



PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
'THE MARCH STATEMENT - WHAT IT MEANS'
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The Australian Financial Review is to be congratulated for arranging this seminar, and this impressive list of speakers, to examine the Statement I delivered to Parliament six days ago: Building a Competitive Australia.

Before entering into the main subject matter let me briefly express my best wishes to Peter Robinson who recently announced his retirement. Peter has been an able Chairman of the many Financial Review seminars I have addressed, and has played a leading role in shaping Australian business journalism over the decades. He leaves a newspaper and a profession which are both considerably stronger for his contribution to them.

Country race meetings are a fascinating feature of Australia life. They can tell us a lot about ourselves. At one such meeting a punter walked up to the bookie who was fielding on a three horse race. He asked for \$5,000 on Blue Vein. The bookie accepted the bet and after shoving the cash in his bag, grinned and said "Thanks mate, that's my horse." To which the punter replied: "Going to be a bloody slow race isn't it, I own the other two."

And that really captures the truth of protectionist Australia. People kidded themselves, did deals, cheated and believed that they were winners but it was indeed a terribly slowly run race. And it was a race in which inevitably we fell behind in an increasingly competitive world.

When my Government was elected in March 1983 I decided it was time to call in the stewards. And we have been tightening and toughening the rules ever since. The 12 March Statement was another decisive step in taking Australia out of the era of cosy delusion and further towards a stance and structure of tough international competitiveness.

You have asked me today to speak about 'Policy Changes and Objectives' and I will do so - but in reverse order. To understand the specific announcements I made and to perceive their complex interrelationships, it is necessary to be clear about the purpose of it all - the objectives we are pursuing. Worthwhile policy change can only be derived from, and driven by, clearly stated objectives.

I alluded to these objectives within the Statement itself, when I described the kind of Australia we wish to build - a modern, growing, prosperous and competitive economy, within a tolerant and fair society; a nation where quality of life counts for as much as quantity of output; an outward-looking community, enmeshed with the dynamism of the Asia Pacific region, and capable of taking on the best the world has to offer - and winning.

These are not, as I said on Tuesday, short term goals or transitory values. But they are not remote from day to day experience either - indeed, they are intrinsically related to the hopes that we all entertain, and the expectations that each one of us holds, as Australians, and the opportunities this country can offer.

It is only within such an Australia that opportunities can be provided for those capable of contributing to the national wealth; that support can be provided through social justice programs to those whose disadvantage prevents them from so contributing; and that protection can be provided for the natural environment so that we can pass it on in a healthy state to the next generation.

To achieve those goals we need first, sustained growth in the material resources of the nation; and second, mechanisms for the efficient deployment of these resources to the various demands we may place on them.

And the master key to it all - the route which leads directly to this goal - is the basic need, to quote the title of my Statement, to build a competitive Australia.

It will be obvious to you all that Australia today is only part way through the massive national transformation that was necessary to ensure we can achieve these goals.

At the same time, it must be accepted that many of the fundamental reforms necessary are, though not complete, well underway.

Understandably, there is some sense of impatience about the time this transformation takes to bear all its fruit.

As the political leader of the community, I have the responsibility of responding. And I do so, not by saying that the transformation will be complete at some specific point in the future - such as the mid-1990s or the end of this century; change is, in fact, an endless process.

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This is because we live in a world of endless change and we need to learn the habit of adaptation so that we can constantly attune ourselves to changing circumstances.

And never let us overlook the fact that Australia started this transformation a long way behind square one.

Australia is richly endowed - first our agriculture and then our mining industries provided the basis for a standard of living that was the envy of the world.

As a result the process of wealth creation came to be seen to have more to do with the largesse of nature than with the toil of people. Nature's bounty was so remarkable and so consistently good that it shaped our national character and institutions in fundamental ways. Australian's faith in that inevitable bounty became immortalised as 'she'll be right mate'. Australians developed skills more in dividing the spoils than in securing spoils for division. Our manufacturing industries came to look to government for protection from the world, and our industrial relations became poisoned by confrontation as worker battled with employer over their share of a cake that was not growing sufficiently fast to accommodate all their demands on it.

These attitudes were reinforced and entrenched by a long period of largely uninterrupted and entrenching rule when governments were too short-sighted to realise that Australia couldn't be the 'lucky country' forever. They simply put off the task of preparing for change. They put it in the 'too hard basket'.

Today, those postponed challenges have well and truly arrived. Other countries, including in our region, are developing highly competitive mining industries. Agricultural trade has been thoroughly corrupted by the destructive subsidies of the EEC and the retaliatory actions of the US. As the twentieth century draws to a close wealth creation is now clearly associated, not with the cultivation and extraction of natural resources, but with the exercise of ingenuity - with resource-poor Japan being the great proof of that.

Our objective, then, must be to achieve the kind of fundamental changes that allow us at last to meet those challenges and to adapt to this new and more competitive world.

The policy changes I announced in the Parliament last Tuesday constituted another instalment, and a significant one, in our continuing progress towards this objective.

And in turning now to the content of the Statement, I would first caution against any analysis which fails to put the specific policy changes I announced into their complete context.

Certainly, each of the measures is significant in itself. But they must be related to each other and, beyond the immediate parameters of the Statement, to our continuing reform activities in other fields.

In the Special Premiers Conferences, our three year waterfront reform program, our shipping reforms, our historic opening up of telecommunications and domestic aviation, the massive changes taking place in award restructuring and union amalgamation, our continuing expansion of training and re-training, our long-standing commitment to ecologically sustainable development and our continued improvement of social justice in Australia - in all these fields, that is across the broadest front of reform, we are achieving, and will continue to press for, dynamic and fundamental restructuring of both the institutions of Australian economic and social life, and of the attitudes Australians bring to them.

And, specifically on the Special Premiers Conferences, let me point to the very substantial amount of work being prepared for our May meeting.

Last October, the Premiers and I established working groups of State and Commonwealth officials to prepare reports on: regulatory reform, road transport, rail freight, Government trading enterprises, non-bank financial institutions, and electricity generation. These reports will create the momentum for reform in each of these areas for the remainder of 1991.

So as Prime Minister I can give you this double assurance. Where reform can be achieved through the exercise of Commonwealth power alone, we will achieve it - as we are doing in reforming work practices on the waterfront. And where reform requires the co-operative endeavour of the Commonwealth and the States, we are doing all we can to secure that co-operation - as we are doing in the case of each of these working parties.

In all of these reforms, competitiveness is the key. A critical element in building competitiveness is the reduction, where possible, of the cost burdens imposed on business. Cutting tariffs is one essential reform Australia needed to make in order to reduce these burdens.

As I said in detail at the National Press Club on Wednesday, tariffs penalise competitive, outward looking, export industries to nurture uncompetitive, inward looking, domestically-oriented industries. But tariff reductions will not, of themselves, foster the growth of newly competitive enterprises. Much more needs to be done and we have set about doing it.

That is why, for example, we have set about promoting improved efficiency in those sectors of the economy which, although not themselves directly competing on international markets, provide important inputs for those that do:

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chiefly our services industries and, particularly, transport. We have recognised and accepted this challenge.

I was pleased to be able to report on the Conaust agreement last Tuesday, an important step in our three year program of waterfront reform. The acceptance of this agreement by the Waterfront Industries Reform Authority will see new agreements in place for 80 per cent of our waterfront traffic. We are determined to ensure that coverage is complete within the timetable we have laid down.

Reform of land transport has to proceed in concert with the States and has to deal simultaneously with road and rail to ensure that relative prices to users of the two modes properly reflect costs and encourage efficient use of resources. Our land transport strategy being pursued through the Special Premiers' Conferences will shortly see the establishment of a National Rail Freight Corporation and the institution of nationally based regulation and charging for road use.

But in all this we did not accept the argument that tariff cuts had to be delayed until we were further down the path of microeconomic reform. That would have been to ignore the unassailable case that tariff cuts in themselves directly and massively promote competitiveness through lower business costs.

At the same time, we have reduced business costs through our taxation measures. Taxation affects business costs in a variety of ways: directly, in the prices of inputs, and indirectly, through the deductions allowed against revenue in defining profit for the purposes of the Tax Act. Measures in my statement addressed both these issues, further widening exemptions from sales tax allowed to inputs to production, and radically reforming the depreciation provisions of the Tax Act. These measures build on our earlier reforms that significantly reduced the burden of tax on business, and the distortions it can create, through reducing the corporate tax rate to 39 per cent and introducing tax imputation.

Finally, though not insignificantly, we have put Australia on a low-inflation path - thanks in large part to the wage restraint practised by the trade union movement under the Accord. We now have a rate of inflation lower, at 6.9%, than the OECD average - and trending lower. Lower inflation means lower interest rates and less pressure on business costs; and lower business input costs, through tariff and taxation cuts, means in turn less pressure on inflation.

Competitiveness is created not just in the accounts of businesses - though that is clearly an important aspect. Competitiveness requires attitudinal change on the part of all Australians, throughout the economy.

The experience of the world's most successful wealth creating countries teaches us we must become a clever country.

Our researchers must be encouraged; our educational system must function as well as possible; our students must be able to take the fullest advantage of their talents; all our workers must have access to training and be encouraged to participate fully in the labour market.

These have been high priorities for this Government. On Tuesday I announced the award of the first fifteen grants under the Cooperative Research Centres program; indefinite extension of the tax deduction for research and development at 125 per cent; measures to improve the quality of schools and provide more post-graduate awards; provision of resources to help maintain apprentice numbers through the recession; and assistance, through work experience programs, to the longer term unemployed to equip themselves to return to employment.

In an important sense all these elements of competitiveness come together in the workplace itself. If the activity that goes on there doesn't pick up and carry through the building of a competitive Australia, all the other measures will have been in vain. My Government has, from its earliest days, recognised the vital importance of a cooperative and creative relationship between workers and employers and has worked to overcome the destructive atmosphere of confrontation that was the legacy of the years of conservative rule.

My Statement announced further support for the processes of union rationalisation and workplace reform which are essential to the creation of an industrial relations system that will contribute to building a competitive Australia.

But it went much further, recognising that we must compare ourselves with the best in the world and strive to emulate them. I was pleased to accept the Business Council's suggestion for a project to provide international benchmarks for the operations of our major public sector enterprises and especially gratified that John Prescott accepted our invitation to chair the board that will oversee our new workplace culture program.

Let me come finally to the area that is, paradoxically, at the greatest distance from, and at the very heart of, the process of building a competitive Australia: our social policies. A more competitive Australia will better provide the resources to enable us to continue to provide an adequate social safety net.

And part of our achievement has been to focus a greater quantity of public resources on assisting those in real need within a budget that is leaner and, through our successive surpluses, making a smaller demand on national savings.

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In the same way, we have made enduring and absolutely essential decisions in regard to the preservation of our natural environment, but we have done so within an economy that has generated 1.5 million new jobs. And, with the processes of ecologically sustainable development, we are seeking to establish a way to resolve competing demands on our precious natural heritage.

The aspiration to live in a fair and prosperous society, the desire to pass on to our children a rich and sustainable environment, are surely fundamental values. They should be values embraced by all of us.

In this fundamental sense, building a competitive Australia is synonymous with building a better Australia. It is for this deep yet simple reason that the challenges I outlined last Tuesday are so vital, and it is why we must all, as Governments, workers, employers and consumers, accept the responsibility of meeting those challenges.

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