



PRIME MINISTER

EMBARGO: AGAINST DELIVERY (8.15PM)

SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING MP

CEDA SYMPOSIUM, MELBOURNE, 3 AUGUST 1992

Ladies and Gentlemen, many of you here tonight will have heard me go through my paces as Treasurer many times.

I can still do a passingly good imitation of a Treasurer when I'm asked.

But these days I prefer to leave that thankless task to John Dawkins.

Tonight I thought I might stand back a bit and outline what we see as great possibilities for Australia in the future.

I want to talk about the philosophy of the Government, our ideas and priorities.

I'm told there's a rumour going round that the government is run by fanatics, pointy-heads and zealots.

Those who have observed us over the years - as you have - will know this is a long way from the truth.

These people do exist, it is true - but they are not our people.

And, contrary to another related rumour, we have never been of the New Right view that the way to economic success is through a mixture of rationalisation and hope - and only a hope that new competitive industries will miraculously rise to replace the old inefficient ones.

We are wiser than that. We take the view that there is a role for government - to clear the decks for business to create a market and sometimes where appropriate do business with business.

We believe in competitiveness. It has been the linchpin, the guiding philosophy and the one great goal since we came to office nearly a decade ago. And it remains so.

You and we both know that an economically competitive Australia is the only Australia which can survive as a healthy social democracy into the twenty-first century.

As a Labor Party whose primary commitment is always to a healthy social democracy, we have taken the business of competitiveness more seriously perhaps than the conservative parties were ever able to.

Indeed it is an irony that it took a Labor Government to give Australia an open market economy.

For us economic policy is the servant of a greater goal - which is a prosperous society, but, more than that, a fair and just society.

I think that is why we took up the task of restructuring, renovating and radically reforming the Australian economy when the Opposition, over seven years, had failed to.

For us, nothing we wanted to do could be done without it.

We could not think of social reform without facing the fact of economic reform.

You should remember that, I think - as all Australians should: strange as it may have seemed at the time to both Labor and conservative observers, we grabbed the initiative on these changes for the same reason that Labor has always grabbed the initiative - they were necessary to realising our traditional ambitions for Australia.

I say you should remember it because there is an immutable lesson there - that is, if you want to see the necessary change in this country, Labor is your best, if not your only, bet.

We have a much bigger incentive. Change is our reason for being. Change is our business.

Our opponents might do a bit of this and a bit of that - they will do some slashing and some burning and you can be fairly sure that they'll do a lot of hoping.

But you can't be sure they'll follow through.

And they won't take the country with them.

What they will do is alienate a lot of people and a lot of important organisations.

They'll raise the temperature of industrial relations, for instance.

Some of you might not like trade unions.

Some of you might not like environmentalists either.

That I do not share that view is not the point.

The point is that, if you weigh the record, you'll see that it's better to come to terms with them, better to show a bit of subtlety, a bit of give and take, a bit of understanding, than to trigger guerilla warfare across the country.

Not just a bit better - fundamentally better, more profitable and productive.

The consensus approach has accelerated reform, and not as our opponents assert, retarded it. Many of the things that have been achieved would never have been achieved by their confrontationist methods.

The fundamental improvements in our industrial relations system which have seen strikes reduced to their lowest level for 30 years, wages at competitive levels, a decade of growth and now inflation reduced to an historic low, simply would not have been achieved by the policies of our opponents.

Rancour is not a creative condition. We've got a lot of it out of the system - out of the most important relationship in the economy, the workplace relationship.

And, as you know, we're still pushing towards a more rational, effective and competitive workplace.

To take just a couple of examples:

- in shipping, in the last three years crew sizes have fallen by a quarter, to equal the average crewing for OECD ships visiting Australia. As a result ship owners have spent nearly \$2 billion on 28 new ships - about a third of the fleet.
- on the waterfront, by October this year the stevedoring workforce will be half of what it was three years ago. Our reforms have doubled the number of containers handled per man.

I said on the night we delivered the One Nation statement that our reforms to industrial relations have been the most constructive step we have taken in this country since the war: that a nation cannot be strong if at the very point where wealth is created the people are locked in conflict; that modern industry has to be a cooperative process.

I say it again, in part to remind you of the government's philosophy and achievement, but more importantly to remind you of Australia's achievement.

I mean the degree of the change - and it's a continuing change - should not be underestimated. It should give all of us confidence.

For there has been remarkable change in Australia in the past ten years. Australians have recognised necessity and adapted. They've proved both their willingness and their capacity.

I believe we should recognise this as an important factor in the nation's favour.

At the same time I think we should recognise that there are costs for people in this process - social and psychological costs - and they must never be left out of the economic equation.

That's why I say it's important to take the country with us.

It's why I say that it is always a government's responsibility to play a role, and those who still argue that the market, unfettered and alone, should determine national outcomes do not understand good government, good economics or what is good for people.

Ladies and gentlemen -

We take an eclectic view, not an ideological one.

We have not gone willy-nilly into industry plans, but where we have thought it sensible to intervene we have intervened.

Where we think our responsibility stops at getting the business and industrial environment right, we will stop there.

Which leads me to another rumour presently doing the rounds. Don't believe this one either.

If people ask what good the great reforms of the last decade have done, tell them - heaps.

When we opened up the Australian economy with a floating dollar, open financial markets and and phased down industry protection, we were aiming at making Australian industry more internationally competitive.

And today it is.

When we set out to replace conflict with cooperation in industrial relations, to restore profit share, encourage workplace bargaining, and dramatically reform the waterfront, aviation and telecommunications industries, we were determined to give our industries a chance.

Today they have a chance.

When we put foreign policy to the service of Australia's trade, with the amalgamation of the Foreign Affairs and Trade departments, when we created Austrade and this year expanded it, took the initiative in the formation of the Cairns Group and APEC, we sought to integrate Australia with the fastest growing economic region of the world.

Today we are integrated as never before.

Don't believe the claims that it hasn't worked.

Both our service exports and our manufactured exports have tripled over the last decade.

Last year, for the first time, we exported more manufactured products than rural products.

A decade ago we imported more goods and services than we exported. Today we export more than we import.

A decade ago we did not have a tourist industry deserving of the name. In the eighties it was our fastest growing industry. In the first four months of this year, foreign arrivals were nearly twenty per cent higher than in the first four months of last year.

A decade ago, as we came out of recession, we had double digit inflation. Today we have entrenched our competitive advantage with one of the lowest inflation rates in the industrial world.

I'm inclined to think this is not well enough known.

I'd also venture that the fact that Australian manufacturing has grown by 10 per cent since we came to office is not well known.

People who talk and write about Australian manufacturing as if it were without hope should look at the evidence.

So should those who want to tear the place apart in search of what they think will be economic progress.

Look more closely at the evidence. Look at the growth in Elaborately Transformed Manufactures, for instance.

We're all aware there is still a lot more distance to be travelled, but it does not hurt to remind ourselves that we are on the right path and that we've already come a long way.

Elaborately Transformed Manufactures, of course, are generally characterised by high levels of value adding.

They include motor vehicles and motor vehicle parts, computers, scientific equipment, industrial machinery, telecommunications equipment.

Australian exports of ETMs have recorded the fastest growth of any export category since 1981.

Exports of minerals in that period increased by 104 per cent. Rural products increased by 38 per cent. ETMs increased by 211 per cent.

In 1981 ETM exports were worth 2.1 billion dollars. Last year they were worth \$10.1 billion.

Motor vehicle exports increased from \$20 million to \$414 million.

Motor vehicle engines increased from \$28 million to \$351 million.

Office machines and computers increased from \$19 million to \$415 million.

Telecommunications equipment increased from \$27 million to \$226 million.

Industrial machinery increased from \$235 million to \$799 million.

Asia was the fastest growing market: between 1981-1988 average annual growth rates of 30 per cent or more to Korea, Taiwan & Japan: between 1988-91 growth of 40 per cent or more to Thailand and Indonesia while maintaining strong rates of growth in the North Asian countries.

That's to name a few.

Significantly, ETMs have sustained their export performance through the recession: indeed, in most of the cases quoted, the greater part of the increase has been recorded in the last two or three years.

The performance can be put down to a number of factors: our increased competitiveness is obviously one of them.

The much more competitive environment which the opening of our economy has created has been complemented by the adoption of international best practices in many companies.

Those who say there is no light on the horizon should look at Toyota in Melbourne, or Email in Orange, Henderson's Automotive in Adelaide, ICI at Yarwun in Queensland and more than 120 other companies whose radically overhauled workplace arrangements have been ratified by the Industrial Relations Commission and who are now enjoying improved productivity and competitiveness.

Our increased concentration on Asian markets is plainly another reason for the improvement. That is where the greatest growth has been - in North Asia, and in the last three years, in South-east Asia.

And, while a few people are making a lot of noise about foreign investment in Australia there is no doubt that our export performance has benefited from the increased integration of Australian manufacturing into world productions processes which companies like Toyota, Ford, IBM, Mitsubishi and Erricson have brought to this country.

As I said, we take the view that what is best left to the market place should be left to the market place - but, equally, where government can play a role it should.

It's not the simple position to take. It involves judgements - difficult judgements which can prove both socially and politically costly.

It's a position which requires skill and subtlety.

To my mind it is simply part of a government's responsibility. But it is also logical.

We could demonstrate the logic in any number of ways - but one of them is that a sizeable part of the growth in exports of elaborately transformed manufactures is coming from areas of the economy and where the Government has shown an interest.

We will continue to phase down tariffs which have rendered Australian industry so uncompetitive, but we will not leave good viable industries to fail for want of a fair chance.

We believe Australia should have a sugar industry, so while we have reduced tariffs, there will be no further reductions without consultation with the industry.

We believe in a motor vehicle industry, so we are reducing tariffs, but not to zero.

And we believe in textile clothing and footwear industries, so we have established a Textile Clothing Development Agency to help the TCF industries make the adjustments which must be made if they are to have a future.

For workforce and industry adjustments we have provided \$250 million in assistance.

Government action through the Partnership for Development Program has played a substantial role in the growth of the Computer industry - whose exports alone have more than quadrupled in the last four years.

It is estimated that the 21 participating companies in the Partnerships Programs will generate over 400 million dollars on Research and Development and produce exports worth \$1.7 billion by 1997.

It's projected that the Factor F Program will have generated 1.13 billion dollars in pharmaceutical exports between 1988/89 and 1993\94. By 2000 it is expected that, through Factor F programs, exports will be in the vicinity of 2 billion dollars per year.

Just two weeks ago my colleagues the Minister for Industry, Technology and Commerce, Senator Button, and the Minister for Industry and Commerce, Mr Crean, announced a \$12.7 million 4 year program to encourage greater efficiencies in food production, more cooperation between producers, processors and marketers, and a sharper focus on international markets.

This is a great country for food - for growing it and processing it. All kinds of food.

We can grow the kind of food that the people of Asia traditionally eat.

We can also grow food that, as the region changes, the people of Asia will increasingly eat.

Food processing is an industry with enormous potential for Australia - 7 billion dollars' worth, we estimate, by the end of the decade.

Without doubt, there are more industrial opportunities - in the construction industry for instance. And in the tourism and finance industries.

We are looking for others.

We want the Industry Commission to find the impediments to industries which should be doing better than they are.

We are getting moving on those programs for infrastructure development we announced in One Nation.

The 2 billion dollar road works which are about to begin.

The beginnings of construction of the national rail highway.

If you want to understand our philosophy One Nation is the place to look.

You will see there, beside the great capital works which will serve industry well into the next century, programs and initiatives designed to further improve the environment for free enterprise -

- accelerated depreciation

- the development allowance
- special arrangements to encourage private sector participation in infrastructure developments

All of which have given us a business tax system competitive with the best in the OECD.

You will also see in One Nation a commitment to training, and the reform of the training system, which just a fortnight ago was realised in the creation of the Australian National Training Authority and the Young Australians Plan for Employment and Training.

We haven't stopped with One Nation. Ninety two years after Federation, in March next year we will create a national market for goods and occupations under an agreement in which all the States and the Federal government recognise each others standards and regulations.

After March 1993, if it can be sold in one state it can be sold in any other. If your occupation is recognised in one state it will be recognised in all states.

All these programs are aimed at building a successful industrial nation for the twenty first century.

It is for that reason that we are prepared to support industries with a future.

It is for the same reason, of course, that we have introduced the Superannuation Guarantee Charge - we will need savings.

They will give ordinary Australians a chance. They will give business a chance and Australia a chance.

It is necessary change - as necessary as those changes we made to internationalise and open up the economy in the 1980s. And as necessary to our ambitions for a great Australian social democracy.

I said earlier that there were costs associated with the radical changes Australia has undergone in the last decade.

I believe good government demands that we take account of them.

While most of the current high level of unemployment is due to the downturn in the economy some is a consequence of restructuring.

But we cannot cry success while we have such high levels of unemployment.

In the coming budget we will be doing what we can to create jobs, extend the reach of training and re-training, and soften the blow for those who have dropped out of the work-force.

We will do everything we can to attack unemployment.

But we do not believe that an assault on the living standards and security of those in work constitutes a sensible or proper approach.

We don't believe this any more than we believe that an inflationary consumption tax, cutting award wages, or a return to an adversarial industrial relations culture, constitutes a useful approach to unemployment.

We don't think that a policy of putting up prices through a consumption tax and cutting wages is the answer to our problems.

I don't think untrained men or women whose jobs have disappeared should alone bear the burden of structural change - or the burden of recession.

I think the nation should share it.

If we all want our industries to be efficient, and we all know that this means jobs will be shed, then we all have a responsibility to the unemployed and their families.

Caring for them is as much a part of the process of restructuring as anything else we have done.

We saw at the meeting on youth unemployment how willing Australians are to take on this sort of responsibility - Australian trade unions, governments, communities, and business.

But of course everything we do to ease the pain of unemployment, every effort we make to reverse the trend, must occur within the context of economic growth.

And it seems to me that here again we need a national effort.

We need it from those same groups who were so enthusiastically represented at the meeting on youth.

We need leadership, ideas and commitment from the private sector.

We have the lowest interest rates and the lowest inflation in a generation.

We have radically transformed the taxation system, added incentives and removed impediments to business.

We have the fastest growing economic region in the world at our doorstep.

With our vast natural resources, our climate and environment, our standards of education, our experience, - our incentive - surely we can find a profitable future in the region.

Last week I was in Queensland.

In Innisfail I visited the Northern Iron and Brass Foundry. Not a big plant, but expertly managed, clear goals, very keen on training - I presented a dozen or more awards to their apprentices. They supply local industry - and they export to Asia and the Pacific.

I went to the South Johnstone Sugar Mill. Expertly managed, the right technology, clear goals, keen on training. They're exporting.

I went to Townsville and officially launched the harbour development there - funded by One Nation. It's a harbour for exporting.

I went to Gladstone where nearly 20 million tonnes of coal was exported last year - 60 per cent of it to Asia. And, among other things, nearly 180,000 tonnes of aluminium - all of it to Asia.

I went to Yarwun nearby, where ICI have built a chemical plant to supply local industry - state of the art in both technology and management.

Gladstone was a town of 6000 people a few years ago. It's now 23,000. It's built on exporting. It's future is substantially Asia.

Recently I read of how a decade ago Australian winemakers had made a thorough re-assessment of their industry - a "technological re-assessment". They knew they had a good product. They knew that Australia had a future in wine.

They now have expertise second to none in the world. They're growing the right grapes, making the right wines.

And they're exporting. In May they sold as much wine overseas as they sold in twelve months a few years ago.

Last year they sold 100 million bottles, for \$234 million in income. With the export drive they plan they expect to raise that figure to \$1 billion.

And every time they sell a bottle of course they do more than earn income - they project the name Australia in the world, as a country which makes things. Very good things.

As taste changes in Asia the winemakers can expect to increase sales there.

Today's announcement by Cadbury, that they will be investing \$28 million in Tasmania makes the point. They're investing the money because the market for chocolate is growing in Asia.

These seem to me to offer glimpses of Australia's future - string them together for a moment and you see a clear horizon.

In each of these recent cases the common threads appear - there has been earnest investment in the right products, technology, the right management, the right training, the right marketing.

The truth is, if we invest in what we have here, if we invest in ourselves, there can be no doubt about the future of Australia.

There are very good reasons why business should now respond. Very good reasons in particular why the banks - even allowing for the burns they received in the boom - should now be lending.

You can be sure we will go on looking for ways to encourage the growth we need.

Where we can remove obstacles we will remove them.

In the last few months we have managed to make some break throughs - in things like aviation, pay television, and technical and vocational training.

Where we can, we are prepared to break through log jams in industrial development.

And where we can inspire or engineer a national effort such as that which emerged from the meeting on youth we will also do this.

Because it has become increasingly clear to me in the past few months there are vital intangibles in this recovery, which go under such names as spirit, and hope and purpose.

As modern business people you will understand their importance.

As Australians I believe you will want to join the Government in attempting to deliver them to the nation.