



PRIME MINISTER

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SPEECH BY THE PRIME MINISTER
BUSINESS COUNCIL OF AUSTRALIA
SYDNEY - 11 OCTOBER 1988

Australia's growing enmeshment with the world economy requires that change becomes increasingly accepted as part of virtually every aspect of our life.

Particularly in the management of economic affairs at the national, industry and workplace levels, relentless change and constant challenge are not merely speculations to be conjured with, or minor obstacles to be overcome, but facts that demand our active and unwavering engagement.

It is my proud claim that in responding to the challenges of our changing economic world, the Government I have the honor of leading has displayed both breadth of vision and consistency of purpose.

In March 1983, we inherited an economy undergoing the worst recession in 50 years; but we reversed that recession. In 1985/86 we faced a collapse in our terms of trade; but our policies allowed us to endure that collapse while maintaining employment growth, and to begin the sweeping task of economic reconstruction.

We inherited a community where the dice were loaded against the underprivileged; but through unprecedented tax and welfare reform we have pursued a social justice strategy which is making Australia a fairer society.

At the same time as we faced the challenge of reforming the macro-economy, and at the same time as we pursued these social justice goals, we have also engaged in a systematic and comprehensive program of micro-economic reform - and it is this which I wish to address today.

I ask you to recall the inefficiencies of the economy we inherited in 1983: an over-valued and unresponsive exchange rate, an ossified financial system, an over-protected and inward-looking manufacturing sector, an excess of burdensome industry regulation, government business enterprises hamstrung by their guidelines and unresponsive to their

customers, a wages system which perpetuated inflationary pressures, a government sector consuming far too much of the nation's savings, an inefficient transport system, an industrial relations system locked into expensive and futile confrontation, an education system failing to meet the needs of our most potentially productive workers.

My Government has progressively addressed all of these problems. Without being exhaustive, we floated the dollar, deregulated the financial system, cut tariffs, introduced a new era of industrial harmony, and introduced sensible co-operation through a series of industry plans.

We did so because micro-economic reform is not some arcane technical exercise. While macroeconomic policy protects the economic 'base', micro reform will determine the future quality of life and standard of living of every Australian. The purpose is to shape an economy which promises durable improvements in the day-to-day lives of Australians - more jobs, greater growth, fewer people dependent on welfare and an economy able to afford adequate assistance for the truly needy. In other words, micro reform serves, very profoundly, human needs.

But as we entered the 1987 Federal election campaign we recognised much still remained to be done.

So when we sought a new mandate from the Australian people we identified micro reform as one of our chief priorities.

In a speech I delivered in the last week of the 1987 election campaign in Ballarat I identified a detailed agenda for micro-economic reform in our Third Term.

Today I want to mention, only briefly, what we have achieved - because an audience such as this is well aware of those achievements. More importantly, now that we are essentially midway through our Third Term I want to explain how we are going to maintain the momentum for reform.

In Ballarat I promised to initiate significant workplace reforms through amalgamation of trade unions and through tackling outmoded work and management practices. Progress is underway in each of these areas.

But the most fundamental reform is yet to come.

The Chairman of the Business Council's Industrial Relations Committee, Mr Ian Webber, said recently that business should approach award restructuring as perhaps the biggest responsibility and opportunity that it had faced in the industrial relations arena.

I welcome and endorse that judgement. As I said on Sunday in the Boyer Lecture, when the history of this period is written perhaps nothing will be seen as more significant than the fundamental restructuring of the industrial award system that is now underway.

In the critically important Metal Trades Award, the 350 odd classifications that represent the accumulated ossification of some 60 years will by mid next year be replaced by eight. And what happens in Metal Trades will establish a pattern for other areas.

Award structures in Australia have often reinforced narrow categorisation of skills and occupational classifications. They have contained provisions limiting the age and number of apprentices. They have given rise to demarcation problems and have often failed to provide real incentives for skills formation or career development.

The potential benefits of reform are immense both for employers and employees.

For employers, they include more flexible use of labour, lower turnover rates, and easier technological change.

For employees, there is the promise of more varied and fulfilling work and greater opportunities for career development and employee involvement.

The Government is determined to give this reform process our strongest support, particularly through the Industrial Relations Bill, the Government's Workplace Reform Program, and a major survey of workplace industrial relations.

Award restructuring requires complementary reform to education and training systems.

This year's Budget provided for a massive 40,000 additional higher education places by 1991, with priority to be given to disciplines most relevant to Australia's needs.

Our reforms of higher education have attracted their share of criticism, much of it founded on emotion and self interest rather than the sort of objective analysis one would hope for from this area. The Government is determined, however, to press on. We are determined to lift the quality, relevance and efficiency of the higher education sector.

We are working with the States to strengthen the capacity of Australia's schools. Federal and State Education Ministers are looking, for example, at the potential for a national approach to assessment, and more co-operative work on a common curriculum with an early focus on the key areas of mathematics and technology education.

Another vital element is to raise significantly industry's commitment to the national training effort. While we recognise that there are many enlightened employers, too often training has been regarded as a cost to be avoided.

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The Minister for Employment, Education and Training, John Dawkins, will shortly be consulting representatives of business on a wide range of options to remedy this deficiency. I encourage your active involvement in those consultations.

In my Ballarat speech I highlighted our determination to initiate sweeping reform of the nation's transport infrastructure.

I said we would terminate the two airlines agreement and tackle grain handling: we have done so.

I also promised improved performance on the waterfront. Let me devote special attention today to this vital area and the related issue of coastal shipping. Together they represent important items on our current reform agenda.

As we consider the reports we have recently received on these issues, we are determined not to shirk the challenges. Equally, we won't be rushed into ill-considered decisions.

Our basic approach in this time of adjustment has been that of an equitable sharing of the burden. I can think of no reasonable argument why employers and unions in our manufacturing and export sectors must adjust to international trading conditions while stevedoring and shipping remain shielded.

Efficient coastal shipping is vital, particularly if we are to increase the Australian flag share of our international cargo above its current 4 per cent and maximise the scope for further domestic raw material processing.

The Business Council recently published its valuable report on coastal shipping. It is refreshing to see a critique of Australian coastal shipping that acknowledges the right of that industry to exist, provided of course that it can stand on its own two feet.

While I do not agree with everything in the Business Council's plan, I do reaffirm the Government's commitment to promoting competitive coastal shipping.

My Government will face the need to find effective solutions for the benefit of all Australians. This will involve, however, listening very closely to those involved and acknowledging progress already made.

Waterfront reform is necessary to make Australia truly competitive and export oriented.

The Inter-state Commission's recent preliminary report establishes the basic agenda.

I would encourage all of you to look at what you can offer the ISC's final hearings process. If you do not respond now, you will not be able to query the final result.

From the Commonwealth's perspective, there are two basic areas which must be addressed. We need an appropriate incentive structure and competition amongst stevedoring companies to encourage a greater level of productivity. And we need a positive attitude from port authorities, both in reducing the costs they impose on exporters and importers, and in encouraging a competitive use of port infrastructure.

On stevedoring, the ISC sees benefit in moving towards company employment, that is, individual companies having basic responsibility for their employees and costs, providing both the incentive to keep costs down and adequate means to do so.

The Government certainly accepts that initiatives to facilitate a more productive employer/employee relationship are highly desirable, and should be a major focus of the report.

In this context, it is important that the views of the relevant unions and the employers of waterfront labour are given due consideration. This is a sensitive area for these parties. I acknowledge that. Nevertheless, we expect the Interstate Commission to take the interests of all Australians into account.

Port authorities are the principal Government bodies on the waterfront. While there have, very recently, been significant statements by port authorities on the need for them to encourage greater competition on the waterfront, there have been few specific initiatives.

State Governments need to ensure that the ports do not burden users with outdated work practices, nor charge for costs which are unjustifiable.

I call therefore upon State Governments not only to respond to the ISC report, but to offer a firm statement of objectives for port authorities which puts users, and the costs imposed upon them, first. What greater role has a port authority than to facilitate Australia's trade?

The Commonwealth's recent reforms to its own business enterprises provide a lead.

It was my Government that put the waterfront on the reform agenda: we are committed to seeing it through.

Another element of the micro agenda I highlighted in Ballarat was the steady elimination of unnecessary business regulation.

In "New Strategies for Regulatory Reform", which the Business Council prepared earlier in the year, you put forward specific proposals to reduce the overall regulatory burden. Many aspects of these proposals have already been incorporated in our conduct of Commonwealth Government business.

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In relation to the review of existing regulation, however, we think your suggestion for a request and response procedure is timely and tonight I am pleased to announce that Cabinet has decided to adopt such a mechanism.

My Government has put a good deal of effort into selecting review targets where we think reform has been most urgently required.

We have never believed that Government has a monopoly of wisdom.

We do, however, want to avoid the cost of poorly focussed reviews.

I have in mind, therefore, that requests for regulation review must describe the body of regulation at issue and the nature of the problem; they must cost the regulatory burden; suggest possible solutions; and indicate the extent of consultation on and support for the proposed review.

If requests were supported by such information from a requesting company, union, business association or individual, the Government would be prepared to guarantee a considered response within two months, and if a review were agreed, to specify its nature and timetable.

Subsequent reviews could be conducted by a range of bodies, including the Industries Assistance Commission.

Requests in the first instance will go to the Business Regulation Review Unit, but decisions to proceed or not will be made by Cabinet's Structural Adjustment Committee on submission from the relevant Minister.

As the Minister for Industry, Technology and Commerce, Senator John Button, explains in a press release today, this request/response procedure will be implemented following consultation with business and consumer organisations on appropriate guidelines.

The Government is also pushing ahead with a series of specific reforms in central areas of regulation.

The Attorney-General, Lionel Bowen, has introduced to the Parliament bills which aim to introduce national law to regulate companies and securities markets in place of the many State and Territory laws presently operating.

Although the national law is based on the existing law, some significant reform is envisaged, particularly the Close Corporations Bill which responds to direct requests from the business community by providing a significantly simpler and more flexible corporate framework for small business.

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I invite you all to take a close interest in these reform bills. Only a national approach can facilitate the efficient companies and securities regulation that Australia needs, and I am pleased with the support given to this proposal by the Business Council.

In broadcasting, we are reviewing the regulation of pay television.

We are also reviewing the adequacy of the much-amended Broadcasting Act, and its significant impact on business and consumers.

Again to refer back to our election pledges, I promised in Ballarat that we would deregulate crude oil marketing.

You all know we delivered on that promise.

Today I want to announce a further related reform.

Following our decision on crude oil, the Government has now reviewed our liquefied petroleum gas (LPG) policies.

We have decided to terminate the existing administered pricing formula and instead from 1 February 1989 give the Prices Surveillance Authority (PSA) responsibility for determining maximum wholesale prices for LPG.

This will bring LPG pricing into line with other major petroleum products. The PSA will be able to adopt a more flexible approach to price setting and be more responsive to changing market conditions.

Export controls on LPG will be reviewed after 18 months. In the meantime export controls will be available strictly as a reserve power, safeguarding domestic supply until the new pricing arrangements are well established.

These changes are described in more detail in a press release issued by the Minister for Resources, Senator Peter Cook.

Ladies and Gentlemen

All of the activity I have outlined tonight builds on the pledges I made to the Australian people during the election campaign last year.

They all show that much hard work remains ahead of us over the rest of our third term. We will not shirk it.

And my list is not yet complete.

For example, in Ballarat, I promised steps to increase significantly the size of Australia's hi-tech computer and communications industry. The partnership scheme introduced by John Button puts us well on the way to building a strong export base in this vital area.

We are now reviewing the assistance arrangements for the telecommunications industry, which has long been sheltered by complex and costly forms of protection.

In Ballarat I promised new efforts to refine our research and development skills - another essential contribution to economic growth and competitiveness which Australia must improve if it is to survive.

The Government has worked hard to provide incentives through tax credits and through the GIRD program to lift private investment in R&D.

Today we are taking another step: my colleague the Minister for Science, Barry Jones, will announce the details of a senior officials group which is being established to make recommendations on the most effective ways to strengthen research and development in science and technology. The group is to provide a preliminary report to the Structural Adjustment Committee by the end of November.

We will be seeking the support of the business community and others in raising Australia's R&D effort.

Ladies and Gentlemen

As I foreshadowed in Ballarat, the Government has also taken steps to boost tourism, to ensure spin-offs for domestic industry from the current defence modernisation program, to assist Australian firms tap new export markets, in particular through further enmeshment of our economy with the dynamic Asia/Pacific region, and to further the growth of value-added processing industries within Australia.

But today I do not want merely to advance a list of achievements or tasks for the future - as sweeping as they are, and as proud of them as I am.

Because what is perhaps as important as the substance of reform is the method of achieving it.

As I said over the weekend in the Boyer Lecture, the ready, almost welcoming, acceptance of the 30 per cent reduction in protection in the May Statement provided a dramatic contrast to the critical and negative reception accorded the 25 per cent tariff cut in 1973.

The main reason for this change of attitude has been our approach to the task of reform.

This approach has involved two important principles: a concentration on ends rather than simply means, and a commitment to genuine consultation with those affected by proposed change.

What is the aim of micro reform? It is to increase productivity.

The goal is not deregulation as such - though it may be a helpful means towards the goal. Our political opponents fail to appreciate that fact. In Opposition they espouse deregulation as a desirable goal in itself, although as you well know, in Government they did nothing of relevance in this area.

Nowhere is this better seen than in their calls for 'labour market reform'. Our workplace and education and training reforms will achieve more change than they could ever deliver.

In micro reform, results can never be immediate. Institutions and attitudes change slowly. Public debate will be dominated by the vocal complaints of the minority who are adversely affected, rather than by the vast majority of consumers and taxpayers who are incrementally advantaged.

All this suggests, and underlines, the need for proper consultation and a willingness to ease the burdens on those facing change.

Through consultation we have been able to explain to those affected that advantaging one industry by imposing costs on others must eventually impoverish the economy as a whole.

From the point of view of the Government, micro reform has from time to time meant incurring the wrath of some constituents.

But, in spite of this, our record shows plainly that we are capable of pursuing essential reform in a way that no government has done in 40 years.

And ultimately, I believe that a Government widely seen to be acting strongly in the interests of all Australians will thereby ensure its longevity.

Ladies and Gentlemen,

I have this afternoon highlighted nine areas of reform: the workplace, education and training, coastal shipping, the waterfront, a request/response regulation reform mechanism, broadcasting, companies law, telecommunications industries and science policy.

The Government has commissioned major studies from the IAC which will form the basis of future work even beyond that. Reports are expected in the third quarter of 1989 on Government charges, and trade in services and tourism; and we have recently announced an inquiry into food processing which will include all aspects of regulatory arrangements and impediments to food processing, packaging and distribution.

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If all this reinforces in your mind - and through you, in the minds of the Australian people - that we have a long way to go with the reform task we set ourselves, then that is precisely my intention.

And if all this reinforces in your mind, as well, our resolve to complete our task of reform, then that too is my intention.

In our task I call on the assistance of State governments in making the necessary hard decisions. All levels of government, not just the Commonwealth, have a role to play.

In that task also, in closing, I seek your assistance - as leaders of key industries you are well placed to understand the significance of the reforms we have in train, and well placed too to foster public comprehension of, and support for, them.
