



PRIME MINISTER

ADDRESS BY PRIME MINISTER TO BUSINESS
PERSONS' LUNCH

ADELAIDE FESTIVAL CENTRE 18 APRIL 1984

When the Federal Labor Government was elected a little over a year ago, the central challenge we faced was the challenge of economic recovery.

Looking back over the past year, we are clearly entitled to claim that outstanding progress has already been made.

But to appreciate fully that progress you have to cast your minds back to the appalling economic legacy we inherited.

Twelve months ago Australia was in a grip of what can only be described as an economic crisis.

Unemployment had risen by a quarter of a million in the previous year.

The economy was experiencing negative economic growth for the first time in 30 years.

Australia was in the grip of the worst recession for 50 years.

That was our legacy.

But now, twelve months later, there has been an extraordinary turnaround - by any standards.

The economic recovery

The national economy, which contracted in the first half of last year, grew remarkably in the second half of 1983.

This resurgence of economic growth has brought with it renewed growth in job opportunities.

Indeed employment levels have risen by 210,000 since April last year, compared with a fall of nearly 200,000 over the previous year.

The unemployment rate has dropped from its peak level of 10.4 per cent to 9.3 per cent in March.

Inflation is falling, profits are picking up and business confidence is returning.

The economic recovery has begun.

And that's not just the Government's view.

It is now the consensus right around Australia.

What is also clear is that South Australia has performed particularly well in the national recovery.

South Australia has seen a welcome lift in consumer confidence and retail sales, a much needed recovery in the State's rural sector and the strongest recovery in the housing industry of any State.

The economic recovery, both here in South Australia and nationally, has been due to a combination of factors.

The improvement in the United States' economy and the breaking of the drought have played a part.

But no reasonable person now doubts the contribution to the recovery made by the economic policies of the Federal Government.

Our budgetary policies have given the Australian economy a much needed, but carefully controlled, economic stimulus.

Our wages policy, centred on the Prices and Incomes Accord, has given business the firm prospect of long term wages moderation.

Our housing policies have played a major role in the housing recovery.

And we have brought back to economic policy the vital ingredients of stability and continuity - ingredients so lacking under our predecessors.

But it is one thing to get the economic recovery underway.

It is quite another to sustain it - and to sustain it not just for 6 or 12 months but year after year.

The Government does not for a moment underestimate how difficult that task is going to be.

All our policies will be directed, above all, to that objective.

A balanced, responsible fiscal policy is going to be very important.

So too will be a coherent, workable wages policy.

In fact wages policy will be critical.

The last thing Australia needs is a wages surge that will choke off the economic recovery.

However, that's what the Opposition has effectively proposed for Australia with their wages policy released on Monday.

That wages policy would promote a wages explosion led by the best organised sections of the labour movement and at the same time threaten the living standards of more, vulnerable workers.

The Opposition's wages policy would divide Australia.

It would return this country to the politics of confrontation, the politics of division which they inflicted on the people of Australia in government.

If you need any proof of this, you only have to consider Mr Macphee's admission on Monday that initially their wages policy could provoke an increase in industrial strife in Australia.

Is there anything more ridiculous than an Industrial Relations Shadow Minister proclaiming policies that could provoke more strikes, especially at a time when we are seeking to develop a stable framework for medium and longer-term growth?

Last year under this Government Australia had the lowest level of strikes for 16 years.

But the Opposition want to throw all that away.

For years we heard Liberal and National Party Ministers call upon the unions to accept the umpire's decision.

Now they want to mug the umpire.

They want to abolish the Arbitration Commission.

They want to undermine the Arbitration system.

They want to throw consensus and cooperation out the window.

And they're prepared to attack the very fabric of our society to do it.

This country has had enough of confrontation.

It's had enough of divisiveness.

What Australia needs is what we've given it - a wages policy that puts the mistakes of the past behind us and looks to the future.

Our wages policy has put Australia on the path of recovery.

This recovery simply could not survive the wages explosion and industrial disputation that would inevitably follow any attempt to implement the Opposition's policies.

The Industrial Challenge

There is a further matter of policy that in the long term is going to be as vital as any other.

That is the requirement for a rational, forward-looking industry policy.

For a decade there has been widespread concern about deep-seated problems in Australia's manufacturing industry.

The general economic recovery is taking pressure off much of Australian manufacturing industry but underlying weaknesses remain.

Manufacturing is not providing the growth opportunities that it should.

It is not providing the export opportunities that it should.

It is not providing the job opportunities that it should.

But if that is particularly true of manufacturing it is also true to a greater or lesser extent of the rest of the economy as well.

For years - indeed decades - the Australian economy has not been able to take advantage of the opportunities for sustained, high level growth that have been open to us.

And Australia has been very much the worse for it.

Over the last two or three decades Australia's per capita economic growth has been significantly below the average of OECD countries.

In 1960 Australia was in 7th place among OECD countries in terms of per capita GDP.

In 1975 we were in 10th place.

By 1980 we were fifteenth.

Our relative economic performance has not been impressive.

This is despite our enormous natural resources, despite our highly skilled labour force and despite the advantages of our geographic location in the Western Pacific region, the most dynamic part of the world trading system.

The OECD has estimated that economic growth in 1984 in Australia will be stronger than in any other OECD country.

We have begun to reverse the slide but what is needed is an improved performance over a long period.

Clearly we as a nation have not been good at seizing opportunities.

We have not been good at managing the future.

And nowhere is this clearer than in the type of industrial structures that we have allowed to develop over the years.

With notable exceptions much Australian industry, including manufacturing industry, has been passive, defensive, inward-looking - and generally not attuned to the opportunities for growth that have been opening up around us.

However, this legacy of the past is also a challenge for the future.

That challenge is:

- to transform our industrial structures over the coming years and decades and
- to make Australian industry, including manufacturing industry, more dynamic, flexible and outward-looking.

Rather than turning our backs on change and clinging to the past, we as a nation need to face up to change and make our own future.

And Australia's future lies very much in this part of the world - the Asia Pacific Region, the most economically dynamic, fastest-growing part of the world.

We need to progressively open up our national economy and to link ourselves more and more with the dynamic economic growth that is occurring around us.

We also need an industry policy framework that will help achieve this, that will foster an expanding, competitive, export-orientated industrial base.

The First Steps

Australia, of course, cannot switch paths overnight.

The Federal Government sees its initial task as fostering a dialogue on change and creating a climate for a new approach to industry policy.

The community as a whole needs to be part of this ongoing dialogue.

As the community comes to appreciate the need for change the Government will be able to move more quickly to manage change.

The Federal Government has already begun the task of redirecting industry policy.

The Government has established a Special Group of Ministers to coordinate work in areas relevant to structural change in the economy.

These areas include trade, education, training, science and technology, employment and industrial relations and defence support.

The Group is chaired by the Minister for Industry and Commerce, Senator Button. Other Ministers are Mr Bowen, Mr Willis, Senator Ryan, Mr Jones and Mr Howe.

The Group is receiving strong backing from a study group of senior officials established to facilitate its work.

These officials have been chosen not as departmental representatives but because of their special skills and experience.

I envisage the work of the Group of Ministers will form an important element in policies to revitalize Australian industry.

The Government has also initiated highly constructive discussions of industry policy in the Economic Planning Advisory Council (EPAC).

Following its meeting on 12 March this year, EPAC issued a statement on medium to long-term economic policy.

In that statement EPAC called for an active industry development strategy for Australia.

That strategy, EPAC said, should:

- give encouragement and opportunities to plan and invest to industries or enterprises involved in expansion of competitive production
- improve and provide more efficiently the infrastructure for industry development and
- give workers and business the opportunity to adjust to change within stable programs that are known in advance.

EPAC stated:

"... we need to accept and plan for faster rates of change, which are consistent with our objectives. In particular on protection, consistent with the shared understanding that change must occur if growth is to ensue, policy must be applied in a manner which facilitates change while minimising the hardship associated with such change".

The Federal Government, of course, totally agrees with this.

EPAC has also decided to prepare annually detailed medium-term assessments of the economy.

Those assessments will aid consideration of industry policy and structural adjustment.

The first such assessment will be released within the next year.

When I was in Japan in February I held very useful talks on Japan's industry policy experience with Mr Amaya, a former Vice-Minister of the Ministry for International Trade and Industry.

Mr Amaya has now come to Australia at my invitation to meet with representatives of the unions, business, government and the media.

Yesterday he participated in an extremely valuable meeting of EPAC.

Mr Amaya is also addressing meetings and seminars in Canberra, Melbourne and Sydney.

I believe his visit is a welcome international contribution to discussion of approaches to industry policy in Australia.

The Federal Government believes greater Australian participation in world trade must form part of an active industry development strategy.

Last November in Bangkok I proposed that the countries of this region develop a concerted approach to a new round of global trade negotiations.

This proposal drew a warm response overseas.

All the countries we have approached in our region, including all the ASEAN countries have agreed to participate in a senior officials' meeting in Bali at the end of this month.

This meeting will help identify regional interests in a new round and consider how best to focus attention on those interests.

But the Federal Government has gone beyond promoting a dialogue on change, gone beyond simply advocating change.

In the case of Australia's vitally important steel industry we have acted.

The historic Steel Industry Plan, which this Government put in place last year, is a model for how Australia should be going about industry change.

The Steel Plan is a co-operative effort.

All parties - government, unions, business - have given undertakings to make the plan work.

All the parties have a sense of commitment to make the plan work.

And it is working.

The Steel Plan has put the industry firmly on the path of higher productivity, lower protection and improved international competitiveness.

And this has been done in a way that enhances the viability of the industry and promotes job security - not the reverse.

When I visited Newcastle last week I was struck by the extremely positive reaction of both employees and employers to the Plan.

It was not simply their support for the Plan but their overwhelming determination to work together to make the Plan work.

This spirit of co-operation, this new attitude is indeed welcome.

The success of the Steel Plan augurs well for the prospects of adjustment in other industries.

Like the steel industry, the motor vehicle industry is an area requiring careful attention.

The previous Government announced the assistance arrangements it proposed to apply to the industry after 1984 when the present arrangements expire.

The Federal Government accepts many elements of our predecessors' proposals.

However, we believe other elements are not consistent with the type of motor vehicle industry Australia should be fostering over the coming years and decades.

Accordingly the Government is reviewing assistance arrangements for the industry after 1984.

This review will be assisted by the report of the Car Industry Council and the IAC Report on Assistance for Light Commercial Vehicle Production.

We expect to announce revised arrangements for the industry next month.

In making our decisions we will take account of the views of all parties.

We will be guided by our desire to foster a viable, efficient, outward-looking motor vehicle industry.

We will be seeking gradual but consistent changes within a stated policy environment that will allow all parties to plan for the future with confidence.

We believe that there are opportunities for substantially reducing the costs of producing motor vehicles in Australia.

These, if utilised effectively, can make gradual reductions in protection over the longer term consistent with the emergence of a stronger, more dynamic industry, offering more secure investment and employment opportunities to Australians.

Coping with Change

Successive Australian Governments have failed to come to terms with the whole area of industry policy.

They have put these problems in the too-hard basket.

This is not surprising.

For a start the pressures on any Government tackling the question of long term industrial reconstruction can be formidable.

But it is absolutely clear that we will not achieve sustained economic growth over the remainder of this Century without substantial structural changes in the Australian economy and Australian industry.

Failure to face that reality will mean lower living standards, fewer jobs and lost opportunities.

We must not turn our back on the enormous potential open to Australia.

And this Government is not about to do so.

But in dealing with the question of industry restructuring, we will be guided by three vital considerations.

First, our approach to industry adjustment will be a gradual one, as it must be.

We are not about sudden or precipitous policy changes.

What we are talking about is change over the medium to long-term and how best to increase job opportunities over that time.

Second, consultation is crucial in the area of industry adjustment.

Nothing is going to be done simply by government directive.

We will be talking very closely with those who may be affected by government policy decisions.

In doing so we will be recognising that in the end it is not for the Government to underwrite particular firms and industries.

Rather Australia's industrial structure should emerge from private decisions within a general policy environment that favours efficient expansion.

Third, this Government believes you can't consider industry adjustment in isolation from other policies.

It has to be seen as part of a whole. It has to be integrated with other policies.

These policies include the right macroeconomic policy framework.

They also include appropriate education, training and retraining policies - so we can have a well-trained, highly skilled, flexible workforce capable of meeting the demands of a changing world.

In the tight budgetary environment of 1984-85, these and other areas of expenditure bearing on our long-term industrial growth performance will be given high priority, alongside the desirability of income tax cuts and some social security improvement for Australians in greatest need.

The central point about the Government's approach to industry restructuring is this: if the changes needed to the structure of Australia's industry are to occur, then they must be accepted and, ultimately, supported by the community.

They cannot simply be imposed on people.

This Government accepts its responsibility to persuade the community as clearly as we can why change is needed and, in addition, to lay the groundwork for that change to occur.

I believe we can make no greater contribution to creating a more receptive climate for change than in addressing the central challenge of economic recovery.

The Australian people will be much more receptive to change:

- if the economy is growing
- if business confidence is returning and
- if new job opportunities are opening up again.

That's the challenge this Government is facing.

And I believe we are meeting that challenge.

We have, to a considerable degree, been able to do this because within our policy of dialogue and consultation, we have received the constructive support of you people in industry and the trade union movement.

I thank you for the spirit and fact of that co-operation.

Together we can continue to meet this challenge - for South Australia - and for the nation as a whole.