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ATLAS COPCO - OPENING OF NEW PLANT

BLACKTOWN - N.S.W.

Speech by the Prime Minister, Mr. William McMahon

11 October 1971

Ladies and Gentlemen:

Thank you Sir Ian for referring to my friendship with Dr. Wallenberg. I know him primarily as a very distinguished member of the banking community, and a financier of international repute. And I also know him - but in a lesser way - as an industrialist. So I looked forward, when I was invited here, to being able to renew my acquaintance with him. And I hope at the same time, to be able to try and get his impressions of what is happening in the international monetary markets, when we can hope for a realignment of parities, and above all, when we can hope for the American surcharge on imports to be removed.

But that meeting will be delayed. I hope it's in the not too distant future that I'll be able to meet him again.

And Sir Ian, if I can thank you particularly when you referred to compression, compressed air and similar matters, that you did it in an industrial context, and not in the context in front of my colleagues of compressed air in the Federal Parliament. I can assure you, we're grateful that this subject wasn't raised with all the implications it has for my colleagues on the other side of the House and for myself.

*International Finance
and Trade*

But having said all that, may I join with you Sir Ian, in hoping that in the not too distant future we will be able to get a resolution of world parities in the international money markets. Because I believe that while it doesn't interfere with us to any great extent at the moment, nonetheless, it does interfere with the free flow of world trade, and consequently if it proceeds over a very long period of time, it must effect us. It effects us indirectly because it will effect the trade of the developing countries and for that matter, all the developed countries as well.

And I can add to that that I do hope this surcharge that has been imposed is also removed in double-quick time, because of the impact that it can have, and the reaction that is likely to be caused in other countries if it is not taken off very quickly. The Americans, we know, have a major problem - a very big one - because their balance of payments deficit is a huge one. But other countries are, I am sure, looking at it in a realistic way. We want all countries to be able to play their part in trying to come to a speedy resolution for all of us.

But now, Sir, may I turn to the substance of what I wanted to say to you here today. And the first point that I want to mention is that we do welcome our friends from Sweden and their new enterprise. This enterprise - Atlas Copco - brings with it a very famous Swedish name. It is associated with the name of Wallenberg and that name is very well known in this country of ours.

Now I'm sure of this. That because of the management techniques that are so well-known to your Corporation, because of the new type of product it is now introducing, that it will be a great asset to this country. And one I can assure you that as an Acting Treasurer and as a Prime Minister, we welcome.

Now the second reason why I want to welcome you here is a pleasant one. You mentioned the word growth. We like to use three different phrases together, or three different words together - growth, progress and prosperity.

The Economy

And I believe that not only do we ensure growth in the material sense as a result of the establishment of these new sections of your factory, but it will also add to our progress in this community, and I think to the prosperity of many, many sections of our people as well. Because a new plant does mean progress, and a new plant does give a demonstration from overseas, and capital is a very sensitive thing and usually works in those places where it can get the best and the most stable return. But it also demonstrates the confidence of your own people, and the management of your own people in Sweden in the future prosperity of this country.

There is another reason too - and I'll have to come back to what both you and Sir Ian said a few moments ago - and this does give me the opportunity for a little propaganda - that whilst at the moment we have a very satisfactory trade balance and we've got a very happy balance of payments surplus at the moment too, nonetheless, we do want to be able to ensure, that over a long period, we can not only have trade surplusses, but the problem of balance of payments difficulties will be banished for all time.

Now I think you know Sir, that so far as our direct trade with Sweden is concerned, we export to you only a little less than one sixth of what you export to us. And so consequently we've always looked forward with a great deal of pleasure to the day when industries could be established here that could in some way, rectify to a moderate extent the difference in the balance of payments between the two countries.

Naturally I am pleased to be able to say in your presence, and in the presence of Sir Ian as well, that last year our trade increased by something of the order of thirty per cent. So we can look forward in the days to come in an improvement in the balance.

But what is much more important to us is that you are engaging in new activities and that those activities will in the future permit us together to improve the export trade.

And again if I can refer to Sir Ian in a very favourable way. On the last two occasions when I've had the pleasure of meeting him in Canberra, he's advised me of the kind of activities that he is engaged in. And he gave me an insight at least into one industry, that was exclusively oriented towards the export markets. I believe Sir, that your Corporation is oriented to export markets as well.

*International Trade
Exports*

Now when I heard of these ideas and these new enterprises, I couldn't help but think of the words "taking coals to Newcastle". It's not so many generations ago when nobody thought it was within the bounds of contemplation that anyone could shift coals to Newcastle. But we in this country seem to be developing the facilities to move all sorts of commodities to all sorts of hitherto unexpected places. We export quite a lot of spaghetti to Italy. We send a lot of our flowers to Holland. And I am pleased to be able to state, that as a result of some discussions I have had in Melbourne within the course of the last few weeks, that we are now sending knives and forks to Sheffield.

So you can see, Sir, that we are getting heavily engaged in international trade and we are doing so in a very sensible way.

But today I don't want to refer principally to these matters of trade. To an audience as distinguished as this, and one heavily involved in the problem of industrial management and productivity, I want to mention three matters that I regard to be of crucial importance to us - ones that have to be solved.

The first one involves this Corporation in the same way as it involves every other corporation manufacturing goods in Australia.

And the problem that we face today is this. That now for a little more than a year, probably approaching a period of about two years, we have had wild-cat strikes, unpredictable wild-cat strikes of a size, of a dimension that I believe are cutting back our prospects for production in the future. And they are most certainly reducing our productivity and therefore the very basis on which we are able to get a reduction of costs and one of the instruments through which we can effect inflation. Now many of them, and I want to emphasise these words, are strikes that are purely based upon domestic political requirements that have no association whatsoever with the idea that they can win greater pay packets and more purchasing power for the people who might be employed in the industry involved.

They're certainly helping prices to go up. Looked at in the other way, they're not helping us to keep prices down. And I repeat it again, because it is of basic importance to us: It is one of the greatest impediments that we have to keeping inflationary forces under restraint.

And equally too, because of the difficulties it creates, the uncertainties it creates in the minds of so many people, I think it is preventing domestic demand from increasing at a moderate pace and in a way in which I can assure you we would like it to increase at the moment.

But coming back to this problem of political and other industrial wild-cat strikes - the point that I want to make here today is that last year the working man lost \$31 million because of industrial disputes. That is three times more than they lost in 1967. It's an appalling record and it's an appalling record against the background that average earnings, and if you like average wages, are increasing at an unprecedented pace.

Now my worry, and it's one of the biggest worries, is that it's left-wing and communist controlled unions, that are, I believe, probably responsible for more of the strikes than from any other section of the community.

But I also want to emphasise that I do not believe that the great majority of working men want these strikes to continue. They want to get on with the job. They want prices to be fairly stable. They want to be able to look after their families. And consequently it must be our responsibility as the Government to try and ensure that it is the wish of the working man that prevails and not the wish of their left-wing supporters.

Arbitration

And the second point I want to mention concerns what is fundamental to industrial success. And that is our system of arbitration. Now this is a system that most of you know has stood us in very good stead ever since the arbitration system was established. As a member of a Cabinet, who for eight years was responsible for the Department of Labour and National Service, I can assure you that I developed a respect for the system of arbitration. I know the advantages that it can bring. And it must be our responsibility as a Government to try and strengthen that system, and not permit others to destroy it, or weaken it. We must ensure that objective if it is practical.

The arbitration system has served Australians remarkably well. It has banished sweated labour into the recesses of history. It brought a degree of equality in payment for work performed that could not be brought by any other system. There is one regret that I have at the moment, and it is a very deep regret. It is the way in which under the present system of settlement of industrial disputes the rewards are not going within a fair degree of equality to all workers, but are going into the hands of those where the industrial might and strength is the greatest and where they can use the greatest muscle in order to wring rewards out of employers.

But I don't for one moment think that this is the end of the problem. I can assure you that we are doing all in our power now, to be able to contemplate first of all, and finally to be able to bring reforms to Parliament in order to strengthen arbitration and to look at the whole system of industrial strength to see what advantage we can obtain from it.

And when I look at this I want to assure you that the system of sanctions must remain as an essential element in the arbitral machinery. And they must apply, not only to the employee or to the trade unionist, but as you know as well as I do, they have to apply to the employer as well.

Now I can't stress too strongly how fundamental the preservation of the arbitration system is to industrial peace and stability. I want to assure you that we will do all in our power to sustain arbitration. We will not permit it to be destroyed.

So I must urge you not to sell it short. Don't drop it because you've nothing better to put in its place. Don't neglect it, or don't please I ask you, let it fail by lack of use.

Productivity

The final point I want to put to you, and this is one, I believe, Sir, will appeal to you. That is the problem of productivity. All of us, I think, understand this problem of productivity and inflation. But the moment there is any increase in average incomes or earnings that is greater than the increase in productivity, then naturally enough you do get an inflationary pressure. Something of the order of 6 or 7 per cent today - that is the difference between the growth in productivity and the growth in average earnings.

Now what we want to attempt to do, although it is a very difficult objective, is to try and reduce the gap to the maximum extent that we can do. Not that we believe it is a tolerable alternative, because we don't think we can. But what we want to do is to reduce the gap so that we get a degree of inflation that is acceptable and one that can be readily absorbed in the international community.

The next point that I want to make to you about productivity is this : It doesn't necessarily mean more work. It doesn't necessarily mean more work. It doesn't necessarily mean that you work harder. It has, Mr. Johnsson, as you so clearly implied, meant that you have to work with a greater degree of efficiency. And it is for this, and for other reasons why we welcome your Corporation coming here. Because we do feel from what we have heard and what I have seen, that you would introduce efficiency into the management of this plant.

Now Mr. Chairman, I haven't had a good look around this factory. I regret to say I have to go to Canberra quite soon. But from what I have read, particularly from the little pamphlet that was sent to me a few days ago, I can assure you that I recognise the degree of efficiency that you show.

I know of the management and labour skills that you have in this factory in Blacktown.

I believe the manufacturing industries of Australia are making a magnificent contribution to our growing industrial greatness. They are providing resourceful and skilful service, and they are doing much to strengthen our self-reliance as a nation. This new plant today adds to their number and their diversity.
