



PRIME MINISTER

BUSINESS AND PROFESSIONAL MEN'S DINNER ADELAIDE

Speech by the Prime Minister, the Rt Hon. William McMahon, CH, MP.

24 July 1972

Mr Macklin, Parliamentary Colleagues, Gentlemen:

I came here tonight primarily to talk to you about a technical subject that I know is very dear to most of you and certainly dear to my friend in the Chamber of Manufactures sitting immediately to my right. And that subject I wanted to talk about was the subject of tariffs and its preoccupation with the manufacturing and the commercial industries of this country.

I also wanted to say something to you about the state of the economy, not too much because we have got a Budget coming along in three or four weeks time, and I am one of the believers in the old-fashioned British custom of Budget solidarity and above all, of Budget secrecy. Not only because I think that if you can keep your secrets to yourself and you can have the surprise element when the Treasurer delivers the Budget - then you will get infinitely better public reaction and public response than you will if there are leaks, and when the day comes, the Treasurer has nothing else to do but recite the taxation proposals and the way to bring disapproval by those who have to pay them.

Tonight, seeing that the gathering is as great and distinguished as it is, I still believed I had to go along with my immediate intention. But after talking to your President, I also felt that, time willing and you appearing to be interested - and my prayers are usually answered - that I might say something to you on a much more interesting subject and that is my recent visit to Kuala Lumpur, Singapore and Djakarta. Because it was a memorable trip and I believe our destinies - to a considerable extent - and our future development are wrapped up with the development of those countries. We are the ones who can most benefit from close association with them; from their industrial development; and from our capacity for trade with them.

But may I now, Mr Macklin, get on with the subject. The two subjects that I want to speak to you about tonight. I want to assure you, as one who has been Treasurer for some time, and enjoyed the portfolio immensely, that I believe I had a pretty good command of Treasury problems and kept the economy reasonably healthy, probably as healthy as it has ever been. So I have the knowledge and the ability for quick adaptation and change that I think is so essential and important to a Treasurer and particularly to a Head of Government when we are looking at our economic problems.

I believe there are very sound grounds for thinking the economy will significantly improve in the future, in both the short and long term. There has never been any doubt about the long term, because over the years we have continuously built this economy of ours on a broader basis, much more variable, much more basically sound and with inherent strength. And our record of two decades of growth has been a tribute to the kind of policy that we have been able to adopt.

We are all aware that most of the problems which have captured the headlines in the past year or so have not been long term but short term problems. It is true, too, that we have had setbacks. The unemployment problems have been stubborn, somewhat too stubborn, and the present level - while low by standards of other countries - is still certainly not acceptable to me. As you know, and here I come back to that word "flexible" again because we have considered it desirable since September of last year - we have taken positive measures to reduce the number of unemployed. Even taking specific action of a kind that hitherto we had not taken. We have also taken other measures on a broad basis, particularly the mini-Budget and the assistance we gave to the Premiers. I think I can say to you that as these measures work their way through the economy, conditions most certainly will improve steadily. Encouraging indicators are now showing.

The latest of these is the slowdown in price inflation reflected in the consumer price index figures last week. The increase of point nine of one per cent is the lowest quarterly increase for nearly two years, although I have to admit there were some special problems or special influences that were involved there. A little over seven months ago we felt that in the June quarter we would be extremely lucky if we could keep the consumer index at very much less than 2 per cent and probably a little higher.

So that you can take it that we were delighted when these figures of point nine of one per cent came about because it gave one of the indications that inflation, one of the most difficult and intractable problems that we have had to solve and one that could easily cost us out of international markets, did show some kind of improvement. I don't want to go overboard about them because the results affect only one month.

I will say it is pretty good, or satisfactory anyhow, and I hope we can keep up this kind of record in the months to come.

I don't want you to think that I'm arguing that inflation has been solved. It has not. Together, you and I as manufacturers, people in the commercial world, and people in the other sections of the economy and in the Government have all got to exercise our combined skill and our energies to contain it.

Providing we can do this and make our contribution, and providing only we can keep wages closer to the increases in productivity, then the better the chance we have: First to conquer this problem; and then to get the economy moving along at a growth rate of at least 5½ per cent.

Let me emphasise too, that consumer demand has obviously been far too subdued. I admit that and that is the reason why we took action at two successive Premiers' Conferences and in the mini-Budget, and through the banking system to give at least the incentive and the

inducement for consumer demand to improve. And through that means to be able to get the order books full and when the order books became full, for it to work back into the basic industries. So I emphasise to you that the community has been too cautious in its spending. But with increasing confidence - and I believe confidence is improving, and there's evidence of it; there would be greater evidence of it still, if industrial lawlessness were reduced to a minimum, and we were able to reduce the uncertainty that has been caused by the difficult conditions created by some sections of the Trade Union movement; our record must improve.

What I can say in positive terms, and it has been emphasised, and emphasised very well in the Treasury Annual Review, is that the goals of national growth for this year are much higher than for the financial year just ended.

Now to achieve our growth I believe we need four ingredients. The first one undoubtedly is confidence; a little more confidence; a little more willingness to spend can, I believe, achieve miracles. We can increase consumer spending and I have just mentioned that; we need greater industrial stability and we need less industrial lawlessness. I believe as you look at all these problems you must make this concession, particularly if you understand what my Government has done; that we have acted in both a responsible, and I believe a comprehensive way.

I know it is a Government of decision. When major decisions have to be made, we have handled them. Only a few moments ago, talking to my colleague on my right hand side, I was able to mention to him that never in 72 years of Federation had any government had the courage to introduce into the civil service the rule of 'no work, no pay' despite the year after year recommendations that were made. This year we introduced the amendment, and I don't like to be boastful because that's not my way but at least I can say that since that time we have not had a strike or a threat of a strike on the Commonwealth Civil Service.

Let me give you two examples of the kind of action we have taken. First we have introduced into conciliation and arbitration a new system which will be proclaimed shortly if it hasn't been proclaimed today. I believe it is the most extensive reform of the conciliation and arbitration system that has been carried out for a little over a quarter of a century. We have in that review strengthened the sanction provisions of the conciliation and arbitration act.

The second point I want to make is that we have, and we will continue to intervene before the arbitration commission in wage claims whenever we have considered it to be in the public interest. Never has a case gone by where a sharp increase in wages is demanded by the unions, unless I have immediately asked my colleagues to have a look at the problem and to see whether in the public interest, in the interest of keeping inflation low and demand high, we should intervene.

I now move on to the subject I really wanted to speak about tonight and that is tariffs, and I hope to explain what we are doing, the reasons for our actions and if I can, to remove some of the indecision and lack of certainty that might be in the minds of manufacturers and producers of raw materials. My Government's policy was clearly set out by my colleague, Doug Anthony, the Minister for Trade and Industry, in a statement that he made to Parliament in April of last year. I can assure you that we as a Government have not, and we will not, depart from that policy.

Before I get on to policy explanation, may I say something to you to put the issue in context. I want to emphasise in the strongest terms the vitally important role that manufacturing industry and the private enterprise system in general plays in the development and progress of this country.

This, of course, includes transport and other areas of commerce. I want to emphasise this because we are a great country with a great performance per head of population. Those who travel overseas as I do, come back delighted with the respect and admiration that there is for us and the performance of the Australian people. And all those achievements, or most of them anyhow, are by private enterprise. The manufacturing and mining industries particularly are now playing a magnificent part in development, and in our ability to expand our trade and to play our part and make our contribution to the development of the countries immediately to our North.

We, as a Government, do recognise that a sound, profitable and growing manufacturing sector is of fundamental importance. Its growth must be fostered and the economic climate created to ensure that manufacturing industry assumes an even greater and more important role in our economy as it does in the other higher industrialised communities.

In this context, I want to discuss tariff policy and I want to make three points. As an essential condition of growth and progress, we must encourage the best and the most efficient allocation and use of our resources - whether Australian, or those which are attracted here by the inducements of the natural resources and the economic climate of this country. Historically, in the two decades after the war, successive governments consciously pursued policies directed towards a high and sustained growth rate and the optimum employment of resources. This, as I said, but I repeat it now - in somewhat different language - this diversification of industry turned us into the broadly based industrial economy that we have today. In more recent years, as our economy has become more sophisticated, the need for greater selectivity in industrial development has become more desirable. To achieve this we needed policies designed and attuned to the times.

As I said last year, to the Chamber of Manufactures of New South Wales, we cannot accept uncritically and without reservations the use of our national resources in activities which require very high levels of protection, because, prima facie, such activities are less suited to the Australian economic environment than industries requiring more moderate levels of protection.

The second main point I want to stress is that low tariffs bring benefits as well as costs. The benefits to the community which a government must consider in making a judgment on the level of protection include the direct marketing relationships which one Australian industry may have with another, and the effect of one industry's costs on another industry's prices. I assure you they go wider than that. For example, an industry may be employing special classes of labour, which we want to encourage. It may also be developing special skills and technology. In the same way, there can be highly significant non-economic benefits for us such as defence.

You will see, therefore, that when these factors are involved in tariff decisions, the Government - and I want to emphasise those words - must play a crucial role. I personally assure you my Government gives and will continue to give very close attention to these aspects of tariff administration when Tariff Board reports are before us.

The third point I want to make is that decisions are made only after considering the capital investment in the industry concerned - and the employment which that industry creates. I want to emphasise these ingredients of policy and also one other points.

In cases where, according to the recommendation of the Tariff Board, it has been considered desirable to encourage the transfer of resources from one industry to another, the Government has frequently decided that the transfer should be a gradual process. And I can assure you that in the implementation of this policy of gradualness, I have taken an interested, and I believe on occasions, a decisive role. We have done this, for example, in the case of woven and knitted shirts. We did this to achieve an orderly transition to a lower level of protection. We decided that the existing level would be maintained for a longer, much longer period than recommended by the Board.

In the meantime, the Government is negotiating for voluntary restraint arrangements with low-cost overseas countries in order to ensure protection to Australian manufacturers.

Today, one of the greatest leaders in Australian industry is in Japan, trying to - and he will undoubtedly succeed - ensure some kind of restriction is imposed voluntarily by the countries that are exporting to Australia. In the same way, protection given to malleable cast iron pipe fittings is being reduced in three stages over five years. More recently, as with another case in which I was deeply involved, the Government has provided the local shipbuilding industry with a longer period for gradual change than the Board recommended. So let me say to you now - without reservation - that if tariff action were considered likely to lead to phasing out of any segment of manufacturing industry - firms would not be expected to adjust overnight and, of course, the interest of manufacturers and employees would be protected. I emphasise again to you that special care will be taken relating to changes that might have the effect of putting job opportunities for Australia at risk.

Turning to another aspect of tariffs, as you know, a comprehensive review of the tariff is now taking place. I have learnt a great deal about it from my friend, Mr Pascoe, during the course of the last hour. In fact it has been one of the most informative lectures I have had since my university days.

I am aware that some sectors of manufacturers are feeling apprehensive about the outcome of this review. I want to assure you that the review is not in any sense an exercise against a policy of adequate protection for economic, efficient and desirable Australian industry. On the contrary, the Government's intention is that it should work in the long run, for the benefit of our manufacturing industries.

The review will be completed in about six years. And, of course, I want to emphasise that if ever you feel you are having unexpected difficulties which have to be solved immediately, then you have recourse as an immediate court of appeal to the Special Advisory Body.

There is a second point that I want to make and I want to make it now again because of the discussion I have been having with my colleague on my right hand side, Mr Pascoe. He has mentioned that in this large-scale review, there should be some kind of a timetable drawn up so that industry itself will have a degree of certainty re-introduced into the manufacturing industries and a degree of predictability that they do not have at the moment.

I can assure you that when I go back to Canberra tomorrow night or when I arrive there on Wednesday, it will be one of the first problems I will take up either with Mr MacKay of the Department of Trade and Industry or, if necessary, with Mr Anthony. I can assure you that it is one of the problems that has worried me and I am glad that you have driven home this point effectively tonight.

As each review report is reviewed, it will be considered by the Government, and we - and here I want to emphasise this point and keep on emphasising it if I can - we, as a Government, and no-one else, will decide what action should be taken. The Government needs and expects the Tariff Board in its report to give as clear and comprehensive advice as it can on both the reasons for its recommendations and the likely consequence of adopting them. The fact is, however, that there are larger areas of the tariff which have not been looked at for very many years and some tariffs have never been reviewed since their inception. In these circumstances - there are bound to be some tariffs which provide protection far in excess of the amount required. Of course excess protection of this kind adds unnecessarily to our cost structure, and cost inflation. And you must know this is not in the interests either of the manufacturing industry or of the community.

The existing economic climate and timing are, of course, also important and must increasingly be taken into consideration in the decision-making process. We also take note of the protection policies of other countries where, in addition to tariffs arrangements or other devices like quotas, import licensing and export schemes are used. We are concerned entirely with the practical and beneficial effects of tariff changes on individual industries and the economy as a whole. So you will see and I hope I can convince you on this point we are not and we will never be influenced by abstract theories.

Particularly, Mr Chairman, I want to emphasise that the Government makes the decisions in all cases on tariff matters. We have a very strong tariff committee of the Cabinet, and in major cases such as the chemicals review or the shipbuilding industry or of woven garments, we take those into the Cabinet itself and if variations have to be made based on the grounds that I have mentioned, we are not only willing but happy to make changes we believe desirable in the interest of Australian manufacturing industry and above all, the country itself. Now, the Board is a highly expert body but it is an advisory one only, and its recommendations are not automatically accepted by the Government (as I have already pointed out).

Gentlemen, tariff policy is part of our overall policy towards manufacturing industry and the free enterprise economy. That policy I want to repeat is to give all the support we can towards the development of a soundly growing and confident manufacturing industry in Australia. I want to sum up to you in this way:- Confidence is catching: If we all have confidence, talk with confidence, and above all, act with confidence, we will, I am sure, and of this I can give you great reassurance, get ahead faster and much further this year than we did last year.

This must give our longer-term development programmes an added stimulus for the good of the country, for the good of manufacturers and for the benefit of the consumers of all kinds. If we can give these benefits to the consumers, I believe we inspire confidence to get back in the market place and buy - to let those who sell to the market place get their order books full, and in time, as it works back to the

manufacturers and the producers of base materials, to ensure that they are fully employed, that our growth rate continues and each and everyone of us can make our contribution to the development and to the standards of living and the values of life that I believe every person here tonight holds dear.

Mr Chairman, that was what I wanted to say to you on an official level. As time is passing and as you wanted me to speak for a somewhat longer period than I intended, I thought I'd say something to you about my recent mission overseas to Indonesia, Singapore and Malaysia. I must confess that I went with some trepidation based on advice given to me that there might be perhaps some doubt or disenchantment in these countries with Australia. As Foreign Minister I had the good fortune to make the acquaintance - more than that - a valuable friendship with Lee Kuan Yew, the Prime Minister of Singapore, and Tun Razak, the Prime Minister of Malaysia.

I had also been able to establish a valuable friendship with President Soeharto of Indonesia. What did interest me was the fact that these people trust us; they know that we want to trade with them; they know we want to make our contribution to their development; they know we want to help them remove poverty and to assist them with the development of their abundant natural resources. They believe that as a people they can rely on the people of this country in whom they have the greatest confidence. I addressed their Parliament. The welcome was outstanding. And I can express this with certainty - as they grow wealthier and I know they will - we will be the beneficiary, the main beneficiary because they will want the kind of materials and the finished products, the manufactured products, that we in Australia by that time will be able to produce.

So it was not only a mission of goodwill but it was educational in this sense. I realise the many opportunities that are open for us - and the way in which we can trade with them. This must be to our mutual development. Particularly as they develop and we develop economically, so too will our ability to ensure peace in this area, and in the long run, if I can repeat those words again - to be able to make our contribution to the peace of the whole of the South-East Asian area. Indonesia is a wonderful country: it is well worthwhile visiting; they like us and I believe Australians should go there more frequently and find out what the trading possibilities are.

I then went to Singapore to talk to the Prime Minister, Lee Kuan Yew, who is a friend of ours. Of course, Singapore is developing quickly. It is now trying to change its economy from a cottage economy or the development of fabrics and textiles and things of that kind, into a manufacturing industry that will produce the medium range, high quality products such as television sets, radios and consumer durables of a similar kind.

Here you find a dynamic wholesome society. Again you found that they trusted us - and I think the speech Lee Kuan Yew made on the night that he gave me a dinner was memorable in the sense that while I left Australia feeling a degree of hesitation and doubt, after hearing his speech I realised how much he valued us as partners and friends and how much he wanted us to retain our armed forces in Singapore. Not only because, as he put it in his own inimitable way, it was of benefit to him, but it brought a feeling of confidence and filled a vacuum which if we were not there would be filled by somebody else, probably more powerful and more intimidatory than we or they would want.

Then on to Kuala Lumpur to meet an old friend, Prime Minister Tun Razak. I was able to go up to Butterworth and see our Air Force at the airfield which we've made a contribution towards developing. We provided Mirages and other types of aircraft for the integrated air-defence system there. Again, I believe we have stationed something like two squadrons of Mirages to be part of the Commonwealth Air Defence System in the area. If you want to see efficiency - developed over a period of little less than two years - if you want to feel proud of our ability to make our contribution to the welfare and the defence of others - then you should find out a little more about Butterworth. It was really heartening to see the way in which their air defence system was working. Not so long ago the Malaysians had little or no knowledge of the vast techniques of direction-finding, of radar detection and the other components of air defence systems. I think you can now take it that they are pretty competent and effective, and making a significant contribution to the defence arrangements.

Up there - and I want to drive this home because it's not always adequately reported in the press - not only are the trade opportunities great because of increasing stability, and they will expand as the time goes by, but each of these realises that if South-East Asia is to remain free, then it is desirable that we should keep our forces, our armed forces of the three Services in Singapore and the Air Defence System in Malaysia. We should be able to assist Indonesia to build up a capacity to develop a more effective Army, and a more effective way of ensuring that if a threat does emerge from outside, they will, with our help, and probably with help from other countries, be able not only to defend themselves but also to make their contribution to the defence of other South-East Asian countries.

The point I want to make and drive home is that if ever there is a country that ought to be proud of what it is capable of doing, and in fact does do, it is ours. For that reason, thank you Mr Chairman, for asking me to come. Above all, I have come and I can assure you it has given me an enormous amount of pleasure to be with Australians, to know what you are capable of doing.

May I express the hope that I will have the good fortune to be given the chance to provide continued leadership. There could be no greater honour than providing leadership to the kind of people I see sitting in front of me tonight.
