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# PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER  
AUSTRALIAN CHAMBER OF MANUFACTURES  
(VICTORIAN DIVISION)  
MELBOURNE - 19 SEPTEMBER 1991**

Mr Latta  
Premier Kirner  
Distinguished Guests  
Ladies and Gentlemen

It is a pleasure to be invited to address your Annual Dinner - especially one with the theme 'helping Australians to make it'. That phrase is one way of describing our aim in government, a way of describing why we have brought about fundamental and far-reaching reforms in the economy. And I believe it is a way of describing what we all want for the Australian people.

I would put it a little more strongly. We not only want to help Australians make it - we want Australians to make it better.

To do that we must have an economy that is internationally competitive, one that is export driven. We cannot have that, and we cannot compete with imports with an economy that hides behind tariff walls.

We cannot and will not have a private sector dependent on policy handouts from the public sector. We must have and will have companies which are strong and self sustaining, that provide real jobs and real profits, because that is the only way Australians will make it, in an increasingly tough and competitive world.

That, of course, is not to say my Government will stand idly by. We are helping, and will continue to do so. We are intent on creating the framework for Australian firms to compete. We are removing the impediments to investment and development. We have reformed the tax system as it relates to business, and continue to reform it. We are providing specific, targeted help to ease the transition of some industries to a more competitive environment.

This Government's objective in industry policy has been to build a more competitive Australia. That is the yardstick by which we have judged, and will continue to judge, policy proposals that come before us.

There is an important distinction to be drawn between policies that stimulate and facilitate the growth of self-sustaining new industries, that rejuvenate old ones, and policies that bring into existence industries whose viability is dependent on special treatment by Government.

In our years in Government we have put in place various policies of the former kind, and will continue to give careful consideration to the merits of any serious new proposals of this kind put before us.

Policies of the latter kind have not only failed to bring about worthwhile change but have actually held back the development of competitive industries. We have been eliminating the obstacles to growth these policies represent and will continue to do so.

Ladies and gentlemen

In the twenty-first century Australia will not be able to look for special favours from special relationships as we have thought we could do in the past. We have to stand on our own two feet, use our head and our hands, to think and to produce, if we are going to make it.

We cannot allow our historic reliance on the export of unprocessed primary products to persist. We must break the cycle of a slump in commodity prices being followed by a slump in our economy. We must not and cannot as a nation be hostage to the fluctuations of commodity prices. We have to create in this country an efficient, innovative and competitive economic culture - one that adds value to our great national resources of products and people.

Look around the world today and you will not find another country which has a greater potential, and greater opportunities than Australia located, as we are, in the fastest growing and most dynamic region of the world, the Asia-Pacific region. Indeed I maintain that no other country in the world has the unique combination of our people, our natural resources, and our economic and political freedoms.

What we have to do, not sometime into the twenty first century, but here and now, is complete the work of updating and revitalizing the economic framework. We have to remove the impediments that prevent us becoming efficient and competitive.

Ladies and gentlemen, it is very easy for us all to get caught up in the day to day issues, whether you are in government, or in business. We can be easily distracted by this week's figures, or by what someone says about them.

But something very important, very fundamental has happened to the economy of this country over the past 8 years.

The Australian economy has been transformed, and we are beginning to see the scores on the board. There is still a long way to go, but restructuring is not just being talked about, it is being achieved - and the manufacturing sector has been in the forefront of that achievement.

Over the eight year period to 1990-91 the value of exports of non-metal manufactures - covering machinery, transport equipment and other elaborately transformed items - has increased by 220 per cent, involving growth in volumes of 149 per cent. Over the last two financial years the volume of these exports has grown by an astonishing 57 per cent.

In 1990-91 manufacturing exports increased in real terms by 26 per cent. In 1990-91 the share of manufacturing exports in total exports was 18 per cent compared with 12 per cent in 1982-83.

Between 1985 and 1989 - at the same time that we were taking the first steps to wind back protection - manufacturing employment in Australia actually rose by 9 per cent, nine times the OECD average of 1 per cent.

The result has been a dramatically improved Balance of Payments - the balance on goods and services is forecast to be in surplus in 1991-92 for the first time in over ten years.

Ladies and gentlemen, manufactured exports exceeded rural exports for the first time in December 1990. I know this in part reflects the impact of the downturn in commodity prices, but I also believe this - it marks a turning point in the kind of economy we have, and must have in the future.

This process of fundamental change has been accelerated by what has been achieved so far in 1991, this unprecedented year of economic reform.

As I said at the Financial Review dinner, the night after the Budget, 1991 is "the year of the most substantial and far-reaching reforms, not just in the life of this Government, but in the entire post war era." I challenged anyone then to show me a year of more fundamental change, and no one could. That is because no one can - 1991 is the touchstone of economic change in this country.

1991 has been a year of exciting and rapid change all over the world, and it is easy to forget how far, and how fast we have come.

It is just six months since the March Economic Statement, where further tariff cuts for both general manufacturing and the passenger motor vehicle and textile, clothing and footwear industries were introduced.

But we have not simply left industry to sink or swim. We have put in place incentives to increase industry's research effort, including the Co-operative Research Centre Program and the indefinite continuation of the R&D tax concession at 125%

And we are encouraging industry to adopt the latest technologies through the Advanced Manufacturing Technology Development Program. We have introduced a program of international performance benchmarking - Best Practice - to encourage companies to compare themselves with the world's best.

Importantly, we also widened the exemptions from sales tax for business inputs which will further increase competitiveness.

We also announced in the March Statement our intention to introduce a definition of effective life for depreciation purposes into the Tax Act. The technical complexities of this change have caused it to take longer than we would have liked, but the Treasurer John Kerin has moved to accelerate the process and intends making an announcement of the detail of the proposed changes in the very near future.

The second part of the 1991 reform package was the Special Premiers Conference in July.

Central to the reshaping of the economy for the twenty first century is the reshaping of the relationship between the Commonwealth and the States. To compete internationally, we must think and act as a diverse but single nation, not a gaggle of uncoordinated states and territories with different rules and regulations.

Reform of transport and electricity supply are vital to business, and have been among the first fruits of the Special Premiers Conference, but further reform of our infrastructure is in progress.

Here I mention waterfront reform because the benefits of this long and complex process will soon flow through to export oriented manufacturers.

The Waterfront Industry Reform Authority have already approved the exit of 1400 workers from the industry and anticipate that by the end of this month that figure will have climbed to 2200. By December 1992, when the reform process is completed 3000 workers are expected to have left the industry as direct consequence of reform from an initial workforce of 9000.

The cornerstone of the reform is the move away from the system of industry-wide employment to one that is company based. This is making possible the negotiation of enterprise based agreements. It is estimated that these will give productivity gains of up to 60 per cent, and indeed 70 percent in smaller ports and in grain handling.

In rail reform, the Commonwealth will become an initial equity partner in the National Rail Corporation at a cost of more than \$260 million over the next four years. The Corporation is being established on a strictly commercial basis and is projected to turn a profit by 1994-95.

Business will no longer have to deal with five separate loss-making rail systems - instead, a single, commercially-based company will be responsible for interstate rail freight with a network extending from Brisbane to Perth.

In road transport we will establish a national heavy vehicle registration, regulation and charging scheme. With the States we will set up a National Road Transport Commission to regulate heavy vehicles on a nationally uniform basis.

In regard to electricity we will establish a National Grid Management Council which will deliver a more rational use of the nation's resources, and through a more efficient and national approach to future generating capacity will provide electricity cheaper than it otherwise would have been - with clear benefits for the cost structures of all Australian industries.

It is absolutely stupid that in Australia we should have 6 different sets of regulations and standards in packaging, emissions into the environment, health, motor vehicles and other areas with which business must comply.

Australia is over-regulated - and if we did not do something about it we would have had more barriers to free trade in our single nation next year than would the twelve member nations of the European Community.

From January 1, 1993 we have agreed that regulations and standards covering goods and occupations in each jurisdiction will be recognised in each of the others.

Those words represent a genuinely historic breakthrough in Commonwealth/State relations and in the task of creating a unified and competitive Australian economy.

Last month's Budget also advanced our micro reform agenda.

Ladies and gentlemen, if Australia is to have an internationally competitive economy Australians must be better trained and better educated. We must improve the skill level of our workforce - we must improve apprentice and trainee intakes, and enhance labour market assistance to the unemployed.

As we come out of this recession we must have the skilled workforce to take up employment. That is why we have, in this year alone, increased expenditure on labour market and training programs by 50 per cent in real terms. And in addition about \$420 million has been allocated to TAFE including \$40 million in 1991-92 for extra TAFE places.

Another important initiative is the Small to Medium Enterprise Development Program which will run for three years at a cost of \$14 million.

A key element of this program is the new export development initiative for small and medium enterprises to be administered by the Australian Chamber of Manufactures with the support and involvement of other major national industry associations.

Ladies and gentlemen, as we look ahead to the twenty first century it is quite obvious that Australia will have a significantly older population.

An ageing population will impact directly on your businesses. Will there be enough people young enough to do the work? How will a reduced working population support an increasingly aged one? We have to act now, not only in the interest of social justice, but in the interest of your future.

That is why we announced in the Budget our intention to legislate for the phased implementation of a minimum level of employer superannuation support of 9% by the year 2000.

In addition to ensuring we have the capacity to meet the needs of an ageing population, superannuation provides a pool of national savings that will help fund the investment we will need to keep up the pace of restructuring our economy.

The Government appreciates the apprehension many of you may feel about the impact this initiative might have on your businesses. That is why it will be phased in over nine years, 1992 to the year 2000. That is why we intend to cushion the impact on smaller businesses by adopting an initial target of 3 rather than 5 per cent.

Some have sought to portray this reform as an additional cost impost on employers. This view is without justification. Everyone, including the trade union movement, recognises that it constitutes an improvement in conditions of employment, and it has been agreed that it will be taken into account in future wage negotiations under the Accord.

Ladies and gentlemen

In addition to contributing to our reform agenda, the Budget has, of course, played its more traditional role of establishing the appropriate settings for macro economic policy.

In particular we have been at pains to protect the structural integrity of the Budget to ensure that the public sector once again contributes to national savings as the recovery lifts Government revenues and reduces outlays.

The Budget forecasts show a steady, moderately paced recovery of a kind we will be able to sustain. The forecasts include:

- 3 per cent inflation rate and a drop in the current account deficit to around \$14 billion or 3.5 per cent of GDP in 1991-92, from \$22.3 billion or 6 per cent of GDP in 1989-90
- exports to grow by 5.25 per cent while imports will remain subdued. Growth is coming from net exports - which is a sign that the structural change in the economy is beginning to work for us.

Ladies and gentlemen

Australia is, for the first time in a generation, a low inflation country. Australia's inflation rate, at 3.4 per cent, now stands below the 4.3 per cent average of our major trading partners in the OECD.

More importantly, for the first time in a generation, we have the opportunity to make this situation permanent.

The continuing success of our wages policy will be crucial to achieving this objective. It is firmly based on two complementary and equally vital elements.

First we have the commitment of the trade union movement, to secure a wages outcome in the order of 5% this year. In future years they have agreed to work with us towards wage outcomes consistent with keeping Australia's inflation rate at levels comparable with those of our major trading partners.

Second, we are seeking to achieve greater flexibility and decentralisation in the wages system. Through productivity based workplace bargaining, we can reduce real unit labour costs and lift living standards.

It is unreasonable and inequitable to expect further reductions in real unit labour costs to be driven by reductions in workers' living standards.

The enhanced flexibility we are working to achieve in the wages system offers the opportunity for management and workers to achieve mutual benefit by co-operating in the common objective of making their enterprises perform better.

The signs are that the recession has bottomed and that the recovery has commenced.

That most valuable - if intangible economic indicator, confidence - is making a come-back, not least here in Melbourne.

The announcement of the \$420 million Toyota Engine Plant to be built in Altona, following the opening of Melbourne Central, is a wonderful example of confidence in action.

In welcoming the Toyota project to Melbourne, I think you would all join with me in paying a special tribute to one man, who convinced Head Office that this was the right place, and the right time: Toyota's Chief Executive, Robert Johnston.

Over a wide range, key indicators are on the upswing.

- . the Westpac/CAI survey of industrial trends indicated that new manufacturing orders in the coming quarter would be the best since 1989
- . manufacturing industry inflation expectations for the December quarter are the lowest on record
- . housing statistics confirm a pick-up in housing starts. The recent cuts in interest rates will consolidate this recovery
- . Despite a slight fall-back in the last two months, the index of consumer confidence has risen by 30% since the February trough
- . recent retail trade statistics suggest that spending is beginning to pick up
- . consumer inflation expectations in the September quarter are down to 4% from 6.1% in the June quarter, after having been above 10% through the 1980's



- there is clear evidence that the rundown of stocks has slowed.

Ladies and gentlemen, I have gone into some detail about how the government is creating the climate, the framework for the revitalization of Australian industry and the reform of the Australian economy.

That action is the kind that government could and should take. It looks to the future, it looks to the structure of the economy. It is of direct benefit to industry.

But we need to be careful in how the Government intervenes in the economy. We must not repeat the mistakes of the past, where a few industries were protected at the expense of the development of the rest.

There are times when it is appropriate for government to act to help a particular industry, as we have done with the steel industry, pharmaceuticals, information technology and aerospace. But we must avoid the trap of creating industries that will never stand on their own feet, and continually demand ever bigger subsidies.

We are about removing obstacles to investment and development. But we are not going to abandon our responsibilities to the environment and to aborigines - nor do I believe you would expect that of us.

We want development, but it must be ecologically sustainable development. We are committed to reducing duplication and inefficiency in environmental assessment and protection processes, but it is no time to be lessening our environmental responsibilities, standards or controls.

Achieving an internationally competitive, ecologically sustainable Australian economy is the responsibility of business as much as the Government.

Government can set the framework, but it is up to you, who make decisions about the what happens on the factory floor - about where the factory floor is - about what the factory puts into our land and air - to play your part.

The great task ahead of us, drawing upon our unique national strengths and characteristics, is to create an internationally competitive outward-looking economy which encourages and enables our ongoing program of economic, environmental and social justice.

This is the challenge. It is one that I accept, and my Government accepts. It is a challenge that the Australian people through their steadfastness and farsightedness through these difficult times, have accepted.

But it is a challenge in which business must continue to play an important part. You must - we all must - think and act on a larger and more imaginative time frame than the next financial year.

What we do, what we make and what we sell must be seen in the context of a world which won't do us any favours - but will buy when we produce our best. I am certain that with the advantages we enjoy, with confidence in ourselves and commitment to one another, Australians will make it because we will make it better.

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