



PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
COMBINED ANNUAL DINNER OF THE
HEAVY ENGINEERING MANUFACTURERS' ASSOCIATION
AND THE
HEAVY ENGINEERING PROJECTS
CORPORATION OF AUSTRALIA
CANBERRA - 4 OCTOBER 1989**

Heavy engineering today is a very different industry from that of just a few years ago.

After the so-called resources boom was found to be largely illusory, despite the feverish overselling of the previous Government, your industry faced up to and confronted a number of deep-seated structural problems that had been swept under the carpet by policy makers far too long: over capacity, restrictive work and management practices, increased import competition in a contracting domestic market.

In short, you confronted a classic, and an urgent, need for industry-wide rationalisation.

The dramatic transformation your industry has wrought, and the manner in which you have achieved it, demonstrate your resilience and the newfound commitment of your management and workers to co-operate in pursuit of essential reform.

Your story also illustrates the Government's uncompromising determination to play its part in revitalising Australian industry.

Let me say at the outset tonight, the Government remains determined to achieve the goal of a restructured, competitive Australian economy and we will look to your industry, as we have in the past, to meet your responsibilities and fulfill your potential in this great national task.

The message has to be clear: reconstruction of the institutions and attitudes of the Australian economy is the essential, the only, path to sustainable prosperity for this nation.

If you're not part of it, you'll be left behind - and, worse still perhaps, you'll act as a drag on the rest of the economy.

I start out with those direct words because your industry faces a particularly critical time ahead.

When I last spoke to your annual dinner in 1984, the Heavy Engineering Adjustment and Development Program was yet to come into being.

It was in July 1986 that we, together, forged a tripartite agreement to develop a long term strategy to rehabilitate the industry - to achieve improvements in the efficiency of this vital industry so you could enhance your local market position and upgrade your competitiveness on export markets.

For our part, we said we would provide assistance for labour retraining and relocation, management enhancement, and concessional finance for capital stock upgrading - conditional upon real progress being made in the removal of restrictive work practices.

We made it clear that this support required a commitment from both management and unions to fundamental reform.

As you know, the heavy engineering plan had its teething problems and, at the start, progress on the crucial work practices issue was slow.

But I think the plan is now generally viewed as having done much to help restructuring in the industry - as have our efforts to abolish discriminatory state purchasing agreements.

Heavy engineering still has a great number of internal and external problems to overcome before it achieves a satisfactory level of efficiency and profitability, but we can look back on this plan as a major contribution to the restructuring that has taken place.

The plan has also brought about what I believe have been some remarkable attitudinal changes in your industry - changes which originated with the formation of consultative management and union groups and which have continued through to the Metal Industry Agreement and the award restructuring process.

These are truly path-breaking developments, whose significance is hard to overstate. Through award restructuring we are achieving real and enduring productivity improvements, and we are doing so in a way that builds trust and confidence in the workplace where before there was too much confrontation.

As you know, my colleague John Button recently announced a new program, the Metal-Based Engineering Program, to focus further assistance on two aspects of the industry that will be vital to your future - identification and exploitation of export markets and adaption to technological change.

This is a \$15 million four year program that recognises the reality: the heavy engineering industry of 1989 is a key strategic industry manufacturing the capital investment goods needed for the development of the Australian economy.

Make no mistake: that development is taking place, and you are playing a central role in it.

In steel, for instance, BHP has five projects, at different stages of completion, involving expected capital outlays in excess of \$600 million, which will not only cater to the domestic market but service niche export markets.

In the smelting and chemicals sectors, four projects (Risdon zinc smelter, Kemerton silicon smelter, Gladstone sodium cyanide/chlorine plant, and the Bunbury titanium dioxide plant), involving total capital outlays of around \$500 million, are all due to come on stream by the end of the year.

The twin staged Bell Bay Wheel Plant, involving expected total capital outlays of \$100 million, will have a strong export focus.

The new Submarine and ANZAC ship projects are underway.

Last - but by no stretch of the imagination least - the North West Shelf Project has generated very considerable work for your industry. As I observed last month in Perth when I attended the inauguration of the LNG Phase of this great project, about three quarters of the \$6 billion already spent on this project has been spent in Australia.

Taken together - and I have not been exhaustive - projects such as these amount to an investment boom in which your industry is and will remain a major participant and from which you will be a major beneficiary.

Having said all that I think we should be realistic about what Australian industry can and cannot do.

We are today witness to an annual increase in business investment of over 15 per cent in real terms in each of the last two years - as a share of GDP, business investment is at record levels. We have industry telling us of \$20 billion in planned investment in major manufacturing projects - across the broad spectrum of industry.

These projects will provide your industry with a base level of demand and the opportunity to develop new skills and techniques which will in the future enhance your ability to compete, both here and overseas, for more specialised work.

But it would be unrealistic to expect that Australian industry would have been able alone to fulfill this dramatically increased demand - or to expect that Government should provide artificial assistance to help local industry do so.

We are looking to you to make a greater contribution to import replacement.

In the meantime, such imports as are necessary contribute to our current account deficit. But when these projects come on stream they will translate into export growth and import replacement, and in so doing help alleviate our external balance problems. For example, the North West Shelf project will yield exports worth up to \$2 billion a year from 1994.

At the same time, heavy engineers in this country are finding new markets for Australian products overseas.

I pay tribute to the active role of HEPCA in promoting Australian involvement overseas through encouraging the formation of suitable consortia of Australian engineers, contractors and manufacturers to bid for major contracts abroad.

I know you have a good number of projects underway and that you are working closely with AUSTRADE on them. I am always pleased, on my own overseas visits, to give what support I can to the efforts of Australian businesses to develop new investment opportunities and I applaud you on the success you are having.

These initiatives show the buoyancy of activity within the heavy engineering industry and they show, too, that Australia is heading in the right direction with the development of a mature export culture.

But let me take up a very serious and important point that emerges most recently, from your latest annual report.

You call there for "a co-ordinated national policy to ensure that the bulk of design, engineering and manufacturing work on major Australian projects is carried out in Australia by Australian companies under licence or in joint venture with overseas technology holders". I note also your criticisms about our recent changes to DIFF and mega-DIFF funding.

One reading of your suggested guidelines covering domestic project work is that you are concerned to ensure that you get a fair go and that you want only to show that your industry can deliver on major construction undertakings. If this is all you are saying then let me assure you that my Government would view very dimly indeed any systematic bias against Australian industry participation in large scale project work.

However, I would be concerned if your strategy of maximising Australian industry involvement, and the suggested licencing system referred to, were to operate as a de facto local content scheme.

Because I would have hoped that if we have learnt anything from our past experience of protectionism and intervention it would be that such policies have failed to foster the development of the sort of outward looking, entrepreneurial and self-sufficient industry Australia needs if we are to make our way in an increasingly integrated world economy.

Artificial guidelines would not in practice help either your industry or the national economy. They would serve more as a serious disincentive to major projects coming to Australia in the first place.

You don't need me to tell you that the best way of building a truly capable domestic industry is not through a resort to some sort of new protectionism but through genuine and open competition in world markets.

Let me just add this point, in the light of three years of the Heavy Engineering Adjustment and Development Program and the current Metal-Based Engineering Program.

These programs were not intended to be open-ended nor were they intended to be substitutes for genuine industry reconstruction.

I have expressed my appreciation of the restructuring that has already taken place in the industry. But I have to say as well that if the industry doesn't take advantage now of the opportunities offered for reform within the stable framework we have provided, then it will find the task that much harder when it has to be performed after existing measures have run their course.

In relation to the recent changes to DIFF funding and administration, your annual report comments that Governments must be mindful of the industry support offered by competitor countries, and must take into account the size of Australia's industrial base and access to and distance from international markets.

You say that to question Australia's export support and encouragement measures on the basis of perceptions of resource allocation or on the basis of what you call "simple cost cutting measures" is "unrealistic and counterproductive".

Let me point out that DIFF funding has increased dramatically from \$16 million to over \$90 million in the past three years. My Government will accommodate DIFF outlays of up to \$100 million in future years. The changes we made to DIFF administration are designed to sharpen its trade and aid performance and to ensure that DIFF funds flow to the most deserving projects.

I think it is important for you to accept that the Government cannot, and in my view should not, attempt to match the concessional finance packages which other countries may make available on a fairly indiscriminate basis to support overseas project work.

This is just the sort of beggar-thy-neighbour attitude that has led to the impasse between the EEC and the US on agricultural support policies.

And again, it runs the danger of cultivating the dependence that has dogged Australian industry for too long and that we are trying so hard to shake off.

My Government has done more than any other before it to encourage the development of an export culture in this country.

Eventually, however, industry must identify its strengths and look to markets and activities where they can go it alone.

On a more general level, my Government is doing all that it can to promote the trading performance of Australian industry. On the world stage, we are vigorously promoting policies aimed at securing an open, liberalised, international trading system. In my Government's view, such a system will best enable us to fully develop our resources - by their primary, mineral, manufacturing, or services.

Australian industry is today less inclined to view the prospect of greater trade exposure as a threat to be resisted and more as an opportunity for growth and diversification. If we are to succeed there is a need for industry to respond flexibly to global market developments and to demonstrate a willingness to adapt to the rapid pace of technological change.

In this regard I am encouraged by the obvious change in outlook in your industry and the instrumental role played by both HEMA and HEPCA in bringing about this change.

Ladies and gentlemen,

There is, as is perhaps inevitable in this great endeavour of national economic reconstruction on which we are jointly engaged, one further challenge that awaits us.

Last week the ACTU held its Biennial Congress in Sydney.

That Congress considered a report posing the question, Can Unions Survive?

And it endorsed, with support across the spectrum of the union movement, a sweeping plan for reform for the Australian trade union movement and for the Australian economy.

The key element of the plan is the creation of fewer, larger and better unions. Bill Kelty has said he wants to reduce the number of unions in the ACTU from 308 to 20.

With this plan the ACTU is declaring its commitment to ensuring the Australian economy continues to grow in competitiveness, efficiency and quality, by removing one of the deep structural inefficiencies of our economy.

I hope this message was not lost on your organisations or on the employers and companies you represent.

This audience will need no reminding about the significant role that the trade union movement has already played in the crucial task of national economic reconstruction.

The transformation that has taken place in heavy engineering matches the transformation that has taken place in the economy as a whole.

That transformation has not been an easy one and it is certainly not one that can be described as complete.

However the achievements are real:

- the creation of 1.5 million jobs;
- significant improvements in the social wage;
- and the undertaking of sweeping workplace reforms such as award restructuring.

The Accord between the trade union movement and the Federal Government has been a critical instrument in the achievement of these goals.

I do not wish in any way to understate the significance of the contribution made by employers, individually and collectively, or by the wider community.

But the significance of the last ACTU Congress is that the trade union movement has shown its readiness to embark on a new phase of economic reconstruction in this country.

This blueprint for sweeping change in the structures and attitudes of the union movement will ensure the survival of the trade union movement as a relevant and constructive player into the next century.

Employers - in your industry and throughout the economy - should recognise that an unparalleled opportunity now exists to assist and support this task and to ensure thereby the continued force and strength of Australian industry.

The deliberate and determined reduction in the number of unions can only provide a massive assistance to both employers and employees by reducing the number of demarcation disputes and negotiation difficulties.

Ladies and gentlemen,

I congratulate you on the tangible progress your industry has made over the last few years. But there is still room for improvement in work and management practices and in enhancing our skills base and technological capabilities. We cannot afford to become complacent or to ignore the challenges of the increasingly competitive environment confronting Australian industry.

I am confident that your industry realises what it will take to succeed and will shoulder its responsibilities in shaping its own destiny and so contribute to reshaping Australian industry.
