



## PRIME MINISTER

FOR MEDIA

10 APRIL 1989

The Federal Government's goal for Australia's economy is to make it strong enough to compete with the world's best.

Labor inherited a closeted economy denied access to goods and services at world prices, which made consumers worse off, and held back potentially efficient industries. Australian industry was fragile, and uninterested in competing on world markets.

A pre-condition of change was a responsive financial sector, so early priorities were to float the dollar, relax exchange controls, free up the banks and allow new bank entrants. Other early changes included a range of industry plans to revitalise several key industry sectors, and the abolition of State purchasing preferences.

Work in an array of other areas advanced to the point where, on 6 July 1987 at Ballarat, I was able to announce an agenda of twelve areas for microeconomic reform during our third term. Micro-economic reform since July 1987 has been unprecedented in Australia's history, such that all areas I mentioned in Ballarat have been addressed or will be addressed over the coming two months.

The Attachment highlights some of the more important past and foreshadowed microeconomic reforms of this Government, against the background of the commitments we made to specific reforms.

Today, the Minister for Primary Industries and Energy, Mr Kerin, has announced significant legislative change in relation to wheat transport, handling and marketing.

The wheat industry provided \$1.8 billion of exports in 1987-88. While this industry has shown it can respond to change, it can only deal with the difficulties it currently faces on world markets if it is allowed to transport, handle and store its product as efficiently as possible.

This point was recognised by my Government and all States when we jointly established the Royal Commission into Grain Storage, Handling and Transport.

The Royal Commission recommended measures that offer cost savings of up to \$10 per tonne.

While the Commonwealth is implementing those recommendations it can, the lack of general action at State level has been disappointing, even though the States have acknowledged the importance of the problems.

Given the importance of this issue for our national export performance, and to ensure the grain industry can handle and market our grain as efficiently as possible, we are prepared on this occasion to legislate to override restrictive State legislation.

We do not take this step lightly.

We are committed to consultation, not confrontation. In this case there has been extensive, genuine consultation - from the establishment of the Royal Commission, a joint project of ourselves and the States, to the protracted discussions which Mr Kerin has conducted.

On Wednesday night the Treasurer will announce details of the wage/tax trade-off, which will facilitate the most far reaching labour market reform ever attempted in Australia.

On Wednesday, the Minister for Industrial Relations, Mr Morris, will provide details of further Commonwealth support for this process. The Minister for Employment, Education and Training, Mr Dawkins, will announce new measures to improve the effectiveness of our vocational education and training systems to underpin the award restructuring process.

The culmination of considerable work in other areas will be seen in microeconomic reform announcements during May. These will include announcements on coastal shipping, the waterfront, science policy, air freight, defence industry, and a statement about progress in government business enterprise reform, particularly the communications pricing formula to be administered by AUSTEL.

Continuing microeconomic reform is necessary to shape an economy which can deliver durable improvements in the day-to-day lives of Australians - more jobs, more work satisfaction, greater growth, fewer people dependent on welfare and capacity to afford adequate assistance for the truly needy. Micro reform serves, very profoundly, human needs.

While an unprecedented amount has been done, the Government will continue to identify and pursue microeconomic reforms.

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MAIN MICROECONOMIC REFORMS  
TO DATE IN LABOR'S THIRD TERM

A. DURING THE ELECTION CAMPAIGN LABOR FORESHADOWED TARIFF REFORM

Achievement has been as follows:

- . Motor Vehicle tariff reform. Tariff quotas on motor vehicles were removed and tariffs are to be reduced from 57½% to 35% by January 1992.
- . Textiles, clothing and footwear protection reform. Quotas are to be phased out by 1 July 1995 to leave tariff-only protection.
- . General tariff reform. With the exception of the above two industries and a small number of rates that would otherwise have become anomalous, all tariffs above 15% are being reduced to 15%, and those tariffs between 10% and 15% are being reduced to 10%, all over 4 years to July 1992. The general revenue duty of 2% was abolished at a cost of \$240m.
- . May 1988 Agriculture Reforms. Assistance to sugar, dried vine fruit, tobacco and citrus industries was converted to tariff and subject to the same reductions as applied to manufacturing industry and some domestic administered price arrangements were liberalised (eg dairy). Removal of fertiliser subsidy.

B. THE MAIN VEHICLE FOR ANNOUNCING THE IMPORTANCE OF MICRO REFORM IN THE THIRD TERM WAS A SPEECH I MADE AT BALLARAT, ON 6 JULY 1987. I LISTED "TWELVE ITEMS ON THE IMMEDIATE ECONOMIC AGENDA OF A THIRD HAWKE GOVERNMENT" (p.6-9)

The 12 items were as follows:

1. Sweeping reform of the nation's transport infrastructure. Specifically mentioned were:
  - . terminate the two airline agreement, allowing greater competition and lower air fares - announced on 7 October 1987, to take effect on 30 October.
  - . complete the national highway - of the 16,000km, only one small section (75 km) in the Pilbara region remains to be completed.

- . improve performance in the rail freight network, including grain handling - addressed by today's announcements to over-ride restrictive State grain transport regulations, particularly those establishing rail monopolies.
- . improve our performance on the waterfront - to be addressed in May.

In addition

- . the Government liberalised air freight - restrictions on the mix of cargo consignments have been removed, and a large degree of automaticity is now provided in approving charters. These moves have increased air freight capacity, and the policy has attracted a number of new operators.
- . coastal shipping - to be addressed in May.

2. Deregulate crude oil marketing

- . Effective from 1 January 1988 refiners and crude oil producers are able to negotiate freely the quantities and prices of crude oil they buy and sell.

In addition

- . Natural Gas - The Government has terminated the administered pricing formula allowing a more flexible approach to price setting, and relegating export controls to a strictly reserve power.

3. Help treble the size of Australia's high technology computer and communications industry

- . Telecommunications reform package of May 1988 - allows effective competition in the provision of customer premises equipment (eg PABX), value-added services (eg answering machines) and other telecommunications services (eg phone maintenance, installation of second and subsequent phones) through regulatory changes and the establishment of AUSTEL. This latter independent body will subsume Telecom's regulatory functions, so allowing effective competition.

- . Information industries plan - The Government in 1987 established the Partnership for Development program to encourage multinational computer companies to increase their R and D and manufacturing operations in Australia.
4. Ensure spin-offs from the construction in Australia of six new submarines and eight new frigates
- . Significant electronic and software work from the submarines contract awarded to Australian Submarine Corporation has flowed to industry in NSW, Victoria and SA. The total contract value is \$4.3 billion (April 1988 estimate).
  - . Proposals for the Frigate project are currently being evaluated but both tenderers (AMECON and AWS) have offered domestic industry work in excess of that flowing from the submarine project. Over 70 per cent of the total cost of the 8 Australian frigates is expected to be accounted for by Australian content.
5. Encourage gradual amalgamation of trade unions and make necessary reform to the industrial relations system.
- . The Industrial Relations Act 1988 places special emphasis on settling disputes at the workplace level, provides scope for greater flexibility with respect to working arrangements and remuneration, requires unions to increase membership to at least 1000 and facilitates union amalgamation.
6. Steadily continue to eliminate unnecessary business regulation
- . Request and response procedure for review of existing regulations - announced in December 1988, provides for industry-driven regulatory reform.
7. Take further steps to help Australian firms tap export markets
- Particularlry
- . Retain Austrade, and the Export Market Development Grants Scheme - Done (Liberal policy was to abolish the former and slash the latter).

- . Attack protectionism which has corrupted the world's agricultural markets. The Cairns Group's success was reflected over the weekend in Geneva.

8. Further refine our research and development skills

Particularly

- . Create an Australian Research Council - Done.
- . The 150% tax deduction for R and D - to be retained until 1991, when it will be replaced by a 100% deduction.

In addition

- . a Science Policy Statement will be released in May.

9. Continue to encourage the elimination of outdated work and management practices.

- . The Government has actively supported both second tier agreements and award restructuring.
- . To be further advanced by the Treasurer's Statement on Wednesday.

10. Further steps to build value-added processing industries

- . As part of the TCF Plan, incentives for further processing are offered, mainly AIDC equity participation and grants of up to \$800,000 for approved projects. Some 10 new operations are being established in Australia.
- . Under the joint DITAC/AUSTRALIA Investment Promotion Program the Government has encouraged direct investment in early stage processing of wool, cotton skins and hides.

11. Promote further enmeshment of the Australian economy with our dynamic regional neighbours

- . Most recently, I launched a new initiative to ensure greater regional co-operation. The proposal has received wide regional support.

12. Further develop the tourism industry

- . Terminate the two-airline agreement, as already mentioned.
- . Liberalise international passenger charter policy, as of 7 October 1987.
- . Build third runway at Kingsford-Smith Airport and commence work at Badgery's Creek.
- . Award restructuring, which will progress the removal of restrictive work practices in this vital area.

C. OTHER INITIATIVES DURING THIS THIRD TERM

- . Company tax reform. Reduction in company tax rate from 49% to 39% and rationalisation of a range of distorting tax deductions.
- . Establishment of Resource Assessment Commission. Announced in November 1988, to inquire into major, complex land use proposals via public hearings and reports.
- . Reform of Government Business Enterprises (GBEs). Over 40 longstanding controls have been removed from nearly all GBEs, including their right to enter into contracts without Ministerial approval, exemption from processes under the Public Works Committee Act 1969, their ability to invest surplus monies and enter loan contracts without Government approval, the right of the board to dismiss the Chief Executive, the removal of many public service staffing and administrative practices, and their right to establish their own superannuation schemes.

D. MAY ANNOUNCEMENTS

- . Coastal Shipping
- . Waterfront
- . Science
- . A statement on continuing change in defence industries
- . Air Freight arrangements
- . Continuing progress in GBE reform, particularly communications pricing formula to be administered by AUSTEL.