

N. S. W. CHAMBER OF MANUFACTURES ANNUAL DINNER

SYDNEY, NSW

5 AUGUST 1970

Speech by the Prime Minister, Mr. John Gorton

Mr. President and Gentlemen :

Sir, the Budget will be presented in less than two weeks, and so I think it would be as well for me to start this address with a disclaimer. Because anything a Minister or a Prime Minister says at such a time is liable to analysis and dissection and distortion by the gentlemen of the Press! I wish to make it clear right now that this will not be a profitable exercise because anything I say to you tonight in general terms is not to be translated into specifics by way of guessing at what the Budget might contain. And those gentlemen whose speculation is sometimes inclined to be high, wide and handsome, would do better to wait patiently a few more days when they can have the satisfaction of commenting on facts instead of on suppositions. And that is the disclaimer I want to make right at the start.

It is a difficult thing to talk to you tonight so close to the Budget because it IS so close to the Budget.

Sir, having said that, I thank you for your welcome here tonight, and I am glad to be here because it gives me the opportunity to express my respect - and I do have that respect for the manufacturing industry which employs some 28% of the Australian work force directly and a further 20% of the Australian work force indirectly in servicing the needs of manufacturing industry. Those industries which have raised the value of the output from factories in Australia from about \$1,000 million just before the Second World War, to \$17,000 million today - a very significant increase as you will agree.

Industries which have raised their contribution to our export income from \$198 million or 11% of total exports ten years ago to \$782 million or 19.7% of total exports today - again a very significant contribution, showing that manufacturing industry along with minerals and rural industry has become one of the big three contributing to Australia's growth and wealth. This is something, I think, of which you can all, looking back on the sixties, looking back on the plans you have made, now looking at the fruition of those plans, be proud. But that is in the past.

As we look ahead, what do we see? We see great problems to be overcome in our rural industries, many of which are beset by falling world prices and harassed at the moment by the ravages of drought, yet industries which have managed in the year just past to increase export earnings by some \$200 million over the year before.

But on other fronts, we see great opportunities for new growth and for greater economic strength. Our overseas balances are healthy and they should become even healthier as the output of minerals increases, as it undoubtedly will, and as the value of that output for export is further increased by the processing within Australia which will take place so that we will be exporting ingots instead of earth.

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And our balances will improve further as import replacement grows, as it will, for example, in oil (which I was delighted to see the "Financial Review" agreed was going to be sold in Australia at a price at least as good as it could be bought from abroad - and possibly better.) Now this again will increase our surplus of exports over imports. Other contributions will be the application of new and vigorous management techniques which is up to you gentlemen in secondary industry, by the extension of the amount industry spends on research, which is up to you gentlemen in secondary industry, because the Government in Australia provides a greater proportion of the amount spent on research in industry than does the government in any other country; by the increased use of automation. . . . these will all increase the value of output per man hour. Added to that the measures already taken by the Government will, I believe, retain in Australian ownership a greater proportion of that expanding industry and therefore retain inside Australia a greater degree of the profits of that expanding industry.

So the barometer of future progress and of future economic growth stands really at "set fair", subject to what I now have to say. Because what I have said only means that great growth and great progress can be made, it does not necessarily mean it will be made. It can be slowed, or even halted should we find inflation growing faster than that of the countries with which we trade and to which we must sell at world prices. And in particular the significant growth and contribution of secondary industry to our exports could be badly affected if this happened.

Sir, in Australia governments can take action on this front, but in Australia decisions of the Arbitration Court have an enormous effect on the economy generally, no matter what a government does. If wages are increased without regard to increased overall production, then there will be benefit for none, and ultimately detriment for all. We could be priced out of the export markets we have won. The demands of the community for more schools, more hospitals, more roads, more defence and more public development may not be met. And the increased wages to the individual will not in the end buy more to take home. They will indeed be fool's gold.

And as a by-product, the rural industries and the fixed income-earners will be the greatest sufferers in the community, and the threat of that happening is the only threat which I can see to our achieving that growth and that progress of which I spoke and which is within our grasp.

Now if we are to achieve the destiny which is ours to attain, there is a heavy responsibility not only on government, but also on trade union leaders and on the Arbitration Court to see that industry is not called upon to pay in wages sums which represent more than the value of what industry can produce. And, conversely, if the overall growth of industries, which is possible, occurs, if the value of production per man-hour increases, as it can under good management, there will be a corresponding responsibility then on trade union leaders, on the Arbitration Court, and on employers to see that that overall increase results in increased rewards for the labour force in Australia.

We are, as a government, aware of both these facts, and because we are aware of them, we propose to intervene in the oil industry case shortly to come before the Arbitration Court. And there we propose to argue that it would be disastrous for Australia if the principles previously accepted were reversed, and if it was thought that an industry which was profitable or a company which was profitable should, because it was profitable, be called upon to pay more than industry generally could pay to those who worked for it.

For if this were to be accepted in the case of those industries which are, for one reason or another, fully profitable, then what would happen to those industries such as the railways, the electricity supplies, the industries run by governments which almost by definition are not profitable, or the industries run by some sections of private enterprise which are sometimes not as profitable?

There would be no incentive for labour to serve in these industries, and either they would be starved of labour or the community as a whole would have to make up to an unprofitable industry wage standards which a profitable industry alone could meet and that in turn would lead to the inflation which is the only threat I see to the progress of this country.

Sir, if we can achieve in this nation, with good faith and with commonsense on all sides, an agreement that only when productivity increases can wages be increased, then there is a real prospect of increasing prosperity for the individual and for manufacturing industry. And there will be an increasing capacity for governments to provide those public services and amenities which the nation requires and which governments can only supply if industry provides the wealth for governments to tax in order to supply those services.

I am sure that this can best be attained by and through the arbitration and conciliation system as we have it today. I believe we should reject loose talk of finding something better than that system which we have had for so long, of going into collective bargaining, of picking off one industry after another, or one section of industry after another by industrial blackmail. And I believe, too, that nothing in the long run would be more damaging to the cause of organised labour and to the stability of industry and commerce in Australia than to reject or replace an arbitration system which, if it is to be fully effective, must have the ultimate capacity to apply teeth in its judgments.

An Arbitration Court, acting impartially, seen to be independent in its judgments, seen to be uninfluenced by either trade union leaders or employers' representatives, and acting only on what it sees to be the merits of a case after that case has been presented in the Court, is not perfect, but it is the best method of ensuring fairness that has yet been devised. And provided it acts on all those criteria I have set out, it is the best method of attaining the confidence both of employers and of labour.

Sir, by the end of this year, the Liberal/Country Party Coalition will have been in office twenty-one years, and in any other audience but this, at that stage there would have been a call of "too long": They have been years of solid progress in

government, in government enterprises and in private enterprises, and much of what I said at the beginning of this speech of the achievements of industry in Australia, has been made possible by the climate created in that time by those governments.

Our population in that time has passed from 8 million to 13 million. Our labour force is fully employed. Our economic base has been broadening tremendously. Our export trade is expanding. Our living standards, including our care for the aged, the ill and the needy, have been improved. We grow stronger in defence, and we have honoured our international obligations in three conflicts - Korea, Malaya and Vietnam. We have a new understanding of our regional involvement through our whole Australian community. We see our destiny as being shaped by the course of events in South-East Asia and the Pacific, and we are actively sharing in many activities which will determine how straight and true that course will be and where it will lead us as an ultimate goal.

All this you have achieved - we have achieved. And in all this we are still concerned, as jointly we make our way through these exciting 1970's, and all this in a sense depends on government action. But in turn that government action depends on the wealth produced by all the enterprises in Australia. The main elements of growth, the numbers in the work force and what they produce are strong, thanks to immigration and to improving technology and other factors. And this has given us, in the non-farm factor, and average growth in the area in which you are concerned, gentlemen, an average growth of more than 6 per cent at constant prices in recent years.

I think our immigration programme has been a great success. I think without it we would be a poorer country, very hard pressed for labour, limited in our expansion and inhibited in our planning. We have to remember that while that programme is costly and initially inflationary because the new immigrant calls for more from the community, particularly if he has a family, than he can initially provide to the community, yet that increasing work force is made up of people who have not been reared and educated at our expense, but at the expense of the countries from which they come. And that is an offsetting value to us of millions of dollars for a start.

We have recently decided, as you know, to have a comprehensive review made of all aspects of our immigration programme to see how best it will fit our changing needs in terms of economic growth and social and cultural diversification. But I want to say to you tonight that is not in any way to question the need for continuing immigration. We must continue to have a high intake in the seventies, no matter what bank brings out a statement querying the value of it.

But I think it is sensible to take a look in depth at the progress and the results of the scheme since it began soon after the end of World War II, to learn whether and how we can improve the contribution which migrants make, to learn whether and how we can retain in this country a greater number of the migrants who come here, and to learn whether and how we can reduce the initial inflationary costs as the migrants come. And this is the sole objective of this examination.

In the years ahead, we face great changes, and some of them indeed will be of considerable magnitude to this nation if Britain, for example, goes into the Common Market. But we can take up a continuing challenge to become increasingly strong industrially, to extend the extraction of the raw wealth from our soil into integrated industries which embrace processing and manufacturing, and to reconstruct some of those industries on an economic basis which, at the moment may not be fully economically viable.

We must manufacture more of the things we now import. We must export more of the things we now make in Australia. I do appeal to you not to rest upon your laurels, not to say because in the last year we have increased our exports of manufactured products so much, not to say because we are now contributing nearly 20 per cent of exports, therefore we should do no more. This is not so. For every individual in this room, there is an opportunity to improve and increase the exports from manufacturing industries we now have. To do it either directly, or by joint ventures in other countries, so that raw materials go from Australia, manufacturing is done abroad, but Australians are part of the manufacturing done abroad and draw their profits from it, for that is export too.

This is something you must do in this decade of the seventies, and I believe you are headed that way, but I believe that this and progress inside our own country can only occur if we keep the free enterprise system intact and if we maintain the climate that has led to the growth in the last twenty years. For the upward trend is twenty years old, and the concept of government working with industry, of the public sector and the private sector living together, and of one not trying to destroy the other has, I think, been the foundation of the progress we have made and can be the only foundation if we are to make progress in the future.

There are a number of pitfalls about - one I mentioned. But another is the concept described as socialism. What is socialism? It is not social action by a government because if it were, then it would be wrong for a government to provide roads or dams or irrigation services or electricity services or any of the multitudinous things governments provide without question. It is not governmental partnership with private enterprise because if it was then it would be wrong for the government to have provided the millions of dollars that it has provided to help private enterprise develop and secondary industry develop.

But what it is and where it is wrong is when it seeks to say, as it did years ago - to some people - "You must not engage in banking. You must not engage in some field of enterprise because the Government will not allow you to do so." That is clearly wrong. It is wrong, I think, when it seeks to place limitations on proper rewards for hard work or new inventions or the proper running of an industry, and price control - that great panacea of socialism - is in fact, when you boil it down, seeking to provide profit control no matter whether the person making the profits is making a cheaper good and selling it cheaper, but making profits as a result of it. That is wrong.

And its intrusion into planning is also wrong. I have here before me a Treasury Bulletin called "The Australian Economy 1970", and the very last sentence in this paper says this. It speaks of the chances we have, the opportunities we have, some of the difficulties we face, and it says :-

"This is a problem for Government policy, but within the framework of such policy, the outcome will be determined by judgments formed, decisions made and initiatives taken at innumerable points throughout the economy."

And that is private enterprise, and that is what we must retain - the chance for judgments to be made, for decisions to be made, for initiatives to be taken without instructions or control from governments on those who have to take those decisions. That is a definition of private enterprise. That we propose to defend. I believe that by defending it you will have the greatest opportunities to advance the interests of this nation and I am sure that you will take advantage of those opportunities and of the climate we propose to provide in the future as you have in the past.

That is why I propose the toast :

Australian Industry.
