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PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
ANNUAL DINNER, METAL TRADES INDUSTRY ASSOCIATION
CANBERRA - 22 OCTOBER 1990**

It is always a pleasure to address the Metal Trades Industry Association - and particularly so when its Annual Conference has adopted as its central theme such a critically important topic.

Australia's "brainpower imperative" means many things.

It means we value intellectual skills; it means we are committed to learning and to training in our schools and universities and in our offices and factories; it means we are working for the future with research and development; it means we are seeking to fulfill the creative potential of our minds so that the inventions of our imagining can become the instruments of our daily life; and it means applying our knowledge so that the products of our mind can become the objects of international trade for the betterment of our national economy.

It means we turn the lucky country into a country that is clever as well.

During the last election campaign, when I used that phrase, "the clever country", I did so proud of the Government's achievements and excited by the plans we had for the forthcoming term of Government.

As you know, since the election we have pushed ahead with creating a new network of Cooperative Research Centres, linking universities, the CSIRO and other research groups in an unprecedented way, to focus the talents of our best researchers on projects that will stretch the horizons of our knowledge and enlarge the capacities of our economy.

Already the program is showing dividends, through the greatly enhanced interaction between research institutions. There is a sense of willingness and determination in the science and technology community to pull together in the interests of Australia's future.

At the same time, the Prime Minister's Science Council that I have established is well underway. The Council meets again next week to consider important topics related to adding value to raw materials and to capture more effectively the benefits of research in manufacturing industry.

Professor David Craig, the President of Australia's most prestigious scientific body, the Australian Academy of Science, recently praised my Government's "strong and manifest backing for science and technology" - and that is praise indeed for the nation as a whole, since it will be the nation as a whole that will stand to gain from these initiatives.

So when I used that phrase "the clever country", I was aware of what the Federal Government could do and would do in this critical area.

What I perhaps underestimated was the way in which the phrase would be picked up by the community at large - in the media, in the professions, in business - and enter the lexicon as a new yardstick of national self-assessment.

What we have seen since the election, and it has been very welcome, has been not just a burgeoning of the use of that phrase, "clever country", but with it, an ever greater commitment, throughout the community, to doing what is necessary to build such a country.

So it is within that broad context that I express my congratulations to the MTIA for this conference on the "brainpower imperative".

You are demonstrating that the commitment to value-adding, which is the prime focus of your work as individual manufacturers, is in fact part of your deeper commitment to a process of adding value to the quality of Australian life itself.

My friends,

That commitment is of course not surprising coming from the MTIA which is, as I have had the opportunity to say in the past, one of the foremost industry participants in the great transformation that is sweeping the Australian economy.

From being one of the staunchest advocates of protectionism you have become one of the most far-sighted and active agents in the creation of a more competitive, internationally-oriented Australian economy.

You haven't just paid lip service to the goal of a vigorous manufacturing sector; you have been out there building it.

I have always valued and appreciated the close and constructive links between the MTIA and the Federal Government - links that date back to the earliest days of the Accord and the Economic Summit.

A few weeks ago we met once more, and, seated in the Cabinet Room, your representatives gave me and my colleagues the benefit of your views about the national economy and its prospects for the future.

There's no secret that it was a pretty frank discussion; some of your people have been doing it tough, and that's what you were there to tell me.

But what I believe was apparent to those of you engaged in those private talks was that I have never underestimated the depth or the breadth of the problems being experienced in parts of the economy.

I have never tried to hide from the fact that the prevailing economic conditions, and the strategy that the Government has followed to remedy those conditions, have caused some hurt - and not just for metal trades employers but other businesses too, along with home owners, farmers and others throughout the Australian community.

I recognise that. How could I not? I probably travel around Australia, and meet more Australians, and listen to more individual views about the nation and the economy, than any other person.

It's one of the most enjoyable privileges of this job - and one of the great sources of learning for me.

As far as I am concerned, the views I get from individual Australians, as well as from groups such as the MTIA, form a vitally important supplement to my regular Canberra diet, which at times tends towards a pretty desiccated menu of economic analysis.

You only need to glance at the Financial Review today to see what I mean. It reports "a quiet battle" allegedly being waged among the Government's advisers about how to run monetary policy.

This debate might seem extraordinarily remote, and even somewhat callous, to anyone who lives in that vast place known in Canberra as "the real world" - that is, the rest of Australia.

It is surely cold comfort to those who are struggling and making sacrifices to be told that the extent of their future hardship depends on the outcome of some arcane debate among nameless officials.

I make the point, without commenting on the accuracy or otherwise of the story, that there are, of course, always differences of opinion among advisers and public servants; that's their job, and I'd be concerned only if they were in unanimous agreement.

But my job as Prime Minister and the job of my Cabinet colleagues is different: we have the responsibility to decide, and to do so according to what we believe are the best interests of the people of Australia.

That is why the time you spent in meeting with us a few weeks ago was well spent.

Your representations, along with those of others, forcefully underlined the picture we were getting from the official statistics about the impact of high interest rates.

So we moved a week ago to bring interest rates down by another percentage point. It was the fifth easing of monetary policy since the start of the year, with results now flowing through to businesses and home borrowers.

The dollar has moved down substantially as a result, with further benefit to Australian exporters.

But no one pretends that this is the end of the matter.

Economic revitalisation is a job for the stayers; this Government is in it for the long haul.

So we will keep the pressure on, with wages and fiscal policy and with unrelenting efforts to improve the efficiency of the economy, so that Australia does emerge as a more competitive and productive place.

The interest rate cut was just another instalment - a significant instalment, certainly - in the continuing economic strategy we are pursuing.

It's a strategy that I know is vital to the interests of your members. It is a strategy designed to reduce the current account deficit, and with it the growth in our foreign debt as a proportion of GDP, and to bring our inflation more into line with our trading partners.

It is astonishing to read that the Business Council of Australia declared over the weekend that there is no strategy to our economic policy - "no policy framework the business community can believe in".

If the average Australian were asked his or her opinion, it would probably be that there is too much strategy - too tight a focus on the long-term goals at the expense of more immediate, but of course counter-productive, targets like lower interest rates.

If the average trade unionist were asked, we would probably hear a similar analysis: too long a view at the expense of short-term wage increases.

The point is, this Government has formulated and implemented an economic strategy that is wholly unprecedented in Australian history - in its determined rejection of the false logic of protectionism, its embrace of long-term structural reform, and its responsible macro-economic management.

Some have suggested that our strategy is leading to a serious recession. Let me draw here, as I have in Parliament, the differences between conditions in 1990 and conditions in 1982/83.

- In 1982-83, GDP fell by 2% over four consecutive quarters; today we have yet to see two consecutive negative quarters
- in 1982-83, employment fell by 2.6% over five consecutive quarters; today quarterly employment growth remains positive
- in 1982-83, private business investment fell by 20%; today the fall in private investment is forecast to be much less.

Underlying those differences are these structural differences:

- in 1982-83, the recession had been sparked by a wages explosion; today wages growth is moderate and controlled
- in 1982-83, the 90 day bank bill rate peaked at 22%; this time the peak was a little over 18% and has eased by around 5 percentage points since
- in 1982-83, the public sector borrowing requirement was 5.7% of GDP; today it is zero, with the public sector making no net call on private savings.

So with double-digit inflation and double-digit unemployment, 1982-83 was the worst recession in 50 years. We will see nothing like that this time around. Indeed, the shape of the recovery that will emerge as we enter 1991 and 1992 was foreshadowed in our Budget documents.

My comments to you are not a best-guess prediction by some arms-length economic commentator, but a soundly-based estimate by the leader of the Government that has designed and pursued an economic strategy to achieve just that result.

That is another difference from 1982-83 that the statistics do not reveal.

The Fraser-Howard Government presided over an economy that was pitching downhill, informed only by the philosophy of Mr Micawber - that is, by the hope that something would turn up.

This Government can look to a recovery fuelled by the easing in monetary policy, and the personal tax cuts and wage increases of Accord Mark VI. Inventory and housing cycles will recover. Recent falls in the dollar, if sustained, will help exporters and manufacturers. Employment growth can be expected to resume under the Accord.

So the main concern to manufacturers like yourselves can take centre stage again: diversifying and improving our competitiveness so that the products of your expertise and your investment can get on to the markets of the world and win new buyers there.

My friends, let me turn finally to industrial relations.

I have noted with interest Dr Uhlenbruch's speech of this morning, and in particular your concerns about enterprise negotiations and overaward versus award payments. I am also aware of course of the claim by relevant unions in your industry for an across the board 4 percent productivity payment.

It is clear that these issues raise concerns for the Government that go well beyond their impact on the metal trades itself. Indeed they go to the heart of the Accord Mark VI and the future viability and effectiveness of the overall wages system.

The Government is determined to ensure that

- . the stability achieved under the current approach of developing consistent minimum rates between awards be maintained
- . enterprise negotiations play an important role in accelerating the implementation of restructured awards into individual enterprises
- . the 7 per cent wage target for 1990-91 is achieved.

I want you to know that Federal Cabinet discussed this issue this afternoon; you should know that the Government is determined to ensure that the principles I have just outlined are given effect.

Indeed it is necessary that such principles be recognised by all parties to national negotiations as we move to a wider consensus based approach to discussions about future wage-fixing and industrial relations systems within Australia.

The Government does not see enterprise bargaining operating in a totally unfettered way. That would be simply a re-run of the disasters of the early 1980s.

Enterprise bargaining should operate under guidelines established by the Industrial Relations Commission - including the requirement that the increases be paid for achieved improvements in productivity and profitability; results not promises.

In our view, incorporating the increases from enterprise bargaining into industry awards will only exacerbate the flow-on problems highlighted by Dr Uhlenbruch. It will take us back to the days of leap-frogging and of interminable wage rounds - days well known to you in the metal industry.

It would also set back the introduction of the flexibility that we have all been seeking in the wage system.

We do not ignore the concerns of employers faced with disputes about enterprise-specific increases. But we are confident that a solution can be found under the auspices of the Commission by developing guidelines that do not reflect the money outcomes in minimum rates awards.

Options could include production bonuses and performance-related pay that do not affect the regular award rate and would not therefore generate inconsistencies or encourage leap-frogging. If the parties so desire such options could be included in the award.

Ladies and gentlemen

I close as I began. Let me express my appreciation to the MTIA for extending its hospitality to me this evening - and, more importantly, for extending to me and my Government the benefits of your constructive advice throughout the year. I look forward to your continued active involvement in the resolution of the key economic issues we face as a nation in the year ahead.

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