



PRIME MINISTER

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

ANNUAL GENERAL MEETING OF THE BUSINESS COUNCIL OF AUSTRALIA
TUESDAY 29 OCTOBER 1985

THIS IS THE THIRD OCCASION ON WHICH I HAVE HAD THE HONOUR TO ADDRESS THE ANNUAL GENERAL MEETING OF THE BUSINESS COUNCIL SINCE ITS INCEPTION IN 1983 - THOUGH, I MUST ADMIT, ONLY THE FIRST OCCASION ON WHICH I HAVE ADDRESSED THE BCA IN TWO CITIES SIMULTANEOUSLY.

I CONGRATULATE THE BCA ON ITS INITIATIVE IN ARRANGING THIS DUAL-CITY PRESENTATION.

THIS ADDRESS MARKS THE THIRD YEAR OF FRUITFUL DIALOGUE AND CO-OPERATION BETWEEN THE COUNCIL AND THE LABOR GOVERNMENT. IT IS A DIALOGUE WHICH HAS NOT SOUGHT TO DENY LEGITIMATE DIFFERENCES OF OPINION WHERE THEY EXIST. BUT A DIALOGUE, NONETHELESS, WHICH HAS DEMONSTRATED OUR SHARED AND UNAMBIGUOUS COMMITMENT TO A DYNAMIC AND GROWING ECONOMY TO WHICH SUSTAINED EXPANSION OF THE PRIVATE SECTOR IS OF FUNDAMENTAL IMPORTANCE.

I BELIEVE, AS I SAID AT THAT FIRST AGM IN 1983, THAT REGULAR, INFORMED AND PROFESSIONAL CONTACT BETWEEN BUSINESS AND GOVERNMENT IMPROVES THE QUALITY OF PUBLIC DEBATE AND ADVOCACY IN AUSTRALIA. THIS IS SOMETHING THAT HAS TO BE WORKED AT CONSTANTLY BY BOTH PARTIES, INCLUDING THROUGH DISCUSSIONS SUCH AS WE HAVE HAD TODAY.

AND, ON BEHALF OF THE GOVERNMENT, I PLEDGE TO CONTINUE TO PROMOTE A CLOSE AND FRANK WORKING RELATIONSHIP BETWEEN US.

IT IS NOW WIDELY ACKNOWLEDGED, BOTH HERE IN AUSTRALIA AND OVERSEAS, THAT THE ECONOMIC POLICIES WHICH THE GOVERNMENT FIRST ANNOUNCED IN 1983, AND HAS CONSCIENTIOUSLY APPLIED SINCE THAT TIME, HAVE DELIVERED THE MOST CONSISTENTLY SUCCESSFUL ECONOMIC PERFORMANCE IN AUSTRALIA FOR OVER A DECADE. RECOGNITION IS ALSO SPREADING OF THE CENTRAL ROLE OF THE ACCORD. TO QUOTE BUT ONE RECENT EXAMPLE, THE SECRETARY-GENERAL OF THE OECD HAS DESCRIBED THE RESULTS OF THE ACCORD AS "BRILLIANT". THESE RESULTS INCLUDE, AS YOU ARE ALL AWARE, A SIGNIFICANT CUT IN INFLATION, A SHARP WINDING BACK OF REAL UNIT LABOUR COSTS AND A CORRESPONDING RESTORATION OF THE PROFIT SHARE.

OUR ECONOMIC GROWTH RATES HAVE BEEN THE BEST OR CLOSE TO THE BEST IN THE WORLD, AND WE ARE VERY NEAR TO DELIVERING ON OUR COMMITMENT OF 500,000 NEW JOBS, WELL WITHIN THE THREE-YEAR TIME FRAME.

OUR FORECASTS, BROADLY ENDORSED BY THE OECD, SHOW CONTINUED STRONG GROWTH IN BOTH OUTPUT AND EMPLOYMENT IN 1985-86 AND BEYOND. EVEN THE MORE PESSIMISTIC OF THE PRIVATE SECTOR FORECASTERS HAVE BEGUN TO LIFT THEIR EXPECTATIONS IN THE LIGHT OF THE STRONG GROWTH IN EMPLOYMENT WHICH IS OCCURRING.

NONETHELESS SOME COMMENTATORS SEEM SCEPTICAL THAT AUSTRALIA'S GROWTH PERFORMANCE CAN BE MAINTAINED INTO THE MEDIUM TERM. I BELIEVE THAT, JUST AS IN THE CASE OF THE SCEPTICS OF 1983, SUCH SCEPTICISM IS MISPLACED.

THE LESSON OF THE EXPERIENCE OF MANY COUNTRIES IN OUR REGION, INCLUDING JAPAN, IS THAT IT IS POSSIBLE FOR AUSTRALIA TO AIM TO GROW MORE RAPIDLY THAN THE WORLD AVERAGE PROVIDED OUR PRODUCTS ARE SUFFICIENTLY COMPETITIVE: COMPETITIVE IN BOTH THEIR HOME MARKETS AND ON WORLD MARKETS.

AS I HAVE OFTEN SAID, THE DEPRECIATION OF THE \$A HAS PROVIDED BOTH AN OPPORTUNITY AND A CHALLENGE: AN OPPORTUNITY BECAUSE AUSTRALIAN SUPPLIERS HAVE BECOME MORE COMPETITIVE AS A RESULT, BUT A CHALLENGE TO ENSURE THAT THE GAINS IN COMPETITIVENESS ARE SUSTAINED.

THE NEW AGREEMENT CONCLUDED WITH THE ACTU UNDER THE ACCORD IS DESIGNED TO MAXIMIZE THE ADVANTAGE REAPED BY AUSTRALIA FROM THE SUBSTANTIAL OPPORTUNITY WHICH DEPRECIATION PROVIDES.

MOST COMMENTATORS HAVE FOCUSED ON THE ACCORD'S AGREEMENT TO SEEK A 2 PER CENT DISCOUNT FROM WAGES INDEXATION IN THE FIRST NATIONAL WAGE CASE OF 1986, ON THE BASIS THAT THE IDENTIFIED IMPACT OF THE DEPRECIATION ON THE CPI AMOUNTS TO AT LEAST 2 PER CENT. ON CURRENT INDICATIONS THAT WOULD INSULATE WAGE COSTS FROM THE DIRECT EFFECT ON PRICES TO THAT TIME OF THE DEPRECIATION WHICH HAS OCCURRED.

IT HAS BEEN ARGUED BY SOME THAT THE GOVERNMENT SHOULD HAVE ACHIEVED SOME PART OF THAT DISCOUNT IN THE WAGES CASE JUST CONCLUDED. INDEED, THIS OPTION WAS CAREFULLY CONSIDERED BY THE GOVERNMENT. HOWEVER, A MAJOR FACTOR IN OUR FINAL DECISION TO SEEK THE 2 PER CENT DISCOUNT NEXT YEAR WAS THAT THE IMPACT ON UNDERLYING WAGES COSTS OF A SIX MONTHS DELAY - A DELAY UNTIL EARLY 1986 - WAS FOUND BY TREASURY TO BE MINIMAL BY THE END OF 1986. IN THE GOVERNMENT'S VIEW IT WAS A SMALL PRICE TO PAY TO SECURE THE SUBSTANTIAL BENEFITS OF DEPRECIATION WHICH THE BROADER PACKAGE CAN DELIVER.

THE REST OF THE BROADER PACKAGE - WHICH HAS RECEIVED LESS ATTENTION - INCLUDES AN AGREEMENT BY THE UNIONS TO DELAY ANY PAYMENT ARISING OUT OF THE PRODUCTIVITY CASE UNTIL JULY 1986, TO MODERATE THE EXTENT OF THE PRODUCTIVITY CLAIM TO 3 PER CENT, AND TO SPREAD THESE PAYMENTS OVER TWO YEARS - I WOULD NOTE, IN PASSING, THAT WORKERS ARE ENTITLED UNDER THE CURRENT PRINCIPLES TO APPLY TO THE COMMISSION FOR SUCH AN INCREASE IN RECOGNITION OF THEIR ENTITLEMENT TO A FAIR SHARE IN THE INCREASE IN REAL NATIONAL INCOME. FINALLY, AND IMPORTANTLY, THE NEW AGREEMENT ALSO RENEWS THE VITAL COMMITMENT TO "NO EXTRA WAGE CLAIMS" FOR A FURTHER TWO YEARS.

ALLOWING FOR THE GROWTH OF LABOUR PRODUCTIVITY WHICH COULD REASONABLY BE EXPECTED TO OCCUR OVER THE PERIOD, THIS SET OF AGREEMENTS TOGETHER IMPLY THAT REAL UNIT LABOUR COSTS IN TWO YEARS TIME SHOULD BE NO HIGHER THAN AT PRESENT. THEY IMPLY THAT THE IMPROVEMENT IN THE PROFIT SHARE WHICH HAS OCCURRED UNDER OUR POLICIES CAN BE PRESERVED. MOREOVER THEY IMPLY THAT INFLATION, HAVING RISEN AS A RESULT OF THE INITIAL INCREASE IN PRICES OF TRADED GOODS, WILL HAVE RETURNED IN 1986-87 TO AROUND THE LEVELS OF THE PAST TWO FINANCIAL YEARS, WITH A PROSPECT OF FURTHER SLOWING IN 1987-88.

IN OTHER WORDS THE PACKAGE WILL SUBSTANTIALLY ACHIEVE PRECISELY WHAT IS REQUIRED. IT WILL INSULATE DOMESTIC COSTS FROM THE REALIGNMENT OF RELATIVE PRICES WHICH WAS INITIATED BY THE DEPRECIATION OF EARLY 1985, AND IS ESSENTIAL TO ENABLE THAT DEPRECIATION TO BE EFFECTIVE.

SUCH AN OUTCOME WOULD BE FAR LESS CERTAIN IN THE ABSENCE OF THE ACCORD. THE ATTEMPT TO ACHIEVE DISCOUNTING IN THE ABSENCE OF THE ACCORD WOULD HAVE ENSURED THE RENEWED OUTBREAK OF A WAGES - PRICES SPIRAL FED BY EXTRA CLAIMS, A SPIRAL WHICH WOULD INEVITABLY HAVE REFLECTED IN A DOWNWARDS SPIRAL OF THE EXCHANGE RATE, AND A REDUCTION IN BUSINESS AND CONSUMER CONFIDENCE. THIS WOULD HAVE MADE FAR HARDER THE TASK OF RESTORING CONTROL OVER DOMESTIC COSTS AND INFLATION, AND PUT THE STRONG RECOVERY ACHIEVED AT AN END.

THE NEW AGREEMENT UNDER THE ACCORD WILL THUS PROVIDE A SOUND BASIS ON WHICH THE BUSINESS SECTOR CAN FUNCTION IN RELATIVE CERTAINTY AND CONFIDENCE, AND ON WHICH AUSTRALIA AS A NATION CAN BUILD ITS FUTURE PROSPERITY.

THE SEPTEMBER QUARTER CPI, SHOWING AN INCREASE OF ONLY 2.2 PER CENT, PROVIDES TIMELY CONFIRMATION THAT INFLATION IS NOT ABOUT TO ACCELERATE AS RAPIDLY AS SOME OF THE MORE PESSIMISTIC FORECASTERS OF A MONTH OR SO AGO WERE PREDICTING. INDEED THE CPI IS WELL ON TRACK FOR AN OUTCOME OVER THE COURSE OF 1985-86 IN LINE WITH THE BUDGET FORECAST OF 8 PER CENT. BARRING THE UNEXPECTED, INFLATION SEEMS LIKELY TO LEVEL OUT AT ABOUT THAT RATE BEFORE TRENDING DOWN AGAIN.

THE NEW AGREEMENT IS SUPPORTED FIRST BY A CONTINUING FIRM MONETARY POLICY - A POLICY DIRECTED TO SUPPORTING THE REQUIRED ONGOING RECOVERY IN ECONOMIC ACTIVITY, BUT NOT SO RAPID A PACE OF EXPANSION AS TO REKINDLE AVOIDABLE INFLATION - AND, SECOND, BY RESPONSIBLE FISCAL POLICY.

THE GOVERNMENT THIS YEAR HONOURED A SERIES OF FISCAL COMMITMENTS - THE TRILOGY - WHICH HAVE ONLY BEEN MET ONCE SINCE 1961. NO OTHER GOVERNMENT HAS IMPOSED ON ITSELF SUCH A DEGREE OF FISCAL DISCIPLINE IN THE POST-WAR PERIOD.

OUR COMMITMENTS TO RESTRAIN OUTLAYS, TAX RECEIPTS AND THE BUDGET DEFICIT AS A PROPORTION OF GDP WILL CONTINUE TO BE HONOURED IN THE NEXT TWO YEARS. BUT IN REACHING OUR RECENT AGREEMENT WITH THE ACTU, THIS GOVERNMENT HAS WILLINGLY ACCEPTED SPENDING RESTRAINT OVER AND ABOVE THE PRIOR TRILOGY COMMITMENT.

EVEN THOUGH TAX CUTS BROADLY EQUIVALENT TO 2 PER CENT OF THE WAGES BILL WILL BE PROVIDED FROM SEPTEMBER 1986, THE CUTS WILL BE FINANCED BY ADDITIONAL EXPENDITURE RESTRAINT AND NOT BY ADDITIONAL BORROWING. THE GOVERNMENT IS THUS DETERMINED TO ENSURE THAT, EVEN AS PRIVATE EXPENDITURE IS MAINTAINED, THE SHARE OF GOVERNMENT EXPENDITURE IN GDP IS FURTHER REDUCED.

IN CONJUNCTION WITH THE MEASURES ALREADY IN PLACE TO CURB THE BUDGET DEFICIT AS A PROPORTION OF GDP, THIS WILL HELP TO CURB THE EXTENT TO WHICH AUSTRALIA NEEDS TO FINANCE DOMESTIC SPENDING BY RECOURSE TO FOREIGN SAVING - AND THUS INCUR A CURRENT ACCOUNT DEFICIT.

IN TIME, THE IMPROVEMENT IN OUR COMPETITIVE POSITION WHICH THESE ARRANGEMENTS PRESERVE WILL BEGIN TO REDUCE THE CURRENT ACCOUNT DEFICIT AS A PROPORTION OF GDP. AS A CONSEQUENCE, DOMESTIC PRODUCTION WILL BEGIN TO GROW AT A SOMEWHAT FASTER PACE THAN DOMESTIC DEMAND AND, AS OECD FORECASTS TESTIFY, AT A PACE WHICH IS FASTER THAN ALL COMPARABLE ECONOMIES AND ABOUT TWICE THE AVERAGE GROWTH RATE ACHIEVED IN AUSTRALIA OVER THE FRASER-HOWARD YEARS.

AS THE BUDGET PAPERS INDICATE, THE REDUCTION IN THE CURRENT ACCOUNT WILL INITIALLY BE SMALL, REFLECTING THE USUAL LAGS, BUT GROW AS THE YEAR PASSES.

THUS THE CURRENT ACCOUNT DEFICIT COULD AMOUNT TO ABOUT 5 PER CENT OF GDP IN THE RECENTLY COMPLETED SEPTEMBER QUARTER, A RESULT WHICH WAS INFLATED BY BOTH THE CELEBRATED J-CURVE EFFECT ON NOMINAL VALUES AND THE SEASONAL PATTERN OF TRADE TRANSACTIONS. ON CURRENT FORECASTS, THE DEFICIT COULD DECLINE FROM 4.9 PER CENT OF GDP IN 1984-85, TO ABOUT 4.6 PER CENT OF GDP IN 1985-86 TAKING THE YEAR AS A WHOLE. BUT THE DECLINE IS EXPECTED TO BE MORE MARKED OVER THE COURSE OF 1985-86 SO THAT THE FIGURE AROUND THE END OF THAT FINANCIAL YEAR IS EXPECTED TO BE ABOUT 4 PER CENT OF GDP, WITH FURTHER REDUCTIONS IN LATER QUARTERS.

SUCH AN OUTCOME WOULD BE CONSISTENT WITH A GRADUAL EASING OVER TIME IN OUR INDEBTEDNESS TO FOREIGNERS AS A SHARE OF GDP.

WHILE RECENT WORK PUBLISHED BY THE OFFICE OF EPAC HAS SHOWN THAT AUSTRALIA'S PRESENT LEVEL OF NET INDEBTEDNESS IS LESS CAUSE FOR CONCERN THAN SOME OF THE MORE ALARMIST COMMENTATORS WOULD HAVE US BELIEVE, IT IS CLEAR THAT AUSTRALIA COULD NOT LONG GO ON ADDING TO OUR OBLIGATIONS TO FOREIGNERS AT THE PACE OF THE LAST FEW YEARS.

THE DEPRECIATION - AND OUR POLICY RESPONSE, BASED ON THE ACCORD - PROVIDES A BASIS FOR ENSURING THAT AUSTRALIA'S OBLIGATIONS ABROAD CAN BE SERVICED WITHOUT EITHER MASSIVE DISRUPTION TO THE ECONOMY OR INTOLERABLE FUTURE STRAIN ON THE EXCHANGE RATE. WITHOUT THE ACCORD THAT ADJUSTMENT COULD ONLY HAVE BEEN ACCOMPLISHED AFTER A SHARP CONTRACTION OF THE DOMESTIC ECONOMY WHICH WOULD BE COSTLY IN BOTH ECONOMIC AND SOCIAL TERMS.

THE TRADE POLICIES PURSUED BY THE GOVERNMENT ALSO SEEK TO ENHANCE AUSTRALIA'S GROWTH OPPORTUNITIES. WE ARE THUS ACTIVELY SEEKING TO PROMOTE THE COMMENCEMENT OF A NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS; A ROUND, MOREOVER, WHICH PROPERLY ADDRESSES THE INTERESTS OF AUSTRALIA AND OTHER COUNTRIES IN OUR RAPIDLY GROWING REGION.

IN ADDITION, AUSTRALIA IS ACTIVELY SEEKING TO DEVELOP MUTUALLY BENEFICIAL TRADE LINKS WITH THE ASEAN COUNTRIES.

AND WE HAVE GIVEN PRIORITY TO THE PACIFIC REGION IN THE DEVELOPMENT OF TARGETTED MARKETING STRATEGIES, WHICH SEEK ESPECIALLY TO IDENTIFY THE SCOPE AND NATURE OF POTENTIAL EXPORT OPPORTUNITIES FOR AUSTRALIAN INDUSTRY IN THE REGION. THESE INCLUDE CHINA AND JAPAN, UNDER THE CHINA ACTION PLAN AND THE JAPAN MARKET STRATEGY RESPECTIVELY. SUCH INITIATIVES PROVIDE SUBSTANTIAL OPPORTUNITIES FOR AUSTRALIA TO SHARE IN THE DEVELOPMENT AND GROWTH OF OUR REGION.

BUT TO CAPITALISE ON BOTH REGIONAL AND WORLD GROWTH, AUSTRALIA NEEDS INNOVATIVE, FORWARD LOOKING, EXPORT-ORIENTED ENTERPRISES. IT NEEDS ENTERPRISES PREPARED TO INTRODUCE NEW PRODUCTS OR PROCESSES, OR TO EXPLOIT OPPORTUNITIES TO POSITION THEMSELVES IN NICHEs OF THE WORLD MARKET WHERE AUSTRALIA'S ENDOWMENTS OF SKILLS, RESOURCES OR TECHNOLOGY CAN BE USED MOST EFFECTIVELY. OUR POLICIES SEEK TO ENCOURAGE JUST SUCH INDUSTRIES.

WE RECOGNISE THE ROLE OF PROFITS IN PROMPTING INVESTMENT AND FACILITATING STRUCTURAL CHANGE. WE SEEK TO ENCOURAGE A MORE EFFICIENT PUBLIC SECTOR INFRASTRUCTURE AND TO KEEP THE BURDEN OF REGULATION TO THE MINIMUM NECESSARY TO MEET THE ASPIRATIONS OF AUSTRALIANS. AND, WHERE NECESSARY, WE SEEK TO PUT IN PLACE PARTICULAR POLICIES TO FACILITATE FORWARD LOOKING, GROWTH-SUSTAINING STRUCTURAL CHANGE.

DURING THE GOVERNMENT'S FIRST 2 1/2 YEARS IN OFFICE, THESE HAVE INCLUDED THE STEEL AND MOTOR VEHICLE PLANS; THE DECISION TO FLOAT THE AUSTRALIAN DOLLAR AND TO REMOVE VIRTUALLY ALL EXCHANGE CONTROLS; AND THE MEASURES SUBSTANTIALLY TO DEREGULATE THE BANKING SECTOR AND TO ENCOURAGE INNOVATION AND COMPETITION WITHIN THE FINANCIAL SERVICES SECTOR AS A WHOLE. I BELIEVE THE GOVERNMENT CAN REASONABLY CLAIM THAT THEY HAVE ALL MET WITH WIDESPREAD APPROVAL.

WHEN I ADDRESSED YOU SOME 13 MONTHS AGO I OUTLINED THE GOVERNMENT'S BROAD INTENTIONS IN RELATION TO BUSINESS REGULATION AND INVITED THE BCA TO WORK WITH THE GOVERNMENT TO ESTABLISH PRIORITIES FOR REFORM. I WISH TO RECORD MY THANKS TO BCA FOR THE SUBSTANTIAL CONTRIBUTION WHICH RESULTED. AND I AM PLEASED TODAY TO BE ABLE TO INFORM YOU OF SOME DECISIONS WHICH WE HAVE TAKEN.

BUSINESS DEREGULATION IS AN ISSUE WHICH, IN THE PAST, HAS BEEN LONG ON RHETORIC AND LAMENTABLY SHORT ON ACTION. BUT AS HAS BEEN AMPLY DEMONSTRATED, WE ARE A GOVERNMENT PREPARED TO GET THINGS DONE. AND WE HAVE TAKEN DEREGULATION OUT OF THE "TOO HARD" BASKET.

THE GOVERNMENT APPRECIATES THAT COMPETITIVENESS IS NOT ENHANCED WHERE ADDITIONAL COSTS ARE IMPOSED ON INDUSTRY THROUGH UNNECESSARY REGULATION OR EXCESSIVE "RED TAPE". WHEREVER IT IS POSSIBLE, SUCH IMPOSTS WILL NOW BE REMOVED.

IN CIRCUMSTANCES IN WHICH REGULATION IS REQUIRED IN THE BROADER NATIONAL INTEREST, WE WILL BE CONCERNED TO ENSURE THAT FOR THE FUTURE THE LEAST COSTLY REGULATORY REGIME IS IMPOSED. AND IN TERMS OF CURRENT REGULATIONS, WE HAVE BEEN IDENTIFYING AND TAKING ACTION WHERE INEFFICIENT ADMINISTRATION OR THE NON-UNIFORM APPLICATION OF SIMILAR REGULATIONS BETWEEN STATES HAS IMPOSED UNWARRANTED COSTS.

A PARTICULARLY DIFFICULT TASK FACING THE GOVERNMENT IS TO RETAIN A RELEVANT, EFFICIENT AND EFFECTIVE REGULATORY FRAMEWORK IN THE FACE OF DYNAMIC CHANGES TO ECONOMIC AND SOCIAL PRIORITIES. THIS DIFFICULTY IS ALL THE MORE ACUTE BECAUSE, AT THE SAME TIME, THE REGULATORY PROCESSES MUST BE SUFFICIENTLY PREDICTABLE THAT THEY DO NOT THEMSELVES BECOME A CONTINUING SOURCE OF UNCERTAINTY AND SPECULATION, OR OF ADDED COSTS.

WITH THESE CONSIDERATIONS IN MIND, THE GOVERNMENT HAS DECIDED THAT EACH MINISTER PROPOSING NEW REGULATIONS MUST EITHER INCLUDE SUNSET PROVISIONS, OR DEMONSTRATE THAT THERE IS A GOOD REASON FOR NOT IMPOSING THEM. I BELIEVE THIS APPROACH STRIKES AN APPROPRIATE BALANCE BETWEEN CAPTURING THE BENEFITS OF SUNSET PROVISIONS, WHILE AVOIDING THE COSTS AND DELAYS OF TOO RIGID AN APPLICATION.

THE GOVERNMENT RECOGNISES THAT THE TASK OF DETERMINING THE APPROPRIATE EXTENT OF REGULATION IN THE CONTEXT OF COMPETING ECONOMIC AND SOCIAL POLICY OBJECTIVES IS A DIFFICULT ONE.

AS THE BCA HAS ARGUED, THE COMMITMENT OF BUSINESS, AND MORE IMPORTANTLY GOVERNMENTS HAS TO BE A CONTINUING ONE.

SO AS TO FACILITATE THE CONTINUING PROCESS OF REGULATORY REVIEW, A BUSINESS REGULATORY REVIEW UNIT HAS BEEN ESTABLISHED WITHIN THE DEPARTMENT OF INDUSTRY, TECHNOLOGY AND COMMERCE.

THIS UNIT WILL PROVIDE A POINT OF CONTACT FOR BUSINESS TO PROPOSE REGULATORY CHANGES, AND IT WILL REPORT FREQUENTLY TO INTERESTED ORGANISATIONS ON PROGRESS WITH THE GOVERNMENT'S INITIATIVE. SENATOR BUTTON WILL BE SEEKING IN THE NEAR FUTURE THE SECONDMENT OF BUSINESS REPRESENTATIVES TO THE UNIT.

TODAY I WISH TO REPORT TO YOU THAT, CONSISTENT WITH THE PRIORITIES WHICH HAVE BEEN ESTABLISHED AS A RESULT OF CONSULTATIONS WITH STATE AND TERRITORY GOVERNMENTS, UNIONS, BCA AND OTHER INDUSTRY BODIES, THE GOVERNMENT HAS TAKEN CERTAIN DEREGULATORY INITIATIVES IN RESPECT OF EXPORT CONTROL GUIDELINES AND FOREIGN INVESTMENT POLICY AND WE HAVE DETERMINED A SET OF PRIORITIES FOR FURTHER WORK.

THE GOVERNMENT HAS HAD UNDERWAY FOR SOME MONTHS A CASE-BY-CASE RE-EXAMINATION OF EXPORT CONTROL GUIDELINES. OUR CASE BY CASE APPROACH REFLECTS THE INTRICACIES OF THE ARRANGEMENTS, AND THE DIVERSE RANGE OF POLICY INTERESTS WHICH VARIOUS CONTROLS SEEK TO FURTHER.

OUR APPROACH IS A CAUTIOUS ONE, AND DRAWS ON CONSULTATIVE PROCESSES AS FAR AS POSSIBLE. BUT WHEREVER CONTROLS DO NOT SERVE LEGITIMATE ENDS OR INVOLVE EXCESSIVE COSTS, OUR INTENTION IS THAT THEY SHOULD BE RELAXED OR ABOLISHED AS SOON AS POSSIBLE.

TODAY I WISH TO REPORT TO YOU THE STATE OF THE GOVERNMENT'S THINKING IN THREE AREAS: BAUXITE/ALUMINA, PETROLEUM AND COAL.

CONSISTENT WITH OUR GENERAL APPROACH, THE MINISTER FOR TRADE IS RELEASING FOR COMMENT A PAPER PROPOSING SUBSTANTIAL CHANGES TO THE ADMINISTRATION OF CONTROLS APPLICABLE TO THE EXPORT OF BAUXITE AND ALUMINA.

UNDER THE DRAFT PROPOSALS, COMPANIES NO LONGER WILL REQUIRE PRIOR APPROVAL BEFORE ENTERING INTO NEGOTIATIONS, AS HAS BEEN THE REQUIREMENT SINCE 1978. EXPORTERS SELLING TO UNRELATED PARTIES CAN EXPECT TO RECEIVE AUTOMATIC EXPORT APPROVAL, THOUGH IT WILL REMAIN OUR OBJECTIVE THAT PRICES RECEIVED SHOULD BE COMMENSURATE WITH THE NATIONAL INTEREST.

CONTRACTS BETWEEN RELATED PARTIES OR NOT AT ARMS LENGTH WILL, NATURALLY, CONTINUE TO BE SUBJECT TO EXAMINATION BY TAX AUTHORITIES. HOWEVER, OPTIONS WILL BE DEVELOPED FOLLOWING DISCUSSIONS WITH THE COMPANIES INVOLVED TO MINIMISE THE PROCEDURES REQUIRED WITH A VIEW TO REMOVING THE EXISTING UNCERTAINTIES.

THE GOVERNMENT HAS ALSO HAD UNDER EXAMINATION EXPORT CONTROLS APPLICABLE TO PETROLEUM. WE HAVE NOT, AT THIS STAGE, TAKEN FINAL DECISIONS IN RESPECT OF CRUDE OIL. BUT THE GOVERNMENT IS NOW IN A POSITION TO ANNOUNCE THE SUBSTANTIAL RELAXATION OF CONTROLS APPLIED TO MOST PETROLEUM COMMODITIES. FROM TODAY, EXPORT CONTROLS FOR LPG, CONDENSATE AND PETROLEUM PRODUCTS ARE TO BE REDUCED TO A MONITORING ROLE UNDER TERM APPROVALS. THIS WILL REPLACE THE CURRENT CARGO-BY-CARGO OR QUARTERLY APPROVALS, AND PROVIDE GREATER CERTAINTY TO EXPORTERS SEEKING PROFITABLE OPPORTUNITIES IN CURRENT TRADING CONDITIONS. A CONDITION OF THE RELAXATION IS THAT COMPANIES CONTINUE TO COMPLY WITH GOVERNMENT DOMESTIC PETROLEUM POLICIES, AND OTHER POLICIES SUCH AS THE PROHIBITION ON EXPORTS TO SOUTH AFRICA.

THE MINISTER FOR TRADE HAS BEEN CONSULTING FOR SOME MONTHS WITH UNIONS AND REPRESENTATIVES OF BUSINESS INTERESTS IN THE COAL INDUSTRY ON EXPORT CONTROL MATTERS. THE GOVERNMENT IS CONSCIOUS THAT THE INTERNATIONAL COAL MARKET HAS BEEN AFFECTED IN RECENT TIMES BY A RANGE OF FACTORS SUCH AS CHANGING PATTERNS OF DEMAND, CURRENCY FLUCTUATIONS AND RAPID TECHNOLOGICAL CHANGES. THESE DEVELOPMENTS HAVE COMPLICATED THE OPERATION OF EXISTING EXPORT CONTROLS.

IN VIEW OF THE IMPORTANCE OF THE COAL INDUSTRY FOR AUSTRALIA'S EXPORT EARNINGS AND ITS SIGNIFICANCE IN THE DOMESTIC ECONOMY, THE GOVERNMENT IS CONTINUING ITS CONSULTATIONS WITH THE AIM OF EVALUATING THE EFFECTIVENESS OF THE EXISTING CONTROLS IN MEETING THEIR STATED OBJECTIVES.

THE GOVERNMENT HAS RECENTLY CONDUCTED A THOROUGH REVIEW OF FOREIGN INVESTMENT POLICY. THIS POLICY HAS BROAD COMMUNITY SUPPORT, REFLECTING THE STRONGLY HELD BELIEF THAT IT IS ESSENTIAL TO STRIKE A BALANCE BETWEEN, ON THE ONE HAND, THE NEED TO ATTRACT FOREIGN CAPITAL AND EXPERTISE IN ORDER TO SUSTAIN GROWTH AND, ON THE OTHER, THE NEED TO ENSURE THAT FOREIGN INVESTMENT IS WORTHWHILE AND THAT AUSTRALIANS RECEIVE A FAIR SHARE OF THE FRUITS OF GROWTH.

THE GOVERNMENT HAS NOT ACCEPTED IN FULL THE RECOMMENDATIONS FOR SWEEPING LIBERALISATION PROPOSED BY THE BCA. BUT WE HAVE GONE SOME WAY TO TAKE UP THE SUGGESTIONS OF THE BCA AND HAVE ALSO IDENTIFIED OTHER AREAS WHERE A RELAXATION OF THE POLICY REQUIREMENTS COULD BE ACHIEVED WITHOUT COMPROMISE TO THE GOVERNMENT'S BASIC OBJECTIVES.

A MAJOR STEP THAT WE ARE TAKING IS TO ABOLISH THE SO-CALLED "OPPORTUNITIES TEST". WE KNOW FROM OUR DISCUSSIONS THAT THIS TEST HAS BECOME A CONSTANT IRRITANT TO FOREIGNERS WISHING TO INVEST IN EXISTING BUSINESSES AND DOMESTIC VENDORS. BUT IN THE LAST FIVE YEARS IT HAS RARELY RESULTED IN A SUCCESSFUL COMPETING AUSTRALIAN BIDDER COMING FORWARD. HOWEVER, THE EXISTING AUSTRALIAN EQUITY PARTICIPATION GUIDELINES IN RESPECT OF NEW MINING OR, WITH ONE EXCEPTION, REAL ESTATE PROJECTS WILL BE MAINTAINED. THE EXCEPTION RELATES TO SMALL DEVELOPMENTS FOR LATER RESALE, WHERE THE GUIDELINE WILL BE ABOLISHED.

THE GOVERNMENT ALSO INTENDS TO ENSURE THAT THE SPUR TO COMPETITION AND EFFICIENCY IN THE FINANCIAL SERVICES SECTOR UNLEASHED BY OUR DEREGULATION OF THE BANKING SECTOR IS MAINTAINED.

ACCORDINGLY, PROPOSALS TO ESTABLISH NEW NON-BANK INTERMEDIARIES OR TO ACQUIRE AN INTEREST IN AN EXISTING ENTITY WILL BE APPROVED, UNLESS IT IS DEMONSTRATED THAT THEY ARE CONTRARY TO THE NATIONAL INTEREST. MOREOVER, POLICY APPLICABLE TO THE INSURANCE SECTOR WILL BE EASED TO BRING IT INTO LINE WITH THE APPROACH ADOPTED FOR THE SERVICES SECTOR MORE GENERALLY, AND FOREIGN INVESTMENT PROPOSALS WILL NOW BE APPROVED IF THEY DEMONSTRATE NET ECONOMIC BENEFITS TO AUSTRALIA.

IN ADDITION, ALL FOREIGN INVESTMENT POLICY THRESHOLDS ARE BEING SUBSTANTIALLY INCREASED.

TAKEN TOGETHER THESE POLICY CHANGES WILL SIGNIFICANTLY REDUCE THE EXTENT OF FOREIGN INVESTMENT REGULATION - THEY WILL EITHER EXEMPT FROM EXAMINATION OR SIMPLIFY AND STREAMLINE THE EXAMINATION PROCESS FOR AROUND 1/3 OF ALL FOREIGN INVESTMENT PROPOSALS.

FOLLOWING OUR CONSULTATIONS WITH INTERESTED GROUPS, THE GOVERNMENT HAS IDENTIFIED A NUMBER OF ADDITIONAL PRIORITY AREAS FOR DEREGULATORY ACTION.

THE LONG ADVOCATED NATIONAL UNIFORM CODE OF FOOD REGULATIONS HAS BEEN AGREED TO IN PRINCIPLE AND IS CLOSE TO IMPLEMENTATION. THE CURRENT NON-UNIFORMITY OF THESE REGULATIONS IS ESTIMATED TO INVOLVE COSTS TO INDUSTRY OF ABOUT \$50 MILLION A YEAR.

PLANS FOR SIMILAR COMMONWEALTH-STATE CO-OPERATION WITH RESPECT TO A NATIONAL BUILDING CODE AND CHEMICALS NOTIFICATION AND ASSESSMENT SCHEME ARE WELL ADVANCED.

THESE ARE IN ADDITION TO EXAMINATIONS ALREADY IN TRAIN WITH STATES TO REMOVE STATE PURCHASING PREFERENCES AND TO STANDARDIZE WEIGHTS AND MEASURES REGULATIONS.

RECENT REVISIONS TO ENTRY PROCESSING ARRANGEMENTS HAVE SUBSTANTIALLY CUT SEA AND CARGO CUSTOMS CLEARANCE TIMES. FURTHER REFORMS TO CUSTOMS ADMINISTRATION ARE PLANNED TO SIMPLIFY CLEARANCE PROCESSES AND FURTHER REDUCE COSTS.

ACTION HAS ALREADY BEEN TAKEN WHICH HAS STEMMED THE GROWTH OF DUPLICATION OF STATISTICAL COLLECTIONS. MAJOR BUSINESS ORGANISATIONS WILL NOW BE INVITED TO IDENTIFY EXISTING CASES OF DUPLICATION WITH A VIEW TO ELIMINATING THEM WHEREVER POSSIBLE.

FOLLOWING ON FROM THE SUBSTANTIAL DEREGULATION OF THE BANKING SECTOR, OFFICIALS ARE TO EXAMINE THE SCOPE TO RATIONALISE CONTROLS ON NON-BANK FINANCIAL INSTITUTIONS. WE ALREADY HAVE REVIEWS AND STUDIES UNDERWAY OF THE REGULATION OF THE TRANSPORT AND AVIATION INDUSTRIES.

A LARGE NUMBER OF INITIATIVES HAVE ALREADY BEEN IMPLEMENTED OR SET IN TRAIN IN RESPECT OF PRIMARY INDUSTRY REGULATIONS. THESE INCLUDE REDUCED REGULATION OF WHEAT, CANNED FRUITS AND EGG MARKETING. FURTHER ACTION IS PROPOSED TO MINIMISE THE IMPACT ON COSTS OF THE EXPORT INSPECTION SERVICE, AND TO CURB THE ADMINISTRATIVE CONTROLS ON THE TEN STATUTORY MARKETING AUTHORITIES RESPONSIBLE TO THE MINISTER FOR PRIMARY INDUSTRY.

A NUMBER OF COMPANIES PARTICIPATING IN THE AFFIRMATIVE ACTION PILOT PROGRAM EXPRESSED INTEREST IN PROVIDING WORK-BASED CHILD CARE FACILITIES FOR THEIR EMPLOYEES BUT WERE FRUSTRATED BY REGULATIONS GOVERNING THE PROVISION OF SUCH FACILITIES. THE GOVERNMENT HAS DECIDED TO APPROACH THE STATES TO ASK THEM TO REMOVE EXISTING LICENSING REQUIREMENTS AND REGULATIONS RESTRICTING CHILD CARE FACILITIES TO GROUND FLOOR LOCATIONS.

MANY OF THESE AREAS REQUIRE THE CO-OPERATION OF STATE GOVERNMENTS, BUSINESS AND UNIONS IF MEANINGFUL PROGRESS IS TO BE MADE. I TRUST THAT SUCH CO-OPERATION WILL BE FORTHCOMING AND TIMELY.

THE INITIATIVES TAKEN OVER THE PAST YEAR OR SO, AND THOSE ANNOUNCED TODAY, GIVE CREDENCE TO THE GOVERNMENT'S POLICIES ON BUSINESS REGULATION. AND IN CASES WHERE IT CAN BE CLEARLY DEMONSTRATED THAT DEREGULATION IS IN THE BEST INTERESTS OF THE PUBLIC OR WHERE MORE EFFICIENT ADMINISTRATION WILL REDUCE THE BURDEN ON BUSINESS, WE WILL CONTINUE TO TAKE SUCH ACTIONS.

LADIES AND GENTLEMEN

I HAVE JUST RETURNED FROM THE MEETING OF THE COMMONWEALTH HEADS OF GOVERNMENT IN THE BAHAMAS. AMONGST OTHER THINGS THIS BROUGHT HOME TO ME YET AGAIN THE RELATIVE STRENGTH OF AUSTRALIA'S ECONOMIC PERFORMANCE: NOT FOR US THE 13 PER CENT UNEMPLOYMENT RATE OF THE UNITED KINGDOM; NOR THE 16 PER CENT INFLATION RATE OF NEW ZEALAND; NOR THE MAMMOTH 7 PER CENT OF GDP BUDGET DEFICIT OF CANADA. AND THE ECONOMIC SITUATION IN DEVELOPING COUNTRIES WHO ARE MEMBERS OF THE COMMONWEALTH IS OF COURSE MUCH MORE SERIOUS.

ALL AUSTRALIANS, INCLUDING BUSINESSES AND UNIONS, CAN JUSTIFIABLY FEEL PROUD OF WHAT HAS BEEN ACHIEVED. WE SHOULD ALL RECOGNISE THE CRUCIAL ROLE WHICH CO-OPERATION AND CONSENSUS HAS PLAYED IN BRINGING THOSE ACHIEVEMENTS ABOUT; AND COMMIT OURSELVES ONCE AGAIN TO CONTINUE TO WORK FOR A BETTER AUSTRALIA.

THE WORLD DOES NOT OWE US A LIVING. CONTINUED ECONOMIC SUCCESS NEEDS TO BE WORKED AT, TO BE EARNED. WE MUST ALL REMEMBER THAT IMPERATIVE AND STRIVE FOR THE REWARDS WHICH ONLY SUSTAINED ECONOMIC GROWTH CAN BRING.
