

N.S.W. CHAMBER OF MANUFACTURES
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Main points from speech made by
the Prime Minister, Mr. Harold Holt

Developments since World War II

Since the second world war there has been a tremendous surge of development which has completely transformed the Australian economy.

Many of you will have little difficulty recalling the days when it was said "Australia rides on the sheep's back". There was some important mining activity and an iron and steel industry. But in the main, manufacturing was still confined to food processing plus some embryo industries struggling to penetrate the local market.

There was a time when the tag "imported" appeared to mean "superior". The possibility of exporting manufactured goods would have been regarded as rather fanciful in those days.

In the two decades since, Australian primary industry has progressed to a point where it is one of the most advanced and diversified in the world; it is highly productive with perhaps the only obvious limit to its potential being the barriers it meets in marketing its products overseas.

This development has stemmed largely from the application of capital and improved technology - a development in which secondary industry has had a large and important role to play. Improved machines and fertilisers combined with the skills of our farmers have combined to make these advances in primary industry possible.

The massive mineral discoveries of recent years not only offer great new sources of export earnings but they will provide new sources of power and the prospects for the development of a great new range of processing and manufacturing industries. They are also calling for many products of secondary industry, for mining on the scale envisaged in this country today is a highly mechanised, capital intensive operation.

Once we got settled down after the immediate post-war period, Australia's manufacturing industry made rapid progress. For some, old traditions die hard, but I think it is fair to say that in this period the old tag "imported is better" was laid to rest. Manufacturing quietly and efficiently went about the business of supplying a wide range of domestic needs, and a whole new range of consumer durable industries appeared to meet the demands of rapidly improving standards of living which put refrigerators, washing machines and other appliances into almost every home and added an ever-growing stream of motor cars to the roads.

The Lord Mayor and Mr. Askin might, of course, have mixed feelings about some of the blessings engendered by the latter item. I recall here Henry Kaiser's aphorism "problems are opportunities in work clothes" - (quoted at the Queensland alumina opening early this month). And all these things demanded great quantities of the products of

the more basic secondary industries such as iron and steel and these in turn responded with a tremendous development and expansion which can be seen so dramatically in the area from Newcastle to Wollongong and at Whyalla.

Australia now has a very wide range of manufacturing industry with over 60,000 factories employing about 1.3 million people. This is some 28% of the work force, a proportion which is higher than that engaged in manufacturing in Canada, France and Japan and little lower than that in what are truly the great industrialised nations of the world. For instance, in the United States the proportion of the work force employed in manufacturing is 29%.

But these bare statistics, important though they may be as indicators of industrial progress, do not reflect the impact that manufacturing industry has had on the lives and well-being of millions of Australians.

If I may again revert to the immediate post-war period - in the first post-war census, that of 1947 - the Australian population was about 7.6 million, today it stands at 11.7 million. In those days the work force numbered 3.2 million, today it is about 4.7 million. But this accumulation of people and of workers did not come, as it were, only from our own resources, many came to us from overseas. Our continuing immigration policy has since become an absolutely basic factor in the economic life of Australia.

But these new settlers needed jobs and they wanted homes and all the things that go with them. Manufacturing has delivered on both sides; it has provided the goods and the jobs. Some 26% of the work force currently employed in manufacturing industry are migrants. In the period 1947-61 the male work force employed in manufacturing rose by 270,000 of whom 222,000 or 82% were people who arrived in Australia since 1947.

<u>Percentage of Migrants of Total Employment-in -</u>	<u>Percentage</u>
Car and ship-building industry	28
Petroleum and coal products	36
Extracting, refining and founding of metals	33

There is no overall figure for the iron and steel industry, but the employment of migrants is relatively high - in some cases as much as 50%.

In the Wollongong-Port Kembla area where there has been so much manufacturing development, 28% of the population is overseas-born. For these people the development of industry in Australia is not just a statistic, it is a vital part of the way of life they have come to embrace in this country.

I talked earlier about the importance in this country of the production of consumer goods and particularly consumer durables. But we must remember that Australian industry is not merely concerned with producing washing machines and T.V. sets, important as these things are in our standard of living. Australian manufacturing industry is much more varied and sophisticated than many people realise.

We produce items many people associate only with the most highly developed industrial economies. For example, radio telephone equipment and transistorised airways beacons are made here.

We have developed some unique and complex systems like the Jindivik pilotless jet, the Ikara anti-submarine missile and the Malkara anti-tank guided weapon, products which have been produced not only for our own use but for export to overseas markets including the United Kingdom and the United States.

In one of the most advanced fields of technology - space exploration - we are making a contribution. At Woomera Australia has one of the largest land rocket ranges in the world - 1,200 miles long over practically uninhabited country. Currently we are engaged, in conjunction with the United States and Britain, in investigating problems of re-entry from heights exceeding 500 miles.

New Opportunities for Trade

If I may re-enter the early post-war period I would like to say a few words about exports of manufactured goods. In this field also there has been notable growth flowing from manufacturing industry. I mentioned a few moments ago some items which we export to the United States and Britain but these were only a few of many items which we now manufacture and export to countries from which we once imported the same types of goods.

But we cannot rest upon our laurels, we must continually be on the lookout for new markets for the products of all types of industry.

We are all aware of the remarkable development of our trade with Japan. For the three years prior to the signing of the Trade Agreement with Japan our exports to Japan averaged \$134m. In 1966-67 we exported goods valued at \$588m. to Japan, an increase of 339% during the period of the Agreement.

But the importance and attraction of the Japanese market should not be allowed to lead us into neglecting other areas of Asia where trade prospects are bright.

Our exports to other Asian countries last financial year exceeded \$416m. or 13.7% of our reported exports even though our share of the total market available in Asia was small.

In Malaysia, for instance, we supplied about 7% of the market.

It is true, of course, that much of the available market is virtually closed to us because of the nature of the products required or other economic factors, but there is a vast, largely untapped market for Australian products in the Asian area.

As economic development in Asia proceeds opportunities will increasingly arise for alert Australian exporters. Taiwan is planning an iron and steel industry and Australia will have an opportunity to supply iron ore. In South Korea, the extraordinary economic growth there has created a potentially large market for Australian foodstuffs and materials, machines and machinery.

In some countries such as Vietnam, Cambodia and Laos

trading opportunities may presently seem to be small but if there can be stable government and peace in the region these nations will progress to a stage where improved trading possibilities will arise.

Economic rehabilitation in Indonesia would open up another dimension of trading opportunities.

Tariff Policy

Much has been written lately about tariffs and tariff policy and some people have been demanding that the Government should state just what is its tariff policy.

Some years ago Sir Robert Menzies, in his 1962 inaugural John Storey memorial lecture excellently summarised the Government's position. I would like to quote to you the relevant parts of his statement on that occasion:-

"The Tariff Board is.....a purely statutory body, created by the discretion of Parliament and, indeed, subject to the control of Parliament. In this sense, it is an instrument of policy and in no sense its master.

It has, however, been recognised by successive governments that, though what I have said is constitutionally true, it is important that, for international as well as domestic purposes, the Tariff Board should possess a high measure of independence, that the integrity of its advice should be preserved, and that it should not be subject to any form of day-to-day political instruction.

I accept and maintain these propositions. Yet the Tariff Board, our principal adviser on import duties, cannot sensibly be expected to operate in a completely detached intellectual vacuum. It must have in its mind some standards or policies by which to test the cases presented to it.

For a long time it has acted on the principle that it should recommend tariff protection only to "economic and efficient industries". But that principle was, and is, itself an expression of Government policy. Of late, indications have been given on behalf of my own Government that the principle needs extension, and that the Tariff Board should have in its mind the national economic policy, meaning by that the national economic objectives, as a whole.....

There are certain features of national economic policy, which I do not regard as the subject of party controversy, which cannot be ignored by any statutory body if the nation is to achieve a dynamic progress, growing in resources, population, employment, industry, and international solvency. For a Tariff Board to ignore their existence would be to detach its work from the great stream of Australian development. This, I am sure, it would not wish to do."

The tariff policy of the Government has been clearly stated for a long time, and I reaffirm it to be that reasonable and adequate protection will be given to economic and efficient industry.

The Government looks to the Tariff Board for advice on whether an industry is economic and efficient. On a few occasions - they have been comparatively few - the Government

has seen fit to say in the terms of reference to the Tariff Board that its policy is to give assistance to a particular industry, for example, copper production in remote areas, crude oil production and production of penicillin. On these occasions the Board is asked to recommend in its published report its view of the best way to carry out the policy.

But outside of these, tariff protection has been given to industry only following a finding by the Tariff Board that the industry is economic and efficient.

The policy does not include, as some people pretend it does, that every industry that seeks protection shall be given protection. Industry is given protection if it measures up as being economic and efficient.

There has been some talk of there being a "high protection" policy. In truth, our overall level of tariffs is moderate, and we do not use the quotas and other administrative devices that so many other countries turn to. And an important point is that tariff protection is not given in excess of that recommended by the Tariff Board after an open public inquiry and report. The Government is bound to this under the U.K./Australia Trade Agreement.

Periodically there are claims that some definition of the terms "economic and efficient" should be laid down. This is a matter that has been carefully considered on a number of occasions.

Whether an industry is economic and efficient is a matter of judgment, and it is a judgment that must take in all the relevant circumstances of each particular case. There is a wide range of issues which can affect such a judgment and these can vary in emphasis depending on the circumstances of each case.

The Government, rather than confine the Board to the limits of some definition which it may or may not be possible to lay down, prefers to leave the question to the independent judgment of the Board, taken in the light of all the circumstances.

Finally, let me turn to the quite baseless charges sometimes made about political pressure being applied to the Tariff Board and about its independence being undermined. I take it that the adherents of this line don't build their case on the few occasions when the Government does not accept the recommendations of the Board. After all, responsibility for tariff policy and tariff making rests with the Government and the Government alone. The Tariff Board's role is advisory.

On the same grounds their case could hardly be based on the Government's desire that the Board should, in offering its advice, have regard to the general objectives of overall Government policy. Nor could it rest on the few occasions when the Government considers it necessary to tell the Board in a reference that it has a particular line of policy.

The truth is that the Tariff Board has complete independence in conducting its inquiries. It is expected to exercise its independent judgment in offering advice to the Government. If the Government wants the Board to take note of a particular line of policy it says so in public, in the reference. I know of no hidden instructions, no secret messages and no surreptitious pressures. My colleague the Minister for Trade has confirmed this. If the people who harp on that line believe they have knowledge to the contrary they should bring it out into the open and it will be investigated and answered.
