



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

MEDIA RELEASE

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PRIVATE SECTOR KEY TO BOOSTING PRODUCTIVITY

Statement by Greg Evans, Director of Economics and Industry Policy

The Prime Minister has correctly identified that improving the country's long term productivity growth is essential to addressing the challenges ahead including the consequences of an ageing population.

Accordingly, the focus of the next twelve months and beyond needs to move from dealing with the aftermath of the global economic downturn, to the slog of restoring the budget to balance and reasserting a strong commitment to microeconomic reform. This will be the most effective way to promote productivity growth.

Enhanced productivity growth will lift economic performance and ensure the budget is better positioned to deal with possible fiscal pressures.

ACCI has nominated a range of measures to promote productivity improvements including a commitment to:

- better regulation delivered by all layers of government which is efficient and lowers compliance costs;
- a competitive tax system that builds incentive accompanied by rigorous expenditure reform;
- promoting competition and free trade;
- an investment environment that assists R&D and innovation;
- continued access to an affordable, efficient and secure energy supply;
- the provision of infrastructure determined by rigorous cost benefit analysis and private sector participation; and
- continued education and training investment and maintaining a flexible labour market.

Productivity growth peaked in the 1990s with the benefits flowing from a number of major policy decisions including deregulating access to finance, floating the currency, reducing trade barriers, lifting foreign investment restrictions, providing for labour market flexibility, and institutional changes such as establishing the independence of the Reserve Bank and pursuit of the National Competition Agenda.

Since the late 1990s it has slowed closer to or just below the long-term average annual growth rate. Without these more profound and deliberate economic reforms, productivity improvements in this next decade will rely more on difficult and sometimes unpopular microeconomic reform decisions. All governments, including lagging state and local governments, need to be locked into this reform process.

For further information:

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