employs 1.4 million Australians – making retail the largest private sector employer in the country and a significant contributor to the Australian economy.

Our membership spans the full spectrum of Australian retail, from family-owned small and independent retailers that make up 95% of our membership, through to our largest national and international retailers that employ thousands of Australians and support both metropolitan and regional communities every day.

With a significant portion of every dollar spent in retail flowing back to employees, suppliers, super funds, and local communities, a thriving retail sector benefits all Australians. After a uniquely challenging five-year period, which has had significant impacts on the sector, we are united in advocating for policies, reform and collaboration that will drive growth, resilience, and prosperity for the retail sector and all Australians.

EXECUTIVE SUMMARY

The ARA and NRA welcome the Productivity Commission's Interim Reports on the Productivity Pillars inquiries and recognise the important opportunity these reforms present in lifting Australia's productivity, investment and competitiveness.

As the nation's largest private sector employer, retail is uniquely exposed to regulatory fragmentation, duplicative compliance frameworks, and global competitive pressures. Our sector operates 155,000 outlets across every jurisdiction, moves goods through complex supply chains, and fulfils online orders nationally. This scale makes retail both a key driver of productivity growth and potentially a key proving ground for reforms under each of the Productivity Pillars.

We are encouraged to see areas of alignment with the priorities we raised in our original submissions. In particular, we welcome:

- The Commission's recognition of corporate tax reform as a critical lever for investment, while noting the need for caution in pursuing untested models that risk further complexity and reduced international competitiveness.
- A strong focus on reducing regulatory burdens and increasing accountability for new regulation, which reflects our members' concerns about cumulative impacts, duplicative approvals, and inconsistent state-based schemes in areas such as WHS, planning, and the circular economy.

- Proposals to strengthen foundational skills, improve recognition of prior learning and give greater weight to employer attestations, and enhance small and medium business (SMB) access to training, including sole traders and not-for-profits.
- A clear acknowledgment of the opportunities and risks in data and digital technology, particularly the role of AI and data sharing in driving innovation, productivity, and consumer benefit.

At the same time, we note several critical issues for retail have not been adequately reflected in the Interim Reports. These include duplicative product stewardship and sustainability regulations, payroll tax harmonisation, fragmented leasing and tenancy laws, and supply chain bottlenecks arising from inconsistent transport and logistics rules. Addressing these omissions will be essential to unlocking the full productivity dividend of the Commission's reform agenda.

The ARA and NRA submit that practical implementation pathways must be central to the Commission's final recommendations. This includes:

- Ensuring tax reform delivers simplicity, international competitiveness, and incentives for investment across businesses of all sizes.
- Embedding regulatory impact assessments that measure cumulative burdens, not just new obligations in isolation.
- Driving national harmonisation through coordinated federal–state action in priority areas such as payroll tax, WHS, and sustainability.
- Establishing scalable frameworks for data access and digital adoption that are outcomes-based and proportionate to sector needs.

As Australia works to lift productivity, retail must be recognised not just as a major employer and contributor to economic growth, but as a sector deeply impacted by fragmented rules and duplicative frameworks. By prioritising harmonisation, regulatory simplification, and practical reform pathways across the Productivity Pillars, government can enable retailers to invest, adapt and grow, delivering productivity benefits that will flow to all Australians.

1. CREATING A MORE DYNAMIC AND RESILIENT ECONOMY

Corporate Tax Reform

We acknowledge the Commission's recognition that corporate tax reform is one of the most significant levers to spur business investment. The ARA and NRA strongly support the objective of lowering Australia's internationally uncompetitive corporate tax rate, which currently sits well above the OECD average and acts as a deterrent to capital investment.

However, we do not support the interim report's proposed approach of reducing the corporate tax rate to 20% for companies under $1 billion turnover while simultaneously introducing a 5% Net Cashflow Tax (NCT) for companies with over $1 billion turnover. For large retailers, who already shoulder the bulk of the corporate tax burden, this represents a super profits tax by another name. It would penalise those businesses most responsible for major investments in employment, innovation, and supply chain resilience.

The introduction of an NCT would add complexity to an already burdensome tax system, create distortions between industries, and undermine Australia's attractiveness as an investment destination. Large retailers, with thin margins but substantial reinvestment in stores, logistics, and technology, would be disproportionately impacted by a tax structure that increases effective tax rates without clear evidence of productivity benefits.

We urge the Commission to focus instead on reforms that are simple, competitive, and proven to support investment. This should include:

- Moving towards a lower, unified corporate tax rate that applies consistently across businesses of all sizes.
- Retaining the integrity of the current system rather than layering untested mechanisms on top.
- Considering measures such as permanent full expensing to support timely investment in capital and technology.

We also support the reinstatement of a permanent full expensing scheme, which proved highly successful during COVID in stimulating timely business investment, and would provide strong, predictable incentives for businesses of all sizes to reinvest in productivity-enhancing assets.

Tax reform must be designed to encourage investment, not discourage it. Australia should not pursue reforms that risk creating further uncertainty or unfairly penalising those businesses that contribute most to economic dynamism and resilience.

Regulation and Business Dynamism

We strongly support the Commission's emphasis on reducing regulatory burden and embedding greater accountability into the design of new regulation. Our members consistently raise concerns about:

- **Cumulative burden**: New regulations are often assessed in isolation. We recommend updating impact analysis processes to require consideration of the existing stock of regulations, cumulative compliance costs, and impacts on economic dynamism, consistent with Draft Recommendation 2.1.
- **Harmonisation failures**: Divergent rules across jurisdictions, such as NSW's recent changes to WHS laws for digital work systems, impose duplicative compliance obligations for businesses operating nationally.
- **Planning and environmental approvals**: Overlapping federal, state, and local processes significantly delay critical investment in warehouses and logistics facilities, undermining supply chain resilience.
- **Circular economy regulation**: Divergent approaches to container deposit schemes, single-use plastic bans, waste and product stewardship frameworks across jurisdictions represent a clear harmonisation failure. These inconsistencies increase compliance costs, create operational inefficiencies, and add complexity for retailers and consumers.

We recommend that the Government adopt quantifiable national targets for regulatory cost reduction, such as a 25 per cent reduction by 2030, consistent with international best practice. To drive delivery, this should be overseen by a dedicated Minister for Red Tape Reduction, supported by regular economy-wide regulatory stocktakes.

We also recommend a coordinated national approach to streamlining approvals in housing, infrastructure, and supply chains. We also support Draft Recommendation 2.3 in endorsing stronger expectations on regulators to act as stewards of growth and innovation, with clear accountability mechanisms tied to regulatory outcomes.

2. BUILDING A SKILLED AND ADAPTABLE WORKFORCE

The Commission is right to highlight the need for reforms that improve foundational skills, create smoother pathways between VET and higher education, and support lifelong learning. These align with the workforce realities of the retail sector, where workers frequently move across occupations and industries.

Key priorities for retail include:

- **Foundational skills**: Declining school leaver literacy and numeracy impacts employability and career progression. We support the proposed national platform for high-quality curriculum-aligned teaching resources.
- **Edtech and AI**: Generative AI and adaptive learning tools present major opportunities for upskilling and supporting teachers. A nationally coordinated framework is preferable to fragmented state-led approaches.
- **Recognition of prior learning (RPL)**: Retailers value career mobility and flexible upskilling. A national database of credit transfer and RPL decisions would improve transparency, consistency, and worker access to new opportunities.
- **SMB training incentives**: Targeted measures, such as SMB tax credits for training and advisory support, would ensure that smaller employers can invest in lifelong skills development for their workforce.

Improving School Student Outcomes
Australia's education system must better prepare students for the workforce. NAPLAN shows modest gains, but PISA 2022 reveals that only around half of students meet proficiency in core areas such as mathematics, reading and science. These results directly affect employability and workforce readiness in retail, where literacy, numeracy and digital literacy are essential for entry-level and progression roles.

To address this, we support:

- **Investment in teacher professional development**, particularly in STEM and digital skills, to strengthen student outcomes and future workforce capability.
- **Equitable access to high-quality digital learning tools**, including greater support for disadvantaged and regional schools, to lift literacy, numeracy and digital skills across the board.
- **National consistency in curriculum and digital platforms**, informed by stronger industry input, to ensure students graduate with transferable skills aligned to workforce needs.

We also support the Commission's proposals to review occupational entry requirements that restrict workforce mobility. For retail, this principle should extend beyond trades and professional licensing into fragmented payroll, WHS, and workers' compensation schemes, which also constrain labour mobility and impose duplicative costs.

Supporting the Workforce Through Flexible Post-Secondary Education & Training
Flexibility in education and training pathways is critical to building a workforce that can adapt and move across roles. Yet recognition of prior learning (RPL) remains underutilised, with only a small proportion of VET students accessing it due to inconsistent frameworks and complex processes. Retailers also face challenges in having in-house training formally recognised. A nationally consistent RPL framework, supported by simplified digital tools and stronger recognition of employer attestations, would improve uptake and transparency. Dedicated support for SMBs is essential to ensure smaller employers and their workforces can benefit.

At the same time, workplace-based training such as workshops and short courses is often excluded from funding arrangements, despite being critical for practical skills development in retail. Expanding the National Skills Agreement to cover non-formal training and introducing stronger incentives for SMBs, sole traders and not-for-profits would enable more employers to invest in lifelong skills development for their workforce.

Fit-for-Purpose Occupational Entry Regulations
Licensing frameworks in retail must be proportionate and designed to support, not constrain, workforce participation. In some low-risk roles, such as beauty and hairdressing, licensing can duplicate protections already provided through VET qualifications and consumer law. A national review of these requirements would help reduce duplication while maintaining consumer protections and professional standards.

At the same time, inconsistent state-based licensing systems in roles such as hairdressing and security create barriers to mobility and add compliance costs. Establishing a nationally portable licensing system with uniform standards, building on the Mutual Recognition Act, would strengthen workforce mobility and improve consistency across jurisdictions. This is particularly important in regional areas, where restrictive licensing frameworks exacerbate labour shortages. More flexible and portable systems would make it easier for workers to move where they are needed, supporting retail participation in regional economies.

3. HARNESSING DATA AND DIGITAL TECHNOLOGY

The retail sector welcomes the Commission's focus on proportionate, outcomes-based reform in data and digital technology. Our response addresses two priority areas; Artificial Intelligence and Privacy Reform, where clear, practical settings are essential to support innovation, consumer trust and productivity.

Artificial Intelligence (AI)
We support the Commission's draft recommendations to complete whole-of-government gap analyses, to avoid AI-specific regulation except as a last resort, and to pause the introduction of mandatory guardrails for high-risk AI until those analyses are finalised. This approach is consistent with our earlier submission calling for a regulatory framework that is proportionate, outcomes-based and technology-neutral, while avoiding duplicative obligations and unachievable compliance burdens for business.

Retailers are primarily end-users of AI rather than developers, with most applications falling into low-to-moderate risk categories such as workforce rostering, inventory management, customer service, fraud detection and personalisation. It is essential that regulation reflects this reality and is scaled appropriately, with streamlined pathways for small and medium enterprises. A one-size-fits-all model, such as mandatory guardrails across all settings, risks imposing disproportionate costs while offering little additional protection.

We continue to support the development of a risk-tiered framework for AI governance, drawing on international best practice but adapted to the Australian context to minimise unnecessary divergence. Alongside this, the creation of regulatory sandboxes would provide a safe mechanism for businesses to test and refine AI solutions before scaling their use. Such measures would foster innovation while maintaining trust and accountability.

In line with industry observations, regulation alone will not deliver the productivity benefits of AI. Policy attention must also extend to the enablers of adoption, including digital literacy, workforce training, skills development, infrastructure and the affordability of energy, given the intensive computing requirements of AI. These measures will ensure that Australian businesses, and particularly retailers, can integrate AI effectively and realise its potential to support safety, productivity and customer service.

Privacy Reform
We welcome the Commission's draft recommendation to establish an alternative, outcomes-based compliance pathway under the Privacy Act. Such a pathway would reduce reliance on prescriptive, process-driven requirements and instead focus on whether businesses can demonstrate that privacy outcomes are being met. We strongly support this direction, which aligns with our earlier submission calling for reforms that provide sector-specific guidance, safe harbour protections for firms that comply with approved industry codes, and clearer definitions of "reasonably necessary" data use in contexts such as workplace safety and loss prevention.

At the same time, reforms must strike an appropriate balance between consumer expectations and the compliance capacity of businesses. Any transition to a new outcomes-focused model should be guided by clear evidence that the benefits outweigh transition costs for retailers and do not undermine alignment with international privacy standards. This balance is essential to ensuring consumer trust while keeping obligations proportionate to business capacity.

Facial recognition technology (FRT) provides a clear example of why these reforms are required. Biometric data, including facial images, is currently classified as sensitive information under the Privacy Act 1988. This has created significant legal ambiguity for retailers, leaving the use of FRT in store environments unclear and exposing businesses to regulatory uncertainty even when technologies are deployed responsibly, with minimal privacy risk and clear safety benefits. International markets, including the UK and New Zealand, have already demonstrated that FRT can play an important role in deterring theft and improving staff and customer safety. For Australia to responsibly unlock similar benefits, there must be greater clarity and certainty on how such technologies can be lawfully adopted.

We support the Commission's rejection of a proposed right to erasure, noting that it would impose significant compliance costs on business while providing little additional benefit to consumers. At the same time, privacy reform must address the problem of overwhelming consumers with repeated notices and consent requests. Current requirements often create "consent fatigue", where individuals are presented with so much information that they disengage entirely. A shift to outcomes-based obligations, centred on fairness, transparency and secure handling of data, would better protect consumers while allowing businesses to provide clear, meaningful information without excessive red tape.

We remain strongly opposed to the removal of the small business exemption. Applying the full compliance obligations of the Privacy Act to smaller retailers would impose disproportionate costs on those with limited resources. A proportionate, tiered approach to obligations, imposing heavier requirements on larger entities while ensuring smaller businesses face proportionate duties, would better balance consumer protection with the capacity of businesses to comply.

Retailers are ready to harness the benefits of digital technology, but this requires regulatory frameworks that are clear, consistent and scaled to risk. We urge the Commission to recommend proportionate obligations, retention of the small business exemption, and practical pathways that enable responsible adoption of technologies such as AI and facial recognition, while safeguarding consumer privacy and confidence.

CONCLUSION

The Productivity Commission's interim reports set out an important reform agenda across the Productivity Pillars.

We welcome the Commission's recognition of key priorities, from tax and regulatory reform, to workforce adaptability, to the opportunities of data and digital innovation.

At the same time, we urge greater recognition of retail as the sector as deeply affected by fragmented rules, cumulative burdens, and global competitive pressures. National harmonisation, practical implementation pathways, and a focus on simplicity must remain central to the Commission's final recommendations.

For retail, progress on these reforms will only succeed if governments work together to harmonise rules and reduce duplication, enabling businesses to focus on investment, growth and innovation.

The ARA and NRA stand ready to work constructively with the Commission and governments across Australia to ensure these reforms deliver measurable productivity gains, stronger business investment, and greater prosperity for all Australians.

Thank you again for the opportunity to provide a submission on the Interim Report. Any queries in relation to this submission can be directed to our policy team at policy@retail.org.au.