

Message from the Executive Director

Time for some focused policy action to stem our nation's declining productivity.

Accord's late 2022 refresh of the EY-Accord State of the Hygiene, Personal Care & Specialty Products Industry Economic Report reconfirmed our industry as the 17th largest industry sector in Australia.

It was again gratifying to see the significant economic contribution of our industry's products up and down the supply chain—from manufacturing or importation through to wholesaling and then retailing.

The simple fact is, if you removed our sector's products and all their related commercial activity from the economy, it would come at the cost of an estimated 72,585 jobs and \$3.5bn in wages. A considerable hole that only tells part of the story, given the essential nature of most hygiene and personal care products for public health protection.

Amidst the ups and downs of recent difficult times, total industry turnover for the year to mid-2022 was up 2.3 per cent on the previous FY, with jobs and wages also up by 1.5 and 2.6 per cent, respectively. While pleasing, there was clearly an element of COVID pandemic rebound in these results. With cost-of-living pressures from high inflation plus mortgage stress now swamping many Australian households, our industry is not alone in facing a challenging commercial environment in the coming years.

Concerted attention is needed to strengthen the foundations of the Australian economy to better weather what is emerging as a fairly bleak global economic outlook. During its first year in power, the Albanese Government laid some of the groundwork needed via a budget that included several nation-building policies and that also banked a future surplus, albeit for a short period.

Renewing opportunities for advanced Australian manufacturing, and thereby addressing our nation's dismal 93rd place in global rankings of economic complexity¹, has been given necessary priority via the \$15 billion National Reconstruction Fund. And to aid the transition to a more circular Australian economy there is also the \$250 million Recycling Modernisation Fund. Such pools of capital funds, along with the establishment of new institutions like the Australian Centre for Disease Control and Environment Protection Australia (EPA), are certainly helpful building blocks for meeting future challenges. Having a plan for the future is always better than the alternative, so it is pleasing to see recent Australian Government action on such forward-looking policies.

What appears to be missing, though, is a clear policy narrative on how other endemic challenges within our national economy should be addressed. Looming large on this list of challenges are our nation's declining productivity and competitiveness along with the ongoing failure to capitalise more fully on our innovation potential.

Arising from the dynamic micro- and macro-economic reforms that commenced in the 1980s under the Hawke Government, Australia's productivity—measured as real gross national income (GNI) per person—climbed swiftly to hum along nicely at just over 2% per annum, until it commenced a sharp decline in the 2000s. For close to the last two decades productivity has been stuck at just above 1% per annum.

There are various factors behind this malaise. One factor that most concerns Accord Member businesses, simply because it is fully within the control of Australia's governments, continues to be fragmented and overly complex regulation that is often unaligned, for no justified reason, with that of other advanced economies such as the EU and North America.

I read with interest a sobering statistic about the burden of poor-quality regulation from the Business Council of Australia's (BCA) recent thought-provoking call to policy action, 'Seize the Moment' (www.bca.com.au/seize_the_moment): '...there were 120,000 clauses regulating behaviour and changing incentives in Commonwealth legislative instruments in 2022.'

Also notable is the following quote from the same BCA report, as it encapsulates the first-hand experience of most Accord Member companies: 'Businesses face duplication and inconsistency across the Federation. Frequent changes to laws and regulations, and a poor understanding from policymakers and regulators of the complexity, time and cost of implementing these changes, is adding to the pressure.'

Complexity aside, many existing regulatory schemes are simply just not fit-for-purpose in the current sense, let alone for the future. Such unfit regulations will continue to act as a handbrake to raising productivity, advancing innovation and fostering private sector investment without focused simplification and improvement. Technologies, products, systems and markets are constantly evolving, so a culture of continuous improvement needs to be inculcated into Australia's regulatory policy frameworks.

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Bronwyn Capanna

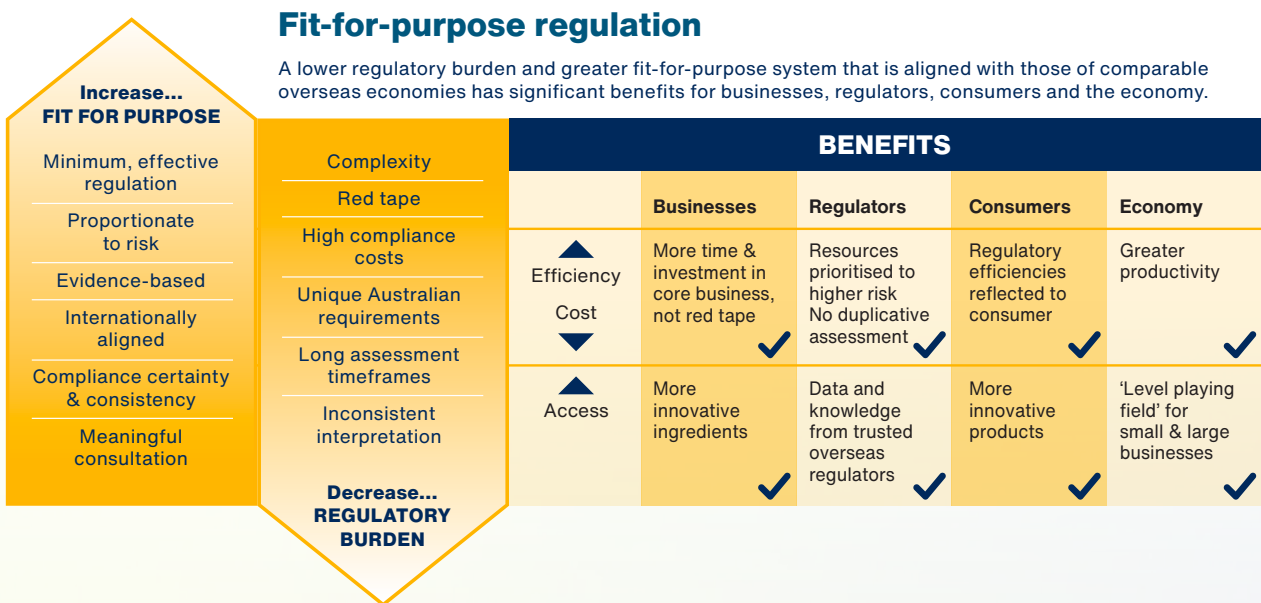
¹ The Growth Lab at Harvard University. *The Atlas of Economic Complexity*. <http://www.atlas.cid.harvard.edu/rankings>

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To help guide consideration of what effective but fit-for-purpose regulation should look like. Accord released two regulatory infographics in late 2022. The first of these showed how regulation of our industry products is effective in the sense that it protects the public, workers and the environment from unsafe products and technologies. Industry fully endorses simple but effective safety regulations.

But the flip side, as just discussed, is that much Australian regulation is still weighed down by an overabundance of complexity, duplication and unproductive paperwork requirements, often combined with interventions that are not always calibrated appropriately to actual risks.

The following graphic from Accord's 'regulatory complexity' infographic succinctly charts the features that fit-for-purpose regulation should embrace, as well as the pitfalls it must avoid:



Technology-rich industries like Accord's require access to the latest ingredients and formulation technologies available globally to stay competitive and innovative. For this reason, we strongly support a policy push for a Simplified Trade System (STS) with the goal of making cross-border trade into and out of Australia easier, faster and cheaper.

The STS was initiated under the previous Coalition government in 2022 and the ongoing focus it is getting from the current government is a clear sign that it could unleash substantial productivity benefits. Various regulations that operate primarily at the border, including those administered by the chemical introduction scheme AICIS, should fall within the scope of these vital reforms.

The work of regulators, and of course public servants more generally, is important and highly valued by our industry and Accord. We look forward to our ongoing engagement to ensure that Australian policy and regulatory approaches assist in strengthening innovation, investment and sustainability within our sector and to also remedy our declining national productivity.

Australia is ideally placed as a stable and knowledge-rich destination for investment into the growing industry Accord represents. Coherent and forward-looking policies—such as simpler, more proportionate and internationally aligned regulation—will help drive this home, opening up further opportunities for local and export markets.

Accord continues to proudly represent the 17th largest industry sector in the Australian economy. Ours is an innovative, science-based and progressive industry that strives for sustainable growth, while maximising the many benefits our industry's products provide to our wide range of customers, whether they be other industry sectors, institutions or consumers.

We stand ready to work constructively with Australia's governments to meet future challenges with evidence-based policy ideas and industry programs that are fit-for-purpose.

Bronwyn Capanna

Executive Director
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