



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
BEST PRACTICE DEMONSTRATION PROGRAM
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PM: One would say that when we have a well attended mid morning meeting where award for best practice, with benchmarking against the world's best, it is something which Australian business is pleased to be in. Because if there is, I think, any demonstration of the maturity and coming of age of the new Australian economy, it is gatherings such as this and events such as this.

It wasn't that many years ago when worse practice was rewarded. If you are actually slick at getting into Canberra, twisting its arm up its back, getting more border protection, a bit more subsidies, bounties, if you are in the worse practice program you're regarded as one of the good slick people around town. Well now of course those people are discredited and they left us an industrial museum and it has fallen to the lot of the new managers of Australia to give us something better.

One of the interesting things in all this is that when companies do well in Australia and they reach the logical end point of their market share, where they are only squabbling over half per cents and costing themselves a lot to do it, the obvious thing to do is to go and do what you do well somewhere else, go and grab someone's market share, but not where you are running against the outer edges of your own possibilities in a domestic market like Australia. This has happened of course, when we removed exchange controls that whole sort of pent-up, propensity, buoyancy, willingness on the part of Australian business to get out there and find other markets where they could do well occurred. And of course our overseas investment went from about \$4 billion in 1983 to around \$65 to \$70 billion today, which is a very large proportion of our international debt. And it is through the operation of these companies abroad that people and companies are importing best practice back into Australia from the international companies which they bought and operated around the world. And so, you have got companies automatically banch-marking between themselves and their foreign

subsidiary as to the sort of practice which is being undertaken, and the efficiency levels which are the standards of those businesses, and of course making both the better for having been together by doing the things that Australia does best abroad and doing some of the things which are done best abroad and having them brought back into Australia.

I mean it is all part of growing up. It is all part of getting out of the sort of crazy restrictions we had upon us where you couldn't invest abroad without some clerk in the Reserve bank giving you a tick, and of course most people never bothered. Or in the sort of regulated economy we had, where there was really not the premium on efficiency because of people drawing down the economic red from protection and the other natural protections which come from the non-traded goods sector of the economy.

We have decided that we want to be in the leading edge of the world and not in the rear edge. And that means that we have to smarten ourselves up across the board with our investment, our research and technology, our industrial relations practices, our work practices, our management practices, our best practices. And so the best practice program is, as John said, I think a novel way, a way in which we require companies who are involved in it to demonstrate to other companies what they have been able to do. So it is not just something in which they have excelled privately, and it remains a private matter for them, but where they are sharing with others their success, and their innovation, and their ingenuity and their willingness to make Australia better and smarter.

This is, I think, a good program and therefore, it's part of the fact that to become an international economic society one has got to do all these complex things. They are not going to be done with single policies, big bangs or consumption taxes or anything else, they are going to be done the hard way. That is, reforming industrial relations quietly, slowly, sensibly, your management practices, the way the business operates, getting down costs, all the things that go, all the smart things, the complex things which go into that word efficiency and productivity.

We are going to be a more productive country, we are already. But that word in itself implies fewer people producing a given level of output. And if we don't want a permanent pool of unemployment in this country we have got to continue to expand output, so that we take more people up for that given level of employment to each unit of output and that means the whole climate has got to be one which is cast towards best practice and where all the bits and pieces of investment, be it the inflation rate, the interest rate, the tax system,

depreciation, wages, profits. The rest has got to flow naturally, as it has.

We have come a long way already, in the early 1980s there were very few manufacturing businesses which one could speak of as being world class businesses. This is not true today. Fortunately, the success of the whole change, that is the whole change, the external orientation of Australia has changed all that. And the Government itself likes to think it is pretty good at best practice to. We benchmark ourselves against other Governments around the world. We are, bar a decimal point, the lowest taxed country in the OECD. Japan is below us by a decimal point. We have got one of the lowest level of outlays to GDP of the OECD countries, our public sector is one of the smallest yet it delivers services of a very high standard. So, in terms of the macro measures best practice this Government has taken, best practice on international Government scale on, as seriously as I know many of you have on a commercial scale. And we are continuing to make tremendous changes in the sort of regulatory regimes for which we are responsible, which will help invest practice to in things like aviation, telecommunications, where we are awfully good in the world league, banking and finance, and in things like industrial relations, enterprise bargaining, where we have really presided now over a revolution in wage fixation in the last decade, where we have seen more wage flexibility than perhaps any comparable country, where the profit share is high, and whether inflation unit labour costs are low, where inflation is low, and now we are having this big shift to enterprise agreements, enterprise bargaining, where we have now got twice as many people in Australia working under enterprise agreements, as for instance, there are in New Zealand under employment contracts, which we hear so much about, there are twice as many Australians working under enterprise agreements all ready, and just last week Peter Cook and I have opened discussions with the ACTU in a wage system where now 2/3 to 3/4 of all Australians will have their wages adjusted under enterprise bargaining and not under a centralised wage fixing system, not under a national wage case.

These are all I think significant things in this whole quest for best practice and the same with training, re-training, skilling, and we saw recently at the youth meeting the announcement I was able to make of an agreement with the Commonwealth and the States to put together a new national vocational education system. I mean it won't be too many years before we are up there with best practices, as we already are, with best practice in relation to the tertiary sector, the proportion of our kids going into tertiary institutions.

So, whether it be in shipping where we have achieved crew levels comparable with other OECD countries, or in the waterfront where we have just doubled productivity,

or in electricity where we are now starting to create a market for the first time by separating power generation from distribution, or in railways where we are developing a new national freight highway, rail highway, under an enterprise agreement. Again, where best practice is going to be the focus. So, we have taken it on and of course no more particularly than in the public service, Peter (Cook), started negotiations a week or two ago with the Public Service Union in relation to an enterprise agreement, industrial agreement, enterprise bargaining in the public service where we are seeking to yield productivity gains, further productivity gains from our own employees, in our own service. Just as you are, those of you in the best practice program in your own companies.

So, this is in a sense this day isn't just another manifestation, but an important manifestation, of people reaching for those high points, those pinnacles of achievement which must be the norm for an economy in a country that wants to do well, that wants to employ its people, wants to have rising living standards, not declining living standards, rising wages not declining wages, rising profits not declining profits, all these things one must do and we all know one must do to be in the international league, and climb that international league table of efficiency. So, I congratulate all those associated with the program, from John Down who has chaired it, and to those companies who have been interested enough to apply, and who have signed the contractual arrangements with the Commonwealth to demonstrate their best practice and who have received Commonwealth financial assistance in so doing. But are whom, on nearly all occasions, the companies themselves spent much greater level of funding than that which is paid to them by the Commonwealth.

I congratulate you, all of you, for being in it, for trying. This is what Australia must be about. This is how the clever country becomes more clever, how we become a smart society doing the clever things well.

Thank you very much.