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Submission to the Economic Reform Roundtable 2025 – Committee for Sydney

The Committee for Sydney (CfS) welcomes the Federal Government's Economic Reform Roundtable and appreciates the opportunity to contribute our insights.

The Committee for Sydney is an independent urban policy think tank with over 150 members spanning business, academia, and government. We focus on practical solutions to boost Sydney's liveability, productivity, and sustainability. In this submission, we draw on our research and policy work to recommend reforms across the Roundtable's five priority areas.

We have structured this submission against the key reform themes identified by the Roundtable.

Critically, we believe there are opportunities for nation-wide reform – of both taxation and policy – while also arguing for place-based strategies to drive productivity and economic vibrancy for key urban economies dotted across the country. It is important to remember that while capital cities represent a relatively small part of the geography of Australia, they are home to two-thirds of the nation's population and 70% of the national economy.

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1. Creating a More Dynamic and Resilient Economy

The Committee for Sydney strongly supports comprehensive **tax reform** to remove distortions and encourage growth. Australia's current tax mix leans too heavily on inefficient taxes that impede economic activity and incentivise investment in non-productive assets. We endorse shifting towards broader consumption taxes and land taxes while reducing reliance on transaction taxes and narrow-base levies.

- **Reform housing tax settings (negative gearing and capital gains tax):** Housing investment incentives need realignment to direct capital to more productive uses and ease housing pressures. Currently, negative gearing and the Capital Gains Tax (CGT) discount overly favour investment in existing property, fuelling price growth without corresponding economic productivity.

  These tax settings draw investment into existing rental properties rather than the 'real' economy of businesses and innovation, or at the very least, into the delivery of new housing stock for either renters or owners. We recommend phasing out or limiting negative gearing and reducing overly generous CGT concessions on existing housing stock. If current concessions are kept for new housing, this will have the benefit of encouraging investment away from pre-existing housing (a non-productive investment) and into new housing – at a time when housing supply is perhaps the most critical issue facing our nation's productivity.

- **Abolish stamp duty in favour of land tax:** State stamp duties on property transactions are widely recognised as one of the most economically harmful taxes, deterring housing mobility and efficient land use. The Committee for Sydney has long called stamp duty "a regressive and outdated tax that must be reformed", calling for the replacement of stamp duties with a broad-based annual land tax.

  This reform will remove a major disincentive for households to downsize or relocate and for businesses to optimise their locations. A broad land tax provides a more stable revenue base and will improve housing affordability over time by reducing upfront costs. However, we acknowledge the short-term revenue challenges for states during the transition. The Federal Government should partner with states to facilitate stamp duty reform, for example by providing incentive payments or transitional funding to cover revenue gaps. National

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productivity would get significantly boosted if this reform is adopted, so it is in the Commonwealth's interest to help make it happen.

- **Increase and broaden the GST:** The GST is one of the most efficient taxes available, and it should shoulder a greater share of the revenue burden. By raising the GST rate (for example, to 15%) and broadening its base, the Commonwealth can offset reductions in more distortionary taxes, including personal income tax and state levies. The Committee has argued that we should "use the GST as the workhorse tax" so that more damaging taxes can be scaled back. Importantly, protections (like income tax cuts or transfer payments) would be needed to ensure low-income households are not worse off. A stronger GST would enable the elimination of niche inefficient taxes (such as insurance duties and luxury car tax) and especially the onerous payroll taxes that act as a drag on hiring and have an outsized impact on economic activity.
- **Road user charging and transport investment:** As we reform taxes, we must also prepare for future revenue challenges and drive productivity through infrastructure. One important reform is to introduce Electric Vehicle road user pricing – charging drivers based on road use and congestion. With the rise of electric vehicles, fuel excise revenues are declining; a road-user charge can replace this revenue while managing traffic congestion.

  Not only would this provide a fair user-pays system for road funding, it also signals a shift to more sustainable transport by encouraging public and active transport use. The revenue from road pricing and an expanded GST could be partly redirected to critical infrastructure investments – especially urban public transport projects that alleviate congestion and improve connectivity. Modern, efficient transport infrastructure boosts productivity by connecting workers to jobs and businesses to markets. It also enhances resilience by providing alternatives and reducing our economic vulnerability to fuel price shocks.
- **Research and Development Tax incentive (RDTI) reform.** The Committee's recent submission to the Federal Government's Strategic Examination to Research & Development (SERD) called for a review of the RTDI process. The RDTI itself accounts for over $4 billion of Australia's $14 billion R&D funding pool. Many SMEs, however, are not able to fully utilise this and where it is utilised, it is often claimed for business activities that were likely to have happened anyway. This makes it a relatively inefficient incentive mechanism. Additionally,

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the SERD identifies that there is a continued decline in investment in R&D by large enterprises, presenting a significant missed opportunity to increase the undertaking of R&D in commercial settings.

The Committee has argued that reforms should deliver on the 2016 Ferris, Fraser and Finkel Review's recommendation to review the RDTI to more directly incentivise large enterprises to invest in R&D by rewarding industry collaboration with domestic research institutions, with a particular focus on areas of state and national priority areas. Additionally, we have recommended that RDTI claims be paid quarterly (linked to BAS cycle) for projects that spend the majority of costs with Research Service Providers, or are being actively supported by RSP-affiliated startup programs.

- **Greater leadership from the Federal Government on coordinating state and national industry policy objectives.** Industry policy platforms and funding arrangements are now in place across Federal and many State governments. There is, however, no mechanism for effective coordination of objectives and funding commitment to ensure that industry policy is in aide of national competitiveness in global markets. Instead, the states are often competing with one another for investment, having no direct from the Federal Government (nor indeed a mechanism to require some alignment with national industry policy priorities). This risks significant public and private investment being directed towards excess competition between the states, or unnecessary duplication of efforts across the country leads to an inefficient allocation of capital and resources.

  The Committee's *Transforming Sydney's Economy* report (2024) recommended that the Federal Government take the lead in the coordination of state and federal industry policy objectives with the states in aide of national industry priorities to ensure Australia competes with the world and not itself.

- **Place-based economic reforms:** Building a dynamic economy is not only about tax settings but also about where and how we invest in growth. The Committee for Sydney calls for a stronger federal role in *place-based economic development* – leveraging the unique strengths of different cities and regions to drive national prosperity. Australia's major cities

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like Sydney are the critical engines of the national economy, concentrating talent, innovation and output. We believe the Commonwealth should explicitly factor in the productivity gains from investing in city-shaping infrastructure (such as mass transit, high-speed rail links, and innovation precincts).

In our submission on the National Urban Policy Framework, we noted that the draft policy missed opportunities to outline specific federal levers to support urban productivity and growth. We urge the Roundtable to consider mechanisms for the Commonwealth to co-fund and guide urban infrastructure projects that have national economic, social or environmental benefits. For example, expanding Sydney's public transport network can catalyse economic activity well beyond their local area.

Beyond infrastructure, the Committee has argued that a National Urban Policy Framework can be used as a *"place-based policy mechanism to facilitate national industry policy"* – by signalling the roles different cities and regions will play in key industries and directing enabling infrastructure investment accordingly. In practical terms, this could mean aligning federal infrastructure grants and city deals with regions poised for growth (such as Western Sydney's aerotropolis or tech precincts) and industries or sectors that these regions have a comparative advantage in, thereby maximising return on investment in terms of jobs and productivity.

- **Production tax credits**. To further support a dynamic and resilient economy, Australia should explore the introduction of production tax credits (PTCs) similar to those in the United States' CHIPS and Science Act and Inflation Reduction Act. These mechanisms provide targeted, performance-based tax incentives to firms that manufacture critical technologies, components, or clean energy infrastructure domestically that are aligned with national or state industrial policies, particularly in advanced manufacturing, clean energy and bio-medical technology sectors.
  For example, a national PTC scheme could offer refundable tax offsets for eligible production activities located in designated innovation precincts or regions with high economic need. Criteria for eligibility could include Australian ownership or participation, local workforce training, decarbonisation benchmarks, and alignment with national industrial priorities. Such a scheme

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would complement existing R&D tax incentives and help Australia scale up its manufacturing base in critical sectors of the future economy.

2. Investing in the net zero transformation

Australia's commitment to net zero emissions by 2050 necessitates an economic transformation on an unprecedented scale. This is often seen as an environmental challenge, but it is equally an economic reform opportunity: by investing in clean energy, resilient infrastructure, and low-carbon innovation, we can drive new growth and job creation while meeting climate targets. The Committee for Sydney's research highlights that cities must be front and centre in the net zero transition. Greater Sydney, for instance, has enormous untapped potential for urban renewable energy and can lead by example in cutting emissions.

We advocate for the establishment of metropolitan "Renewable Energy Zones" (REZ) – analogous to the renewable energy zones in regional NSW that are driving the rollout of solar and wind farms. Our recent *Sydney as a Renewable Energy Zone* report (2025) found that up to 75% of Sydney's annual electricity needs could be met by rooftop solar if every viable roof in the city were utilised. This figure (21 GW of potential capacity) underscores that cities can be powerhouses for clean energy, not just consumers.

Implementing these recommendations could transform Sydney into a showcase urban REZ, delivering cheaper, cleaner, and more reliable energy for its citizens. Crucially, the benefits are not only environmental – they are economic and social. A city powered by abundant rooftop solar and battery storage will have improved energy security and price stability (shielding businesses from volatile fossil fuel costs), and it will spawn new jobs in solar installation, maintenance, and related services. We note that as of 2025, almost 30% of Sydney households have already installed solar panels, thanks to supportive policies.

Multi-level governance and regulatory reform are needed to enable the net zero transformation. Energy policy in Australia is often fragmented across federal, state, and local authorities and regulated utilities. This scale of transition requires leadership and collaboration between multiple levels of government, regulatory bodies and industry. For example, achieving a metropolitan REZ will require aligning incentives and regulations: mandating solar in building codes (a state or local responsibility), facilitating grid connections and feed-in from urban solar

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(working with network companies and regulators), and potentially federal support for battery rollouts or pilots of new energy market models.

The Federal Government should use its policy levers to set clear, nationally-consistent frameworks that guide city and state efforts on decarbonisation. This could include setting urban emissions or renewable energy targets, standards for zero-emission vehicles and charging infrastructure, and support for electrification of transport and buildings. The Commonwealth can assist by setting nationally-consistent targets or policies for Australian cities to assist in achieving our net zero goals – for instance, targets for EV adoption, phase-out dates for petrol vehicles, or energy efficiency standards for new buildings across all major cities. Cities are where these policies will have the biggest impact, since metropolitan areas are the largest sources of carbon emissions through energy use and transport.

It is worth noting that investing in the net zero transition can enhance economic resilience. Diversifying our energy sources with renewables and storage makes the grid more stable and less prone to external price shocks. Likewise, building efficiency and electrified transport reduce vulnerability to international fossil fuel markets. By front-loading investments in clean technology now, Australia can position itself as a leader in the emerging green economy.

3. Building a skilled and adaptable workforce

A skilled and adaptable workforce is the foundation of a productive economy and an area where reform can have compounding long-term benefits. Sydney and Australia more broadly face skill shortages in key industries, mismatches between education outcomes and industry needs, and an aging demographic that will require upskilling and retraining of workers over time. The Committee for Sydney believes we need a holistic approach to workforce development – spanning education and training, skilled migration, and better utilisation of existing talent – to ensure we have "the right skills in the right places" to fuel economic growth. There are several avenues to explore in this reform:

- **Aligning Skills with Future Industries:** As Sydney's economy transforms (for example, with growth in digital tech, advanced manufacturing, clean energy and life sciences sectors), our workforce must acquire new skills to match. In our *Transforming Sydney's Economy* research, we

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identified five strategic industries for the future and noted that each will demand specific technical skills and expertise.

- **Education and Training Reforms:** Domestically, we must upgrade our education and training pipelines. That means investing in STEM education, vocational training, and university programs tied to industry needs. It also means facilitating lifelong learning so that workers in disrupted industries can reskill into emerging fields.
- **Adopting a national innovation strategy** – one that integrates skills and talent development with research and development goals. Too often, R&D and skills policy are siloed; a national innovation and skills plan could help ensure we produce and attract the human capital needed to commercialise research and grow new industries.
- **Skilled Migration:** In the near term, **skilled migration is a crucial lever** to address workforce gaps. Australia's migration policy can be better aligned to the skill needs of our cities and regions. This includes a need to **reduce barriers for skilled migrants already living in Australia to actually utilise their skills** (such as streamlining qualification recognition and licensing).
- **Develop an integrated National Workforce and Skills Strategy (**in partnership with states and industry) that looks at the next 10-20 years of skill needs in light of technological and demographic trends. By acting now – aligning migration with city needs, expanding training in emerging fields, and fostering lifelong learning – Australia can secure the talent base required to innovate and thrive in a competitive global economy.
- **Reform the National Innovation Visa (subclass 858)** process to signal to world-leading research talent that Australia is a place to seriously consider relocating their research to. That means allowing the visa to be applied for, not just issued by invitation, and to be more long term in its top-tier talent focus. The visa currently requires that the research undertaken by applicants has international recognition, meaning that we risk missing the opportunity to capture earlier career researchers who are tomorrow's top-tier talent

4. Delivering Quality Care More Efficiently

The care economy is vital to both wellbeing and economic growth. But not all aspects of care should, or can, be made more efficient. What does increased productivity mean in the care context, a faster conversation about your day? Or cleaning someone in a quicker way? That said, there are smart opportunities to improve the system: better rostering, reduced travel

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times between clients, stronger workforce development, prevention-focused care, and digital innovation can all help improve outcomes without compromising the human heart of care.

- **Invest in preventative and community-based care**
- **Scale up integrated care models and digital health tools**
- **Support health innovation precincts to accelerate research into practice**

Pokies reform is also a productivity issue. Australians lose over $13 billion a year on poker machines - more than any other country globally per capita. In NSW alone, poker machine losses hit a record $8.6 billion in 2024, or over $1 million every hour. These losses reduce consumer spending and workforce participation and impact people's ability to be productive.

Conclusion

So often these conversations happen at the national level and can be abstracted from what is happening on the ground in cities and regions. The Committee believes that it is important to not just provide an economic and social lens to these important conversations, but also a place-based understanding of how these reforms play out in Sydney.

The Committee for Sydney welcomes the call for submission on productivity reforms and appreciates to opportunity to be a key stakeholder in these important conversations, bringing an urban policy lens to this national discussion.

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