



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

**SPEECH BY THE PRIME MINISTER
NATIONAL FARMERS FEDERATION
NATIONAL BI-ANNUAL CONFERENCE
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Last July, in Wentworth, New South Wales, I had the pleasure of participating in an event unique in Australia's recent history.

As part of the launch of my Government's Environment Statement I was able to stand with your Secretary Rick Farley and Phillip Toyne of the Australian Conservation Foundation and praise them for working together to help the Government create a new program of soil conservation.

I said at the time that it was a remarkable alliance.

A few years ago an association of environmentalists, farmers and a Labor Government would not have been seen as the most natural or effective of partnerships.

But we have good reason to be pleased with the results of our cooperation in this instance: we have created a \$320 million package of measures to apply over the Year and Decade of Landcare, protecting and rehabilitating as never before the fundamental ingredient both of our natural environment and of our agricultural prosperity - our soil.

Indeed, the story the Labor Government has to tell about our achievements for the rural community covers every crucial aspect of the production cycle - from soil conservation, through the farm gate to reforms in the vital infrastructure of transport and the waterfront, through to the consumer in Australia and, of critical importance, to the consumer abroad.

The hundreds of thousands of men and women directly represented by the NFF contribute vitally to Australia's economic life. All Australians depend on our primary producers, not just to provide the staples of our diet but also, through your massive contribution to Australia's export earnings, to underpin the very prosperity of our nation.

Quite simply, without an efficient and productive farm sector, oriented to competition in the markets of the world, Australians would be incapable of enjoying any sort of prosperity.

But a good harvest or wool clip is not, by itself, a guarantee of a good cheque.

If our soil is degraded, if our rail network is inefficient, if our waterfront is clogged, if our marketing authorities are operating poorly, if our price signals are not being transmitted clearly, if access to markets overseas is blocked, then the prosperity of individual producers, and of the nation as a whole, is damaged.

I know the NFF understands the importance of micro reform.

We have achieved more in this area than any other Government in Australia's history. That is not a bold assertion; it is a fact.

And we have brought Australians with us, in a spirit of co-operation - the only workable way forward.

When we came to office in 1983, Australia still hid behind defensive walls; it was inward looking and massively over-regulated.

Conservative governments, which I remind you had ruled this country for 30 of the 33 years before we came to office, had made it virtually impossible through high tariff barriers for many foreign goods to compete on Australian markets - so when we tried to compete against foreign goods overseas, we found we were hamstrung by our own bad habits of inefficiency and complacency.

This Government has provided the leadership and the strategy to make Australia more outward-looking and competitive.

Let me repeat that, with different words: the turnaround didn't happen by chance. It hadn't happened under virtually three decades of conservative rule - in fact progress had been actively stymied.

It was only when this Government came to office that Australia - at last - began to get it right.

So today I want to spell out - bluntly, so the record is not blurred and cannot be ignored - just what progress we have made.

And when, later on today, I launch the Garnaut Report on Australia and Northeast Asia, you will see demonstrated again our capacity, our energy and our determination for further progress down the road to micro-reform.

When we came to office, a precondition for change was a responsive financial sector. Our first priorities were to float the dollar, relax exchange controls, free up the banks and allow new bank entrants.

These reforms brought substantial benefits - a more responsive exchange rate; freedom for Australians to invest overseas, and gain access to overseas ideas and markets; and new forms of and readier access to financing.

And radical change in one area encourages change in others. So we also began lowering protection for motor vehicles and textiles, clothing and footwear - protection that had been built up by the conservatives.

Other important early micro reform decisions involved deregulating foreign investment and abolishing State purchasing preferences - thereby eliminating the waste of building factories in each State to benefit from local preference arrangements.

Work in other areas advanced to the point where, in the 1987 election campaign at Ballarat, I made some very clear commitments to pursue micro-economic reform during our third term.

My Government placed that issue firmly at the top of the political agenda. It had never before occupied that prime position.

We didn't do it to buy votes or to placate sectional interests.

We did it for that oft-cited but rarely fulfilled reason, the national interest.

And our success, in just over two years, has been without precedent in this country.

When have the conservatives ever tackled tariff reform?

In 1988 we announced the reduction of most tariffs to 10 or 15 per cent over four years. We abolished the general revenue duty of 2 per cent at a cost of \$240 million. We removed tariff quotas on motor vehicles and cut tariffs from 57.5 per cent to 35 per cent. Textiles, clothing and footwear will have tariff-only protection by 1995.

These measures cut costs to farmers. They enhance our credibility in international trade forums. They send the right signals at home and abroad.

Our tax reforms have been historic. The top personal tax rate down from 60 per cent to 47 per cent; the company tax rate down from 49 per cent to 39 per cent; dividend imputation; and a significant widening of the tax base to help remove distortions in the tax system.

Such reforms clearly improve economic efficiency. They benefit all Australians.

Look at coastal shipping.

We are on about practical, deliberate change. We considered the options up to and including the abolition of cabotage. We decided on change that is reducing industry costs, broadening the system for entry of foreign flag vessels in particular circumstances, and encouraging the replacement of the ageing Australian fleet.

So far more than one-third of the coastal fleet have had their crews reduced - by agreement.

The average crew size of an Australian vessel when we came to office was 33. It will be 21 by the middle of 1992 - and let me emphasise this will be down to the OECD average.

The industry has started to make major investments again in new tonnage. They are building larger and more specialised vessels.

Firms such as BHP are now successfully employing large Australian-manned bulk carriers around the coast and overseas.

And the Prices Surveillance Authority is reviewing the industry to ensure cost savings are passed on.

Could the Liberals and Nationals have done it? All they would have achieved is closing down the waterfront.

So let us look at the waterfront.

Only last year the solution according to the NFF, and all other commentators, was enterprise employment - get rid of the pooling system.

We have achieved agreement to do just that. It was supposed to be impossible - we showed it wasn't.

It will shake this industry to its core, and that is good. But because it was achieved without a public brawl, and because it isn't in place over a couple of weeks or months, it's now said to be not enough.

We also plan a major phased redundancy and early retirement program that will ensure a 30 per cent increase in productivity; a younger waterside workforce; award restructuring; and a career structure and training program for workers and management.

What does the Opposition offer? In addition to company employment their plan is to allow shippers to set up their own stevedoring operations and to sweep away some unspecified regulations.

Well, shippers can offer their own stevedoring services right now.

And if you want to abolish ports regulation, you have to tell that to States. We already have.

We are implementing change, responsibly. The alternative - glib promises, in an industry noted for the intractable nature of its problems - is no credible alternative at all.

We have produced the most significant reform in the wheat industry since the establishment of the Wheat Board.

We established a Royal Commission into Grain Storage, Handling and Transport. It suggested ways to save farmers up to \$10 per tonne.

We acted, in our area of responsibility. The savings are being achieved now.

Then we legislated to override restrictive State legislation. Would the Coalition's adherence to States' rights have stood this test?

We are ending the two airline agreement.

We opted for full deregulation, a more radical step than any proposed in the report we had commissioned.

Could the conservatives have done this?

One of their last acts in Government was to bind themselves - and us - into the protectionist trap of the two airline agreement until 1990.

The completion of an all-weather national highway, 16,000 kilometres around this country: it's done. And while we're on roads, what of the inter-state road transport regulations, more uniform conditions and more efficient load limits for trucks?

Let's move on to air freight. The protection Qantas used to receive in this area was astounding. Regulations introduced by previous Coalition governments allowed it simply to take over the cargo of a charter competitor. This, and all other constraints to competition from charters, have now been virtually swept away.

Similar deregulation has occurred in air passenger charter policy.

And now we're examining the scope to designate a second Australian airline to carry freight internationally.

We deregulated crude oil marketing. Existing small producers were given special assistance - more evidence of pragmatic change - but the red tape accumulated over a quarter of a century was consigned to the shredder.

From January 1988 refiners and crude oil producers are able to negotiate freely the quantities and prices of crude oil they buy and sell.

We have also, with the Business Council of Australia, developed a novel scheme for review of business regulation. You nominate the regulation, in a serious fashion - we review it. The Structural Adjustment Committee of Cabinet has a standing item on its agenda for just this purpose.

Rail freight: we have been successful in substantially reducing Australian National's call on the taxpayer. Freight operations are now run profitably.

Moving this expertise from the Federal to the State sphere is next.

We have developed a proposal with the States for a national rail freight organisation. Should the States agree, this will see a central management body dedicated to the swift and reliable carriage of inter-state freight.

In telecommunications, we announced a major reform package less than 18 months ago that provides for effective competition in customer premises equipment, in value-added services, and in maintenance and installation.

This has already spawned a whole new industry - the best proof that our changes were real and deliverable. They show Telecom, too, and its employees, that competition will not bring the system crashing down.

This demonstration effect is vital for the further changes we will consider. Cellular mobile phones is an area under review by AUSTEL.

Telecom's ability to influence the regulation of its competitors by setting standards has also been removed to an independent body.

We have reformed Government Business Enterprises. Over 40 longstanding controls have been removed, including their right to enter contracts without Ministerial approval, exemption from processes under the Public Works Act, their ability to invest surplus moneys and enter contracts without Government approval.

Simple things, but important. They stayed in place for nearly 30 years of conservative rule.

Finally, I turn to labour market reform.

Change is not easy, particularly when employers are confronted with a multitude of unions and awards that often bear little relationship to the needs of individual enterprises.

The Industrial Relations Commission has made it clear that award restructuring processes can themselves be used as a vehicle for reforming award and union coverage.

Looking beyond that, we are moving away from inter-industry or occupational awards and fragmented, craft based unions to arrangements which better reflect the needs of individual industries and enterprises.

Wage negotiations must have an increasing enterprise focus - but this process must be underpinned by the Accord to ensure effective aggregate wage outcomes.

The NFF opposes the centralised wage fixing system, a system that has yielded an 11 per cent reduction in real unit labour costs. The conservatives' approach to wage fixing would trigger a wage explosion, just as it did in 1982. They have learned nothing. I fear the NFF may not have either.

Ladies and gentlemen

Our record of micro achievement is impressive by any standard, and, I repeat, unprecedented in this country's peace-time history. Does anyone here suggest anything remotely comparable in those 30 conservative years? But let me assure you there is much more to come.

We have an ambitious and comprehensive agenda for future reform.

Clear evidence of this is provided by the new inquiry program for the restructured and broadened Industries Assistance Commission, now the Industry Commission.

The Commission's work program includes references on critical infrastructure services: railways, energy generation and distribution, statutory marketing arrangements, and raw material pricing for domestic users.

Unlike the Coalition, we will act against the States if reform in their areas is too slow, as we have done in wheat transport and handling.

What do the conservatives - these Johnny-and-Andrew-come-latelies - say now about our micro-economic reform achievements?

That we made the easy changes first? They never found them so easy when they were in office.

That we aren't moving fast enough? They at least recognise that we are moving in the right direction - after decades of Coalition inertia.

That we are protecting our friends in the unions? Well I know a bit about trade unions, and let me tell you, we're shifting and shaking trade unionism like it has never been shaken before. Their inefficiencies and cosy deals have to go - just like anyone else's. And they are.

And may I say, much of Australia's management has a good deal to learn from the preparedness of the trade union movement to face up to and accept change.

But if protecting trade unions means talking to them, cooperating with them, winning the best from them, making sure they come along with change rather than dig their heels in - if that's protection, then I'll happily plead guilty. Because in achieving micro-reform, the negotiated way is the only way.

The bull in the china shop approach only produces broken china. And let me tell you, when it comes to micro-reform, the conservatives are full of bull.

Micro reform requires leadership, guts, creative ideas, and a capacity to consult. The Coalition possesses none of these.

Can anyone seriously imagine the Coalition achieving anything on the waterfront other than industrial chaos?

They couldn't stand up to the Australian Federation of Air Pilots - so how long could they last on the waterfront?

On wheat deregulation, on national companies legislation, award restructuring, they either stuck their head in the sand, or they whinged to try and win votes.

They certainly didn't do anything to show they are fit for the task.

Now I know this has been a detailed exposition - but John, let me gently suggest you brought it upon yourself by your suggestion that we've moved too slowly.

And in your analysis of the pace of reform, John, you allege that the Labor Party badly mishandled the last referendum on a four-year term. No mention that the Coalition's opportunistic opposition to all four questions contributed to the demise of the four-year term. And conveniently, no mention of the NFF's opposition to all four questions. The audacity of your criticism, frankly, is staggering.

Ladies and gentlemen,

I am aware that some of your members have gathered a petition on interest rates that is being presented today to the Opposition. The week's newspapers have been full of comment from various business organisations on Australia's debt levels.

This rekindling of the public debate on the macro-economy is welcome. I have believed all along that informed public debate can only be helpful in formulating acceptable solutions to the very real economic challenges we face.

I certainly don't want, in this forum, to underestimate the very real problems that many farmers are experiencing as a result of current levels of interest rates.

But I do think it important that the reasons for the Government's macroeconomic policy settings be fully understood.

It is nonsense to assert, as some commentators insist on doing, that we are relying solely on monetary policy - on high interest rates - to correct the nation's economic difficulties.

Fiscal policy is unprecedentedly tight. With the 1989-90 Budget, outlays are projected to fall for the fourth consecutive year, taking them to 23.7 per cent of GDP - back to the level of the early 1970s.

We are continuing to repay Commonwealth debt, including foreign debt, and largely because of our budget surplus the overall net public sector contribution to savings has improved by a massive 8 per cent of GDP in the last five years, or around \$30 billion.

The 11 per cent fall in real unit labour costs is testimony enough to the tightness of wages policy.

But quite large increases in interest rates have been necessary to complement the Government's fiscal and wages policies in dampening domestic demand.

Monetary policy would have been even tighter but for our achievements on fiscal and wages policy: achievements a Coalition Government have never made and could never make.

Monetary policy has certainly been tighter previously: 90 day bank bill rates reached a peak of 22 per cent in April 1982, compared to just over 18 per cent now.

If the Government relaxed monetary policy prematurely the wellbeing of the farming community, together with that of all other Australians, would be devastated. The dollar would plummet. No bad thing, you would say. But that would happen only at the expense of skyrocketing inflation, interest rates going through the roof and a collapsing economy.

The conservatives have no alternative economic policy because there is no alternative policy. When we are convinced that demand is moderating we will allow interest rates to fall, but not before. To do so now would be irresponsible and certainly ruin the very farmers you are trying to protect.

Ladies and gentlemen

We are engaged in a sweeping transformation of the inefficient practices and institutions that have traditionally served farmers poorly, and retarded the nation's progress.

But the benefits of our reform program cannot be fully realised if efficiently produced Australian goods can't win access to foreign markets.

That is why we have taken such a high profile internationally to reduce and remove the barriers to trade behind which farmers overseas - in Europe, Japan and the US - have sheltered for so long.

Of course, the previous Government preached free trade too - but the world was less than impressed by that posturing because it was not supported by any liberalisation of Australia's own protectionist practices.

You can't be a global free trader and a domestic protectionist - you get called a hypocrite.

This Government has determinedly pursued both domestic and international trade reform.

We have given credibility to our international campaign for trade liberalisation by making substantial cuts in domestic protection - while our domestic campaign to internationalise the economy has been strengthened by our efforts abroad to secure market access for efficient Australian producers.

That's why, I comment in passing, we combined the Foreign Affairs and Trade functions of Government in one department. The National Party leader, Charles Blunt, is talking about splitting the department again - because as he put it "Trade and Resources and related export portfolios have been the National Party's primary interest".

Of course, the very problems that, as I have described today, this Government is tackling were caused by the policy distortions the Nationals brought to the Trade portfolio.

With such foolish and regressive comments, Charles Blunt shows only that, like the Bourbons, the National Party has learned nothing and forgotten nothing.

The Cairns Group and Australia, are at the forefront of the Uruguay Round - and the recent announcement by the US of its willingness to embark upon a dramatic reduction in protection is in many ways a testament to our success.

In our bilateral dealings we are also taking the opportunity to urge our partners to remove or reduce trade barriers.

Last year we reached an agreement with Japan to liberalise its beef market.

And we helped to convince the Americans to amend some of the more damaging measures already proposed for their 1988 Trade Bill.

I take this opportunity of praising the way in which the NFF in general, and your President John Allwright in particular, has taken a higher and an effective international profile, of assistance to Government on market access issues.

In this way we are working hand in hand to give a real and enduring boost to the export capacity of our primary producers.

Ladies and gentlemen,

Rural producers play an important role in broad economic restructuring, and my Government is providing, directly and through the necessary infrastructure, the family farm with the support they need and deserve. The Countrylink program, the Rural Adjustment Scheme and the Income Equalisation Scheme, and our package of rural education access programs are some of the services this Government is already providing to rural Australians.

Our social justice strategy for rural Australia will be further developed in the Rural and Regional Policy Statement that I will be releasing early in December. The Statement will announce a series of further measures - modest, well targeted measures - designed to improve the access to essential Government services of people living in rural and regional Australia.

My Government is addressing the issues facing Australia's farmers in the most comprehensive way ever.

Only by rejecting short-term, superficial solutions can we guarantee a long-term, sustainable future, a future which will be assured through a stronger economy, a better environment, and an open world market on which Australians can successfully compete.

By these means, we will build the more secure and prosperous future to which we all aspire.
