



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED AGAINST DELIVERY

SPEECH BY THE PRIME MINISTER
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"AUSTRALIA'S POLICIES FOR CONTINUING ECONOMIC GROWTH"
SYDNEY - 4 DECEMBER 1985

TONIGHT WE CELEBRATE 25 YEARS OF SUSTAINED ACHIEVEMENT BY THE COMMITTEE FOR THE ECONOMIC DEVELOPMENT OF AUSTRALIA. DURING THESE TWENTY FIVE YEARS CEDA HAS CONTRIBUTED SIGNIFICANTLY AND CONSTRUCTIVELY TO THE PUBLIC DEBATE OF ECONOMIC POLICY IN THIS COUNTRY.

IF HE WERE ALIVE TODAY, I HAVE NO DOUBT THAT SIR DOUGLAS COPLAND, A DISTINGUISHED AUSTRALIAN ECONOMIST AND FOUNDER OF CEDA, WOULD TAKE GREAT PRIDE IN THE SERVICE WHICH CEDA HAS DONE FOR THIS COUNTRY.

SIR DOUGLAS, WITH WHOM I HAD THE HONOUR OF WORKING IN MY CAPACITY AS ACTU ADVOCATE IN THE EARLY 1960'S, ARGUED FORCEFULLY IN FAVOUR OF THE INVOLVEMENT OF THE COMMUNITY IN THE FORMATION OF PUBLIC POLICY - A SENTIMENT WHICH, AS YOU KNOW, I STRONGLY SHARE.

IN MANY RESPECTS CEDA'S TWENTY-FIVE YEARS HAVE SEEN QUITE MARKED CHANGES IN AUSTRALIA'S ECONOMIC AND SOCIAL ENVIRONMENT.

IN 1960, FOR EXAMPLE, THE COMMUNICATIONS REVOLUTION HAD NOT BEGUN FUNDAMENTALLY TO CHANGE OUR SOCIETY. THE TELEVISION INDUSTRY IN AUSTRALIA WAS IN ITS INFANCY AND COMPUTERS FILLED ROOMS, NOT BRIEFCASES.

THE POST-WAR BABY BOOMERS (WHICH MOST OF US HERE EITHER CONTRIBUTED TO OR ARE A PRODUCT OF) WERE JUST STARTING TO ENTER HIGH SCHOOLS. THEIR IMPACT ON THE WORKFORCE, FASHION AND SOCIAL MORES WAS STILL SOME YEARS HENCE.

MOREOVER, RELATIVELY FEW WOMEN COUNTED THEMSELVES IN THE FULL-TIME PAID WORKFORCE.

IN THE WORLD OF FINANCE, THE FORCES IMPINGING UPON THE INTERNATIONAL FINANCIAL SYSTEM WERE SUFFICIENTLY TRANQUIL THAT EXCHANGE RATES WERE FIXED; AND THE DOMESTIC FINANCIAL SYSTEM WAS DOMINATED BY BANKS AND FIXED INTEREST RATES.

AND EVEN AFTER POST-WAR RECONSTRUCTION - AND THE ATTEMPTED MODERNISATION OF AUSTRALIAN INDUSTRY, BEHIND A VERITABLE WALL OF PROTECTION - AGRICULTURAL PRODUCTS STILL ACCOUNTED FOR THE LARGEST SHARE OF OUR EXPORTS. THE MINING INDUSTRY WAS YET TO EXPERIENCE THE RAPID EXPANSION THAT OCCURRED LATER IN THE DECADE.

OVER THE LATTER PART OF THE FIFTIES THE GEOGRAPHICAL PATTERN OF OUR TRADE HAD BEGUN TO SWING AWAY FROM EUROPE TOWARDS JAPAN AND SOUTH AND SOUTH-EAST ASIA - BUT MOST OF THAT REORIENTATION WAS STILL TO COME.

FINALLY, THROUGH THE COURSE OF THE 1960'S AND 1970'S AGRICULTURAL AND TECHNOLOGICAL REVOLUTIONS SPREAD STEADILY BEYOND THE SHORES OF THE INDUSTRIALISED COUNTRIES. AS A RESULT, AS TIME PASSED, MORE AND MORE OF OUR NEAR-NEIGHBOURS BEGAN TO COMPETE EFFECTIVELY WITH US IN OUR TRADITIONAL MARKETS.

IN MANY RESPECTS THESE DEVELOPMENTS VERY MUCH PROVIDE THE BACKDROP TO THE CHALLENGES WHICH NOW FACE AUSTRALIA. THESE INCLUDE THE CHALLENGE TO CREATE LONG-TERM AND PRODUCTIVE JOBS, NOT ONLY TO EMPLOY THE EXPANDING WORKFORCE, BUT ALSO TO REDUCE PROGRESSIVELY THE LEVEL OF UNEMPLOYMENT WHICH WE INHERITED; THE CHALLENGE TO KEEP OUR INDUSTRIAL STRUCTURE RELEVANT TO THE NEEDS OF WORLD TRADE AND STEADY GROWTH; AND THE CHALLENGE TO ADJUST TO THE VOLATILITY OF MOVEMENTS IN INTEREST RATES AND THE EXCHANGE RATE UNDER A FLOATING DOLLAR AND FINANCIAL DEREGULATION.

THESE FUNDAMENTAL CHALLENGES PROVIDE THE PRIMARY FOCUS OF THE GOVERNMENT'S ECONOMIC STRATEGY.

IT IS IMPORTANT, IN MY VIEW, FOR US AS A COMMUNITY TO ACCEPT THAT THE PACE OF AUSTRALIA'S ECONOMIC GROWTH - AT LEAST UNTIL VERY RECENTLY - HAS BEEN POOR BY WORLD STANDARDS; AND CERTAINLY POOR COMPARED WITH OUR POTENTIAL. IN PARTICULAR THE SEVENTIES BECAME THE ERA OF STAGFLATION AND RISING UNEMPLOYMENT.

WE CAN LOOK BACK AND SEE MISSED OPPORTUNITIES. WE CAN ALSO SEE A PERIOD IN WHICH THE FOUNDATIONS FOR SUSTAINED GROWTH WERE WEAKENED IN SOME IMPORTANT RESPECTS.

THE LABOR GOVERNMENT CAME TO OFFICE IN 1983 WITH A COMMITMENT TO INAUGURATE A NEW ERA OF RECONCILIATION IN AND RECONSTRUCTION OF THE AUSTRALIAN ECONOMY.

WE MOVED QUICKLY AND PURPOSEFULLY TO INITIATE ECONOMIC RECOVERY AND TO SHORE UP THE FOUNDATIONS OF OUR ECONOMIC PERFORMANCE SO THAT OUR IMPROVED ECONOMIC GROWTH COULD BE PRESERVED.

I WISH, TONIGHT, TO LOOK BRIEFLY AT SOME OF THESE FOUNDATIONS AND ASSESS WHERE WE STAND.

LET ME START WITH PEOPLE.

IN A VERY FUNDAMENTAL SENSE, AUSTRALIA'S FUTURE RESTS WITH OUR PEOPLE, ESPECIALLY OUR YOUNG PEOPLE. YET, IN THE PAST, DESPITE DEVOTING MASSIVE PUBLIC RESOURCES TO THE FUNDING OF EDUCATION, TOO LITTLE HAD BEEN ACHIEVED TO DEVELOP MOST EFFECTIVELY THE POTENTIAL OF THE YOUNG.

COMPARED TO COUNTRIES LIKE THE USA, WEST GERMANY AND JAPAN, FAR TOO FEW OF OUR YOUNG PEOPLE FINISH EVEN SECONDARY EDUCATION, AND FEWER STILL PROGRESS TO THE TERTIARY LEVEL.

THE PRESENT GOVERNMENT HAS BEGUN TO ADDRESS THIS CHALLENGE.

WE HAVE MADE A SUBSTANTIAL FINANCIAL COMMITMENT THAT WILL PROVIDE AN ASSURED FINANCIAL BASIS FOR THE GROWTH OF OUR GOVERNMENT AND NON-GOVERNMENT SCHOOLS FOR THE REMAINDER OF THE DECADE. BUT WE ARE EQUALLY CONCERNED ABOUT IMPROVING THE QUALITY OF OUR EDUCATION.

DRAWING ON THE RECOMMENDATIONS OF THE KARMEL REPORT WE ARE AT PRESENT SEEKING THE COOPERATION OF THE STATES TO UPGRADE THE QUALITY OF EDUCATION OFFERED BY AUSTRALIAN SCHOOLS.

OUR AIM IS THAT RESOURCES SHOULD BE DIRECTED IN SUCH A WAY AS TO ENSURE THAT SCHOOLS OFFER COURSES WHICH PROVIDE THE SKILLS NEEDED BY A MODERN DYNAMIC AND FLEXIBLE WORKFORCE.

WE HAVE A SERIES OF PHASED IMPROVEMENTS IN STUDENT ALLOWANCES IN TRAIN WHICH, OVER TIME, WILL HELP TO REMOVE ANY EXISTING FINANCIAL INDUCEMENT TO OPT OUT OF EDUCATION AND INTO AN INITIATIVE- DESTROYING EXISTENCE ON UNEMPLOYMENT BENEFIT.

IN ADDITION WE HAVE INITIATED A PROGRAM OF STRUCTURED ON-AND-OFF-THE-JOB TRAINING, TARGETTED ESPECIALLY ON YOUNG PEOPLE WHO LEAVE EDUCATION BEFORE COMPLETING SECONDARY SCHOOL. THIS IS A RADICAL NEW CHOICE FOR YOUNG PEOPLE. IT REPRESENTS A NEW APPROACH TO YOUTH TRAINING WHICH, IN TIME, WILL PROVIDE SIGNIFICANT OPPORTUNITIES TO IMPROVE THE LONGER-TERM JOB PROSPECTS OF THE YOUNG UNEMPLOYED.

FURTHERMORE, THE GOVERNMENT WILL BE PROVIDING 85,000 ADDITIONAL TAFE PLACES OVER THE CURRENT TRIENNIUM TO MEET THE GROWING NEEDS OF STUDENTS.

OF COURSE IT IS ONE THING TO HAVE WELL TRAINED PEOPLE, IT IS ANOTHER TO USE THEM MOST EFFECTIVELY.

ESSENTIALLY THAT TASK IS ONE FOR MANAGEMENT - TO PROVIDE PROPER CAPITAL TO WORK WITH; TO DEVELOP INITIATIVE AND FLAIR; AND TO RECOGNISE AND FOSTER TALENT.

BUT GOVERNMENT ALSO HAS A ROLE TO ENSURE THAT THE WORKFORCE IS MOBILE ENOUGH TO BE ABLE TO SHIFT BETWEEN EMPLOYERS, INDUSTRIES OR OCCUPATIONS AS THE NEED ARISES.

THE NEED TO DEVELOP A MORE MOBILE WORKFORCE IS A MAJOR RATIONALE FOR THE EMPHASIS WHICH THE GOVERNMENT HAS PLACED ON IMPROVING VOCATIONAL PREPARATION IN SCHOOLS AND ON OUR

TRAINEESHIP INITIATIVE FOR YOUNG SCHOOL LEAVERS. BUT THIS IS COMPLEMENTED BY AN ADDITIONAL EMPHASIS ON PROGRAMS TO RETRAIN WORKERS WHO HAVE BEEN OUT OF WORK FOR EXTENDED PERIODS.

IN THE LAST BUDGET WE ANNOUNCED THE INTRODUCTION FROM THE BEGINNING OF 1986 OF A NEW INTEGRATED WAGE SUBSIDY PROGRAM. THIS NEW PROGRAM WILL CONSOLIDATE AND RATIONALISE LABOUR MARKET PROGRAMS THAT SEEK TO MAINTAIN AND IMPROVE OUR SKILLS BASE.

ENHANCED LABOUR-MARKET MOBILITY IS ALSO ONE OF THE POORLY UNDERSTOOD BENEFITS OF OUR APPROACH TO OCCUPATIONAL SUPERANNUATION.

THE GOVERNMENT'S AGREEMENT WITH THE ACTU TO PROGRESS THE SPREAD OF OCCUPATIONAL SUPERANNUATION TO THAT HALF OF THE WORKFORCE NOT NOW COVERED - AND IN PARTICULAR TO IMPROVE THE PORTABILITY OF SUPERANNUATION BENEFITS - WILL HELP TO REMOVE ONE OF THE POTENTIAL BARRIERS TO MOVEMENT BETWEEN JOBS OF MANY EXPERIENCED WORKERS. PREVIOUSLY SOME WORKERS COULD HAVE BEEN DISCOURAGED FROM CHANGING JOBS BECAUSE OF THE LOSS OF RETIREMENT BENEFITS WHICH WOULD HAVE RESULTED.

LET ME COMMENT BRIEFLY ON SOME ASPECTS OF THE GOVERNMENT'S APPROACH TO SUPERANNUATION AND ITS LINK WITH THE ACTU'S PRODUCTIVITY - BASED WAGES CLAIM.

FIRST, THE GOVERNMENT'S AGREEMENT WITH THE ACTU CANNOT AND DOES NOT USURP THE PREROGATIVE OF THE CONCILIATION AND ARBITRATION COMMISSION TO DETERMINE, IN THE LAST ANALYSIS, THE SIZE, TIMING AND NATURE OF ANY DIRECT SHARING BY LABOUR IN IMPROVED PRODUCTIVITY.

RATHER THE GOVERNMENT SUPPORTS THE LEGITIMACY OF THE ACTU'S CLAIM TO SHARE IN THE BENEFITS FLOWING FROM THE IMPROVED PRODUCTIVITY IN THE ECONOMY, AND FOR THIS TO BE AVAILABLE IN THE FORM OF SUPERANNUATION. BUT, HAVING SAID THAT, OUR SUPPORT IS ALSO FOR A PAYMENT PACKAGE WHICH RECOGNISES THE OVERRIDING NEEDS OF GENERAL ECONOMIC POLICY FOR MODERATION IN WAGE INCREASES AND INFLATION.

SECOND, THERE IS NO SENSE IN WHICH THE CONDITIONS ATTACHING TO OCCUPATIONAL SUPERANNUATION WILL BE FOISTED UPON THE BUSINESS SECTOR WITHOUT ADEQUATE CONSULTATION.

DRAFT GUIDELINES TO ENSURE THAT SUPERANNUATION IS GENUINE - AND NOT SIMPLY DEFERRED PAY - ARE BEING PREPARED AND WILL BE RELEASED SHORTLY BY THE GOVERNMENT. BUT THEY WILL NOT BE FINALISED UNTIL THE GOVERNMENT HAS HAD THE OPPORTUNITY TO LISTEN TO THE VIEWS OF THE BUSINESS SECTOR AND OTHERS IN THE COMMUNITY. THE TREASURER WILL BE MEETING WITH BUSINESS REPRESENTATIVES ON THIS SUBJECT NEXT WEEK.

FINALLY, LET ME REITERATE THAT THE GOVERNMENT'S POSITION ON INDUSTRIAL DISPUTATION IN SUPPORT OF SUPERANNUATION CLAIMS IS THAT SUCH INDUSTRIAL ACTION IS UNNECESSARY IN TERMS OF OUR AGREEMENT WITH THE ACTU, AND - AS I ANNOUNCED TO THE CAI

LAST WEEK - WE WILL NOT SUPPORT IT.

IF I MAY RETURN TO MY MAIN THEME, ANY BUSINESS KNOWS THAT IT MUST OFFER RELEVANT PRODUCTS IF IT IS TO SURVIVE AND TO EXPAND. THE AUSTRALIAN ECONOMY IS NO DIFFERENT.

AS I SAID EARLIER IN MY ADDRESS THE PRODUCT MIX OF OUR EXPORTS HAS CHANGED SIGNIFICANTLY OVER THE PAST TWENTY FIVE YEARS. THE SHARE OF AGRICULTURAL PRODUCTS IN TOTAL EXPORTS IS NOW ABOUT HALF THE EARLY 1960'S, WITH VIRTUALLY ALL OF THE DIFFERENCE TAKEN UP IN HIGHER EXPORTS OF MINERALS AND METALS.

THE SO-CALLED RESOURCES BOOM OF THE EARLY 1980'S ADDED SUBSTANTIALLY TO OUR EXPORT CAPACITY, AND THE MINING SECTOR HAS CONTRIBUTED IMPORTANTLY TO THE 10 PER CENT GROWTH IN THE VOLUME OF EXPORTS OVER THE YEAR TO THE SEPTEMBER QUARTER.

BUT IN MANY WAYS THE GROWTH SPURT ASSOCIATED WITH THE RESOURCES BOOM SIMPLY POSTPONED THE FUNDAMENTAL ADJUSTMENTS REQUIRED IN AUSTRALIA'S TRADING STRATEGY.

FOR MUCH OF THE POST-WAR PERIOD AUSTRALIA HAS RECEIVED POOR RETURNS ON ITS EXPORTS.

SO POOR, INDEED, THAT THE VOLUME OF EXPORTS WHICH WE NEED TO SELL IN ORDER TO BUY A QUANTITY OF IMPORTS HAS RISEN SLOWLY BUT STEADILY THROUGH TIME.

THIS HAS BEEN A MAJOR FACTOR IN PUTTING PERIODIC UPWARD PRESSURE ON OUR CURRENT ACCOUNT DEFICIT OR, AT TIMES, DOWNWARD PRESSURE ON OUR EXCHANGE RATE.

MOST RECENTLY THAT GENERAL TREND HAS BEEN EXACERBATED BY THE CONJUNCTION OF A NUMBER OF INFLUENCES ON WORLD MARKETS.

MODERN PRODUCTION PROCESSES ARE NOW FAR MORE ECONOMICAL IN THEIR USE OF SOME OF OUR MAJOR EXPORTS, AND CLOSELY RELATED PRODUCTS SUCH AS OIL. THE NATURE OF GOODS DEMANDED IN OUR TRADITIONAL MARKETS IS ALSO CHANGING WITH THE WEALTHIER COUNTRIES PREFERRING A RICHER DIET OF SERVICES AND HIGH-TECH PRODUCTS THAN WAS PREVIOUSLY THE CASE. WE HAVE ALSO SUFFERED FROM REDUCED ACCESS TO SOME MARKETS, ESPECIALLY FOR AGRICULTURAL PRODUCTS. IN ADDITION OTHER COUNTRIES, INCLUDING SOME HEAVILY IN DEBT, HAVE ALSO EXPANDED THE VOLUME WHICH THEY SUPPLY TO THE MARKET, WHICH HAS FURTHER DEPRESSED PRICES.

AS A RESULT THE DIVIDEND FROM THE SO-CALLED RESOURCES BOOM FOR AUSTRALIA'S CURRENT ACCOUNT WAS VERY MUCH LESS, AT THE EXCHANGE RATE RULING IN 1984-85, THAN HAD BEEN EXPECTED.

WHILE OUR PRICES IN WORLD TRADE SEEM LIKELY TO REMAIN DEPRESSED FOR A TIME, WE CANNOT COUNT ON A NEW RESOURCES BOOM TO ADD NEW LIFE TO OUR EXPORTS. BECAUSE WE ARE AMONG THE MOST EFFICIENT SUPPLIERS IN THE WORLD OF OUR TRADITIONAL EXPORTS - AGRICULTURAL COMMODITIES, MINERALS AND METALS - THESE WILL REMAIN THE MAINSTAY OF OUR EXPORT EFFORT. BUT,

FOR THE LATE 1980'S AND INTO THE 1990'S WE WILL NEED TO DO MORE THAN IN THE PAST IN OTHER AREAS - PARTICULARLY IN THE AREAS OF A SUBSTANTIALLY TRANSFORMED MANUFACTURING SECTOR AND THE SERVICES SECTOR.

THE SPREAD OF ADVANCED TECHNOLOGY TO OUR NEAR NEIGHBOURS HAS ADDED A NEW DIMENSION TO THIS ADJUSTMENT PROCESS. IT WILL BE NECESSARY TO CHOOSE OUR AREAS OF SPECIALISATION CAREFULLY AND, AS A NATION, TO TARGET OUR EFFORT WHERE AUSTRALIAN PRODUCERS CAN CARVE OUT A NICHE IN THE WORLD'S MARKET FOR NEW OR BETTER PRODUCTS AND SERVICES.

THAT IS A LARGE TASK. BUT NOT ONE, I BELIEVE, WHICH IS BEYOND US.

FOR A START THE DEPRECIATION OF THE \$A OVER THE PAST YEAR HAS IMPROVED THE COMPETITIVENESS OF AUSTRALIAN INDUSTRY BY ABOUT 20 PER CENT.

AUSTRALIAN FIRMS SHOULD NOW FIND IT VERY MUCH EASIER TO COMPETE ON PRICE AGAINST IMPORTS OR AGAINST FOREIGN SUPPLIERS ON EXPORT MARKETS.

THIS IS THE MAJOR REASON WHY THE GOVERNMENT EXPECTS THE CURRENT ACCOUNT DEFICIT TO IMPROVE OVER THE COURSE OF 1985-86 AND 1986-87.

IT IS SIMPLY INCONCEIVABLE THAT EXISTING PROFITABLE AUSTRALIAN CONCERNS WOULD NOT BE ABLE TO TAKE ADVANTAGE OF SO LARGE A SHIFT IN PRICES IN THEIR FAVOUR TO SELL AT THE EXPENSE OF FOREIGN SUPPLIERS.

BUT THERE IS MORE TO THE GOVERNMENT'S CONFIDENCE THAN THAT FACTOR ALONE.

OUR WHOLE APPROACH TO ECONOMIC POLICY IS DESIGNED TO CREATE THE RIGHT ENVIRONMENT FOR BUSINESSES TO DIVERSIFY INTO NEW AREAS AND EXPAND EXISTING PROFITABLE LINES.

MONETARY POLICY, FISCAL POLICY AND THE ACCORD ARE ABOUT CREATING CERTAINTY FOR BUSINESS: CERTAINTY THAT GROWTH WILL BE MAINTAINED WITHOUT AVOIDABLE INFLATION OR BALANCE OF PAYMENTS CRISES; CERTAINTY THAT BUSINESS PROFITABILITY, HAVING NOW BEEN SO CONVINCINGLY RESTORED TO THE LEVELS OF 15 TO 20 YEARS AGO, WILL NOT BE PLUNDERED BY AN UNTHINKING RESORT TO MASSIVE INDUSTRIAL DISLOCATION OR AN UNREASONABLE ACCELERATION OF WAGE CLAIMS; CERTAINTY THAT THE SIZE OF THE PUBLIC SECTOR WILL BE RESTRAINED AS PRIVATE ACTIVITY EXPANDS; CERTAINTY THAT WE AS A LABOR GOVERNMENT HAVE SOUGHT AND ACHIEVED A MUTUAL UNDERSTANDING AMONGST ALL THE MAJOR ECONOMIC INTEREST GROUPS ABOUT THE TASK AHEAD, AN ENDURING UNDERSTANDING BUILT ON CONSULTATION AND CONSENSUS.

THAT COOPERATIVE APPROACH EXTENDS ALSO TO INDUSTRY POLICY. IT HAS PERMITTED AN UNPRECEDENTED SET OF AGREEMENTS TO BE CONCLUDED IN THE STEEL INDUSTRY. ALTHOUGH THERE WERE SOME WHO SAID THAT IT COULD NEVER BE DONE, THESE AGREEMENTS INCLUDED MEASURES TO RAISE PRODUCTIVITY AND HAVE BEEN A

MAJOR FACTOR IN THE CURRENT ABILITY OF OUR MAJOR STEEL PRODUCER TO RESPOND TO MARKET OPPORTUNITIES AND CAPTURE SALES WHICH IN OTHER PERIODS WOULD HAVE GONE BEGGING.

THE MOTOR VEHICLE PLAN IS ANOTHER EXAMPLE OF OUR POSITIVE APPROACH TO INDUSTRY POLICY.

FURTHER, THE GOVERNMENT HAS TAKEN A NUMBER OF INITIAL STEPS TO REDUCE THE REGULATORY BURDEN ON INDUSTRY, AND WILL CONTINUE TO LOOK AT FURTHER POSSIBLE STEPS. IN THIS REGARD I HAVE RECENTLY ANNOUNCED A NUMBER OF INITIATIVES IN THE AREAS OF FOREIGN INVESTMENT POLICY AND EXPORT CONTROLS, AND LAID OUT AN AGENDA FOR FURTHER REFORM.

I EXPECT THAT THE GOVERNMENT WILL BE RELEASING IN THE NEW YEAR A DRAFT SET OF GUIDELINES TO GOVERN THE OPERATIONS OF COMMONWEALTH STATUTORY AUTHORITIES. THESE GUIDELINES WILL BE INTENDED TO PROMOTE THE MORE EFFICIENT AND MORE EFFECTIVE PROVISION OF SERVICES BY THE PUBLIC SECTOR.

THE REASON FOR OUR INTEREST IN THIS MATTER IS THAT THE SECTORS OF THE ECONOMY ARE INTERCONNECTED AND MUTUALLY DEPENDENT.

JUST LIKE ANY FOOD PREPARATION, ECONOMIC RESULTS CAN ONLY BE AS GOOD AS THE RAW MATERIALS THAT GO INTO PRODUCING THEM AND THE SKILL WITH WHICH THESE ARE COMBINED.

AN INEFFICIENT PUBLIC SECTOR CAN UNQUESTIONABLY DRAG ON THE GROWTH PERFORMANCE OF THE ECONOMY MORE BROADLY.

SO, WHILE WE RECOGNISE THAT CERTAIN GOODS AND SERVICES ARE MOST EXPEDITIOUSLY PROVIDED IN THE PUBLIC SECTOR, WE ALSO RECOGNISE THE NEED TO ENSURE THAT GOODS AND SERVICES ARE DELIVERED EFFICIENTLY.

IN THE SAME WAY, AS A COMMUNITY WE SHOULD CONTINUE TO LOOK AT WAYS TO IMPROVE THE EFFICIENCY OF OUR PRIVATE SECTOR. FOR GENERATIONS, IN THE DISCUSSION OF INDUSTRY POLICY AND APPROPRIATE INDUSTRIAL STRUCTURES IN THIS COUNTRY, PARTICULARLY IN THE CONTEXT OF NEEDING TO CONTAIN THE GROWTH OF OUR CURRENT ACCOUNT DEFICIT, THE REGULATORS INSTINCTIVELY TURNED TO THE GREAT BOOK OF PROTECTION.

COMPETITION TOO STIFF FROM ABROAD? - SLAP ON A TARRIFF. STILL NOT GOOD ENOUGH TO MEET THEIR PRICE? - GO FOR A QUOTA OR TARIFF QUOTA.

NOT ANY LONGER.

WE MUST RECOGNISE THAT CONSUMERS PAY A HIGH PRICE - EQUIVALENT IN THE CASE OF MANUFACTURING, IN 1982-83, TO A TAX OF \$11.2 BILLION ACCORDING TO THE IAC - FOR THE PRIVILEGE OF BUYING AUSTRALIAN WHEN FOREIGNERS CAN PRODUCE SIGNIFICANTLY MORE CHEAPLY.

DOWNSTREAM USERS OF HIGHLY PROTECTED PRODUCTS BEAR THE ADDITIONAL COSTS OF RAW MATERIALS, WHICH REDUCES THEIR

ABILITY TO COMPETE IN WORLD MARKETS. AS A GENERAL PRINCIPLE, THE PREFERENCE OF THIS GOVERNMENT IS TO REDUCE PROTECTION, OVER TIME, AT A PACE DESIGNED TO MINIMIZE ECONOMIC AND SOCIAL DISRUPTION, STARTING WITH THE MOST HIGHLY PROTECTED. INDEED WE ARE PROGRESSIVELY IMPLEMENTING POSITIVE EXPORT- ORIENTED INDUSTRY POLICIES.

ONE OF THE MORE INTERESTING FINDINGS OF SOME WORK PREPARED BY THE OFFICE OF EPAC HAS BEEN THE TENDENCY OVER TIME FOR INVESTMENT TO BE CONCENTRATED RELATIVELY MORE HEAVILY IN LESS PROTECTED SECTORS OF THE AUSTRALIAN ECONOMY.

SUCH AN INVESTMENT ORIENTATION IS TO BE ENCOURAGED.

ONE NOTABLE CHARACTERISTIC OF ANY DEPRECIATION OF THE \$A IS THAT IT IS NON-DISCRIMINATORY - ALL PRODUCERS BECOME MORE COMPETITIVE WITH IMPORTS, IRRESPECTIVE OF THE LEVEL OF PROTECTION ALREADY ENJOYED.

THE NEED TO PURSUE POLICIES WHICH PRESERVE THIS BENEFIT TO DOMESTIC SUPPLIERS GENERALLY IS ONE OF THE MAJOR DRIVING FORCES BEHIND OUR GENERAL MACRO-ECONOMIC STRATEGY.

BUT THE MORE INVESTMENT IS ATTRACTED TO HIGHLY PROTECTED AREAS THE HARDER BECOMES THE TASK IF, SUBSEQUENTLY, IT IS DECIDED TO SEEK TO DIVERT RESOURCES TO MORE OUTWARD-ORIENTED INDUSTRIES BY REDUCING DOMESTIC PROTECTION IN SOME CASES.

LADIES AND GENTLEMEN, THERE ARE THREE OTHER FACTORS BEARING ON OUR ECONOMIC PERFORMANCE WHICH I WOULD LIKE TO DISCUSS BRIEFLY - PROCESSES, MARKETING AND FINANCE.

BY "PROCESSES", OF COURSE, I MEAN TECHNOLOGY. AND THERE IS A WHOLE RANGE TO CHOOSE FROM - HI TECH, NEW TECH AND MORE EFFICIENT OLD TECH - ALMOST MORE "TECHS", INDEED, THAN THE NSW EDUCATION SYSTEM USED TO HAVE.

BUT, WHATEVER IT IS CALLED, THE MEANING IS CLEAR: NEW PRODUCTS; NEW WAYS OF TRANSFORMING RAW MATERIALS OR PROVIDING SERVICES; OR THE MORE RAPID SPREAD OF EXISTING KNOW HOW SO AS TO CAPTURE NEW MARKETS, TO PRODUCE THINGS MORE CHEAPLY OR, TO USE A CLICHE, TO "BUILD THE BETTER MOUSE TRAP".

AUSTRALIA HAS SOME IMPORTANT ADVANTAGES IN RESEARCH AND DEVELOPMENT ACTIVITY. THE EDUCATION SYSTEM PRODUCES CAPABLE RESEARCH WORKERS. THE COST OF R & D IN AUSTRALIA IS NOT HIGH.

IT IS PERHAPS SURPRISING, THEREFORE, THAT WHILE GOVERNMENT FUNDING IS COMMENSURATE WITH OTHER DEVELOPED COUNTRIES, INDUSTRY FUNDING AND PERFORMANCE OF R & D IS SMALL.

BUT THE GOVERNMENT RECOGNISES THE MAGNITUDE OF THE TASK OF IMPROVING THIS EQUATION.

FOR FIVE YEARS FROM 1 JULY THIS YEAR WE WILL PROVIDE A TAX DEDUCTION FOR 150 PER CENT OF EXPENDITURE ON APPLIED

RESEARCH WITHIN AUSTRALIA. AND WE ARE DETERMINED TO IMPROVE THE COORDINATION OF EFFORT BETWEEN THE PRIVATE SECTOR AND PUBLIC BODIES SUCH AS CSIRO AND THE UNIVERSITIES.

AS REGARDS MARKETING, AUSTRALIA'S OFFICIAL MARKETING EFFORT OVERSEAS HAS BEEN RADICALLY OVERHAULED IN RECENT TIMES. WE ARE IN THE PROCESS OF ESTABLISHING THE AUSTRALIAN TRADE COMMISSION - A ONE-STOP SHOP FOR ADVICE AND OTHER GOVERNMENT SERVICES TO EXPORTERS.

FURTHER WE HAVE AN ACTIVE TRADE POLICY SEEKING BOTH LIBERALISATION OF THE GLOBAL TRADING ENVIRONMENT IN AREAS OF INTEREST TO AUSTRALIA, AND INCREASED EMPHASIS IN RESPECT ON BILATERAL TRADING OPPORTUNITIES. THESE INCLUDE, PARTICULARLY, OPPORTUNITIES TO DEVELOP SPECIAL RELATIONSHIPS WITH MAJOR COUNTRIES IN OUR OWN REGION.

FINALLY, IN RESPECT OF MY LAST POINT, FINANCE, THERE SHOULD BE NO NEED FOR ME TO REMIND THIS AUDIENCE OF THE TRANSFORMATION WHICH THE FINANCIAL SECTOR HAS ALREADY UNDERGONE, THE FULL RAMIFICATIONS OF WHICH WILL BE YEARS IN COMING.

AUSTRALIA NEEDS AN EFFICIENT FINANCIAL SECTOR CAPABLE OF ENSURING THAT ADEQUATE RESOURCES ARE AVAILABLE AS CHEAPLY AS POSSIBLE TO THE EFFICIENT ENTERPRISES OF TOMORROW. OUR POLICIES TO PROMOTE COMPETITION IN BANKING AND MORE GENERALLY HAVE PRECISELY THAT END IN VIEW.

LADIES AND GENTLEMEN, AS I SAID EARLIER, THE TWENTY THREE YEARS TO 1983 - FOR ALL THEIR ACKNOWLEDGED ACHIEVEMENTS - HAVE BEEN SOMETHING OF A DISAPPOINTMENT.

WE NOW HAVE THE POLICIES IN PLACE TO ENSURE THAT AUSTRALIA'S PERFORMANCE IN THE NEXT TWENTY FIVE YEARS WILL BE FAR BETTER.

HAPPILY, LONGEVITY RUNS IN MY FAMILY. UNLIKE MY FATHER, I DO NOT EXPECT TO SEE A SECOND HALLEYS COMMET. BUT I DO LOOK FORWARD TO AN INVITATION TO ADDRESS YOU, THOUGH POSSIBLY NOT AS PRIME MINISTER, AT YOUR GOLDEN JUBILEE TO REPORT ON HOW WELL THE FOUNDATIONS FOR GROWTH WERE LAID IN THE TERM OF THIS GOVERNMENT.
