



## PRIME MINISTER

FOR MEDIA

12 March 1984

Today's EPAC meeting focussed on longer-term economic policy, as agreed in the December meeting.

I reported in some detail on the issues of industry and trade policy that had arisen in relation to my recent visit to five Asian countries. There was strong support for the approach outlined in my statements prior to and during the Asian visit, in particular in my speech in Osaka on February 3. I explained that I had asked Senator Button to co-ordinate the work of a range of Ministers in areas relevant to structural change in the economy. Senator Button attended the EPAC meeting during discussion of longer term policy.

There was a highly constructive discussion of industry policy, which fully justifies the government's high expectations of the usefulness of EPAC. This led to the development of an agreed statement on medium to longer-term economic policy, which is attached.

In this context, the Council agreed that the Office should prepare annually a detailed medium-term assessment of the Australian economy and that this assessment be released after consideration at the December EPAC meeting. The assessment should be broadly based and should include:

- . An analysis of overseas economic conditions as they are likely to affect Australia during the next few years.
- . An analysis of the sectoral structure of the economy and of the changing industrial composition of production and employment.
- . An evaluation of prospective developments in capital and labour markets and of the outlook for prices.
- . A review of the trends in size and composition of the Australian population and of the economic implications of such changes.
- . An analysis of the prospective size, composition and financing of the public sector.
- . The likely rate of growth in and distribution of national income.

Council agreed that the Office should develop and use such models as are appropriate in preparing the assessment, but that extensive use be made of other source materials and the results of research undertaken elsewhere.

An opportunity should also be given for community views to be taken into account in developing this assessment.

There was also discussion of papers by EPAC members on taxation, directed to longer-term policy formulation.

I am grateful to EPAC members for the productive effort that they have put into the work on taxation policy for this meeting.

EPAC agreed that

- it is clear from these contributions that there are shortcomings in the present taxation structure, whether viewed from the standpoint of the efficient long-term growth of the Australian economy, or of the building of a more equitable Australian society.
- It is also clear that taxation reform must consist of an overall package. Single elements of taxation reform cannot properly be judged in isolation. For community discussion of these matters, and in the end government decision, to be productive, it should focus on inter-related packages of measures. This makes the matter highly complex, and it will take considerable time for informed community attitudes to emerge.
- Reform of the taxation structure is a long-term matter, with large implications for the growth and structure of the Australian economy. Different sectors of the economy have put very different views to EPAC.
- Consistent with the government's approach to building community consensus on complex issues, the government will not take positions on these matters until there has been wide community discussion and until informed attitudes to alternative packages have emerged.

It was accepted that the government's immediate priorities on taxation reform are to support the Prices and Incomes Accord and to everything to strengthen and broaden and to do nothing to weaken the economic recovery which is now underway. To this end, the government has made it clear that it will provide some relief on personal income taxation for low and middle income earners in the coming budget if the overall budgetary situation allows it to do so.

Papers on medium and longer-term economic policy, taxation and other matters, which were presented to the meeting have been declassified to facilitate public discussion. A list of available papers is attached.

EPAC STATEMENT ON MEDIUM TO LONGER-TERM ECONOMIC POLICY

1. In its last two meetings, EPAC has deliberated on longer-term problems of economic growth and employment. This will be a central focus of the work of EPAC. To guide this work, the EPAC today recognised that the medium to longer-term problems demand an approach of:
  - A. Generating and maintaining high growth rates
  - B. Influencing the participation rates to assist in reducing the level of unemployment.
2. High growth rates are essential to meeting Australia's employment and wider national ambitions. In sustaining high and continuing growth rates it is recognised that:
  - A. Australian industry needs to be internationally competitive
  - B. Australia has advantages in natural and human resources which need to be further developed
  - C. Growth must be broadly based across the economy
  - D. Growth will require high levels of investment from home and abroad
  - E. There must be stability in government policy over long periods of time to allow implementation of plans for high levels of investment
  - F. A more co-operative less combative pattern of industrial relations should continue to be developed
  - G. Growth policy must work within constraints imposed by the availability of productive resources and capacities, and by the requirements of stability in the balance of payments and in domestic financial markets

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3. In the development strategy for maintaining high and continuing growth rates it is recognised that
  - A. The Government and the A.C.T.U. are committed to the Prices and Incomes Accord to provide:
    - (a) Wage and Price stability,
    - (b) opportunity for business to plan new investment in a more certain economic environment
  - B. Fiscal and monetary policy should continue to be based on providing stimulus without accommodating any reversal in the downward trend in inflation.
4. It is recognised that the incomes policies and the monetary and fiscal policies taken together cannot alone create the circumstances to satisfy the objective of continuing high growth rates.

It is recognised that we need to develop integrated and dynamic policies across all sectors.

If we are to develop such policies we need to manage change constructively rather than simply to respond to change. In doing so we need to accept and plan for faster rates of change, which are consistent with our objectives. In particular on protection, consistent with the shared understanding that change must occur if growth is to ensue, policy must be applied in a manner which facilitates change while minimising the hardship associated with such change.

5. An active industry development strategy should be developed in which :
- A. Encouragement and opportunities to plan and invest enterprises are given to industries or/involved in expansion of competitive production.
  - B. The infrastructure for industry development is improved and provided more efficiently.
  - C. Industry and the workers in them are given the opportunity to adjust to change within stable programs that are known in advance of their application.
  - D. There is a limit on artificial and bureaucratic regulation, and there is reduction in regulation which encourages neither economic efficiency nor social equity.
6. It is generally recognised that the labor demand side measures are the primary method of generating employment opportunities. However, there are a range of options relating to labor supply policies, affecting labour force participation, which can be developed on an agreed basis. These include:
- . raising the proportion of young people who experience higher levels of formal education
  - . facilitating voluntary earlier retirement
  - . reducing the cost penalties associated with employment of additional persons compared with increasing overtime
  - . distributing national productivity increases in a manner which increases employment opportunities
  - . carefully and strictly controlled introduction of part time work.

ECONOMIC PLANNING ADVISORY COUNCIL

Meeting 12 March 1984

Papers

1. Summary Record of Meeting held in Canberra on 12 December 1983
2. Current Economic Conditions and Prospects  
- Treasurer
3. Some Thoughts on EPAC and the Economy  
- D.J. Hughes
4. Some Issues Essential to the Forward Planning of a Growth Economy for Australia  
- D.M. Gibbons
5. Medium to Long Term Paths to Greater Economic Growth  
- The Hon. R.T. Gray
6. Papers for EPAC Meeting J. Braithwaite
7. Some Comments on Medium and Longer Term Economic Growth Strategies  
South Australian Government
8. A Comment on Supply Side Approaches to the Unemployment Problem  
- D.M. Gibbons
9. ACOSS Comments on DEIR Paper "Supply Side Approaches to Unemployment Problem"  
- C.K. Menzies
10. Comment on "Supply Side" Approaches to Unemployment Problem Paper  
- The Hon. R.T. Gray
11. Labour Supply Policies and Employment  
- W.J. Kelty
12. Comments on Supply Side Approaches to Unemployment  
- South Australian Government
13. A New Tax Deal for Australia  
B.N. Kelman

14. Some Options for Re Structuring of the Tax Revenue Base  
- A.W. Coates
15. Principles for Tax Reform  
- C.K. Menzies
16. Towards a New Tax Base for Australians  
An Outline Overview of Some Key Issues  
- D.M. Gibbons
17. Towards Assessment of the Australian Tax System:  
A Local Government View  
- Llois Cutts
18. Taxation Reform  
- F.M. Davidson
19. Comments on the Australian Tax System Paper  
- The Hon. R.T. Gray
20. Some Comments on Reform of the Taxation System  
South Australian Government
21. Comments on the Australian Tax System Paper  
- The Hon. N.K. Wran
22. Comments on the NFF Paper ("International Competitiveness")  
- Llois Cutts
23. Comments on NFF Paper "International Competitiveness"  
- The Hon. R.T. Gray
24. Taxation and Social Welfare Measures Affecting Families  
- Women's Action Alliance
25. The Australian Associated Brewers Submission to the Economic Planning Advisory Council  
- The Australian Associated Brewers
26. Some Implications of the Interaction of the Personal Income Taxation and Social Security Systems  
- Department of Social Security