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AUSTRALIAN INDUSTRIES DEVELOPMENT ASSOCIATION

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Speech Notes for the Prime Minister

Mr. President, Gentlemen,

I have, Sir, glanced through your annual report with interest and I recognise the frank way you have put forward the writer's views.

There are some statements with which I don't altogether agree. There are others I prefer not to comment on because it is getting too close to Budget time.

And some I am in complete agreement!

I must first confess as a basic assumption that the Government recognises the importance of manufacturing industries to the Australian economy - or to put it another way - it is vital to have goods "made in Australia", by Australians, for the Australian people and for export.

I would like to see private enterprise pushing ever so much more strenuously its "made in Australia" campaigns.

Your industries are a key segment - and a large one - in our industrialised society

because of the employment they create,
the domestic and export needs they satisfy and
the growth elements they provide.

Simply because of your remarkable diversity you don't have a single image like our rural industries or a glamorous one like minerals. Yet your diversity is your strength and it brings in a tremendous range of technical skills and industrial "know-how".

I urge you to give away too much introspection and not to accept the notion that you are some kind of a cinderella in our industrialised society. The Government doesn't think so and is giving close attention to the special interests which are mentioned in your Report. And I know too, from personal discussions, that many of you don't think this way. On the contrary, you are optimists and rightly proud of your own industries and your performances.

It is true that, despite our current problems - inflation, industrial strife and the rural crisis - our national prosperity has increased in the past year. And it might have been greater had there been more voluntary restraints by all parties to the labour contract. A lot will depend on how industry and organised labour respond to the call for price and wage restraint from now on and what contribution they make to industrial stability.

The Government's Aims

I note, Mr. President, that A. I. D. A. thinks the country might have done

better in the past year if our national aims had been more clearly defined and more directly pursued.

It is a statement that is easy to make but which I find difficult to sustain. The Government's aims are clear enough. Let me summarise them in the briefest way I can.

- .. We believe in our national security and that we should take a responsible place in our geographical region and in world affairs.
- .. We want growth and progress, with a balanced economy. In a diversified and industrialised society.
- .. We stand for progressive social welfare policies, an educated people and the right of the individual to the basic freedoms and a good life.
- .. We stand for minimum interference by Government in the free workings of private enterprise.

I believe we are pursuing these objectives with vigour. But Governments must not over-order the affairs of it's citizens and industries.

May I sound a note of caution about too much Government direction and too much dependence on Government by industry. This would send us all high-stepping down the socialist road. Believe me, that road does run downhill.

At a time like this, when everybody has to accept some restraints and perhaps modify some expansion plans it is tempting to agree on the need for sacrifice and then expect the other fellow to do all the sacrificing.

The Commonwealth Government accepts its fundamental responsibilities. The first of these is to make the Federal system work effectively in the interests of all Australians. It has to give leadership. It also has to accept primary responsibilities in matters like defence, trade and national economic management.

But it cannot be exclusive in the discharge of those responsibilities. It must - and I believe it does - recognise the cardinal importance of co-operation with the States, and co-operation with business and industry in all its forms.

I have not long come from the Premiers' Conference in Canberra where we settled on a growth tax. We offered the States pay-roll tax which they accepted, and made other financial arrangements generally acceptable to them.

Nothing is perfect in an imperfect world, populated, as it is, by human beings instead of supermen. But we have, I believe, broken with an unhappy spat in Commonwealth-State financial matters by agreeing on this growth tax which will give the States more revenue-raising rights directly geared to growth.

I am the first to acknowledge that a final solution to Commonwealth-State financial relationships may perhaps lie in a review of the Constitution. But let us take one step at a time through this difficult maze.

Constitutional Review

And let us remember that many of those who say "change the Constitution" don't say what changes they want or suggest how the voting public can be persuaded from their traditional habit of voting "no" when it comes to issues of this kind.

What I am doing is to underline the fact that Constitutional review is a difficult and lengthy business and wouldn't help us with our immediate problems.

As I have said before I think the long-term outlook for Australia is still healthy and soundly-based but the current problem of inflation is still pressing heavily upon us.

I made this clear I think, at the Premiers' Conference last week and I won't go over the ground again other than to say the need for restraints in both the public and private sectors - and particularly in the public sector - continues to be great.

Tariffs Tariffs

The subject I want to talk most about today, is however - tariff policy.

Mr. President, your report refers to tariffs and to the statement recently made in Parliament by my colleague, Mr. Anthony. There are three points on which I want to comment. They are :-

- .. Your request for more information about protection.
- .. Your request for a more positive approach in the conduct of the tariff review.
- .. Your request for a clearer expression of the Government's tariff policy.

I agreed that there is a need for much more information in some Tariff Board reports - about the effect on individual manufacturers and industries, and on the economy as a whole.

I think the demands which your organisation - and others in the community - are making for more information about protection is quite justifiable. That the demands are now being made is evidence, I think, of a growing awareness in the business community of the many direct and indirect effects of protection.

More and more businessmen are properly asking that decisions by the Government to change levels of protection should not be made without more knowledge of their likely effects.

Both the Government and the Tariff Board appreciate the need for more information about protection. Mr. Anthony took up this point in his recent statement on tariff policy, in Parliament. "The Government", he said, "needs as clear advice as the Tariff Board can give in its reports to enable the Government to reach judgements on the likely consequences of implementing the Board's recommendations".

The Tariff Board also has said that more information about protection is essential if it is to do a proper job. I am informed by the Chairman, Mr. Rattigan, that the Board has already taken steps to get this information. For example :-

- .. It is about to undertake demand, supply and inter-industry studies to assist in estimating how the domestic production of particular commodities is likely to be effected by changes in their tariffs.
- .. It is assisting in a project being undertaken at Monash University to study the longer term effects of protection on the economy.
- .. It is collecting data on the profitability and capital structure of Australian manufacturing industries to enable it to assess trends in the financial performance of protected industries.
- .. It has acted to improve the data it gets on imports by increasing the detail on individual shipments and covering more shipments.

Now facts and statistics cannot be manufactured overnight and the Board's timetable depends to some extent on the rate at which the data becomes available from the Statistician.

However, the Board has already compiled and published a good deal of new information about the structure of protection in Australia and it has begun to recruit the specialised staff needed to complete the job.

I turn now to another aspect of tariff policy, Mr. Chairman. You have expressed some anxiety about inadequate provision in the Tariff Board's review for "positive action to encourage desirable new industries".

This anxiety is based, I gather, on the idea that the review will deal only with existing industries - and also on the idea that it may result in more decreases than increases in tariffs. You are worrying unduly.

While I think that a number of very difficult practical problems would arise if the Government attempted to review industries which did not exist in Australia, this is not to say that protection can never be afforded products in advance of their local manufacture.

But I also think it is right that consideration of such a question would be best made after an intending manufacturer had studied the feasibility of manufacturing in Australia and was able to provide useful data at the Tariff Board inquiry.

Now Sir, most of the public discussion on the tariff review has been about what might happen to highly-protected industries. Little has been said about the Board's declared attitude to industries needing less protection.

I think the phrase "destructive selectivity" as used in your Report doesn't put the Government's or the Board's attitudes either accurately or fairly.

It should be noted, Mr. President, that the Tariff Board has said in a number of its annual reports that positive encouragement should be given to manufacturing industries requiring only low rates of protection. Every industry - even the most highly-protected - contains some activities requiring only low rates of protection.

Thus if the review of a highly-protected industry produces some duty changes which you could regard as negative it should also produce some duty changes which you could regard as positive.

In fact, of course, the removal of unnecessary protection - in those cases where tariffs are higher than needed to protect local production of the goods concerned - also has quite positive and beneficial effects on the industries which use the goods as inputs in their own production.

It makes their costs, and the prices of their own outputs, more competitive - without jeopardising the competitive position of the protected inputs producing industry.

I don't think the view will be contested that consequences of this type, which may be expected to flow from the systematic review, would be viewed as doing anything else than benefiting not only using industries but the economy as a whole.

I was surprised, Mr. President, at your comment that, even after Mr. Anthony's recent statement in Parliament, investment decision makers are 'still without a clear expression of Government policy and are confused as to the circumstances under which tariff protection might be anticipated.'

Investment decision makers must now have a clearer idea of the Government's tariff policy than they did several years ago - before the Government had indicated its general attitude towards the Tariff Board's proposals, or before the proposals had even been made.

As you know, the Board has said that it will probably-but not necessarily. - recommend that activities requiring high rates of protection will be discouraged, and that those requiring low rates of protection will be encouraged.

It has, furthermore, defined what it means by high and low rates of protection. Investment decision makers who can estimate the protection which their proposed activities will require thus have a clearer indication now than in the past of the likely attitudes which the Tariff Board will adopt towards those activities.

To give you an even clearer expression of Tariff policy - one that will allow accurate predictions of the amount of protection which particular activities could expect - would involve one of two things :-

- (I) Either the adoption of the Board's points of reference as the sole criteria for making tariff changes

OR

- (II) The production of an unvarying list of other factors to be taken into account, whose relative significance would be fixed for every inquiry.

I think you will agree that the first alternative is unacceptable.

And for that matter so is the second. I base my comment on what you said in the A. I. D. A. bulletin of May last year, when you listed the "circumstances to be reported on by the Tariff Board".

You then said that your own list was not a total list and that the Tariff Board should be obliged to examine any "other relevant circumstance not listed".

Succinctly put - you want flexibility and so do we. To be completely definitive or much more precise than we have been would mean being inflexible.

Mr. President, I have spoken long enough but I thought it proper to let you know the Government's view on tariffs and to tell you what the Tariff Board is doing to develop its expertise. I have mentioned a number of points from your report and I hope I have removed most of your fears.

If you hadn't taken the line you did with such positive criticism I would have had no case to put. But there it is - I have put it and I hope what I have said is helpful.

The Government wants the confidence of its manufacturing industries. It knows their value and is anxious that they should continue to prosper. This is a time when frankness and confidence must go together and this way I believe lies success.

Thank you, Mr. President.
