

FILE 6
Cross Reference with the
Statement made on the 6/3/79

REPORT OF THE STUDY GROUP ON STRUCTURAL ADJUSTMENT

Ministerial Statement

Mr. MALCOLM FRASER (Wannon - Prime Minister)

For the information of honourable members, I present the Report of the Study Group on Structural Adjustment, and seek leave to make a statement on the future handling of the Report. The Study Group, chaired by Sir John Crawford, was set up to examine and advise the Government on the adjustment problems of Australian manufacturing industries. Other members of the Study Group were Sir Brian Inglis (Chairman of the Government's Australian Manufacturing Council and Managing Director of Ford Australia); Mr. R.J.L. Hawke (President, Australian Council of Trade Unions); and Mr. N.S. Currie (Secretary, Department of Industry and Commerce). I would like to place on record the Government's thanks to the members of the Study Group and particularly to the Chairman. The Study Group's Report represents a further contribution made by Sir John in the course of a long and distinguished career.

Mr. Speaker, in its preface, the Study Group expresses its concern that "expectations about its Report have been raised too high in many quarters". As the Report makes clear, the challenges facing Australian manufacturing industry are great and there are no easy solutions. The answers are necessarily to be found in a wide complex of policy measures. The Report, as requested in the Terms of Reference has addressed itself to these measures.

In the view of the Report, lower population growth rates, technological change, import competition, changing patterns of consumer demand, and wage cost pressures are all part of the challenge requiring these measures. The Report notes that:

"In the early 1970s, wages especially, those for women, increased sharply, partly as the result of the introduction of equal pay. In 1973-74 alone, minimum award wages increased 37 per cent for females, and 27 per cent for males."

In addition the Report underlines the fact that:

"Government action has at times contributed to the adjustment pressures on industry. The 25 per cent across-the-board tariff cut in 1973, appreciations of the exchange rate in 1972 and 1973, and a scaling down of the Export Incentive Scheme in 1974 are important examples of such actions. However, more recent Government actions have been directed towards reducing inflation and reducing external pressures on the hardest-pressed import-competing industries through limiting imports by quotas and temporary increases in tariffs. Devaluations of the Australian dollar since 1974 have also assisted the import-competing industries as well as the export sector."

The Report proposes a series of positive measures to respond to the challenges and opportunities faced by Australian manufacturing industries. The Government believes that the analysis and recommendations contained in the Report will be an important contribution to its consideration of long-term policies to assist industry to adjust to a changing environment and to promote sound industrial growth in the future. The Report also provides a focus for all interested parties in their evaluation of future prospects for Australian industry.

The Report endorses and considerably elaborates the need identified in the White Paper on Manufacturing Industry for Australian industry to become more competitive, better able to compete with imports and to enter export markets. The manufacturing sector must be export oriented if it is to use fully our resources and skills. The Australian market is seen by the Report as being too limited for any other policy.

The Study Group is "in favour of the Government following policies that set the right climate for investment and growth" and it has proposed an extended range of incentives as the principal means of encouraging industry to become more competitive and export-oriented. In this way, the Report believes growth rates in the sector can be raised and employment better sustained and expanded.

Many of the areas covered by the Report are matters to which the Government is giving continued attention: export development, industrial research and development, investment incentives, productivity improvement and industrial financing.

The Government has already introduced taxation concessions to encourage investment; made significant improvements to export incentives; substantially increased funding for industrial research and development; and instituted other programmes designed to improve productivity in industry. In addition, particular emphasis has been given to increasing our efforts to secure better access to overseas markets for Australian

goods, a matter heavily emphasised in the Report.

The Crawford Study Group believes that further improvements could be made in the range of programmes and has put forward a large body of recommendations. It sees the need for a "positive" strategy to deal with adjustment problems, what it terms an "industrial adaptation policy". Other elements in the strategy outlined and developed in the Report include the gradual adjustment downwards in the higher reaches of Australian protection levels; an overseas trade policy designed to secure markets for Australian manufacturing exports; manpower policies to help the workforce to adjust to new employment opportunities; and special policies for the most highly protected industries, aimed at easing the process of adjustment for them.

Each of the Study Group's recommendations will be given very careful consideration. Many of them have far-reaching implications. In a number of cases, the Study Group's analysis of particular issues will - as it recognises - be complemented by related studies commissioned by the Government such as the Committee of Inquiry into Education and Training, the Inquiry into the Process of Technological Change in Australian Industry and the Inquiry into the Australian Financial System.

Mr. Speaker, the Report will be a very valuable input to the Government's decision-making process. It is very much concerned with what the authors believe to be necessary and practical programmes. It will assist the Government to ensure that future policy decisions will contribute to the maximum possible extent to achieving the Government's overall economic and industry policy objectives, and to improving the competitive position of Australian industry and to assisting the transfer of resources to those competitive, export-oriented industries which in the years ahead must provide the basis for a successful industry policy and enable manufacturing to play a much stronger role in the economy as a whole.

Significant progress has been made in bringing down inflation and improving the competitive position of local industries and the Report recognises that "manufacturing is in a better position to export than it has been for some time". There is now evidence that Australian industries are increasingly being able to exploit market opportunities overseas and that our improved competitive position has generated significant interest in new investment in local industry. It is essential that these gains be sustained and new opportunities actively sought if the economic growth which would facilitate structural adjustment is to be realised.

In view of the importance and breadth of the matters raised in the Study Group's Report, it is being tabled now so that it can be widely and intensively discussed and the community's

response registered by the Government. A special Committee of Ministers has been set up to coordinate the Government's assessment of the recommendations. This Committee will be chaired by the Minister for Industry and Commerce. Other members will be the Ministers for Primary Industry, Education, Industrial Relations, the Treasurer, Employment and Youth Affairs, Productivity, Business and Consumer Affairs, and Special Trade Representations.