



PRIME MINISTER

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

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Our partnership with the Business Council is now almost a decade old.

It dates back to the heady days of the Economic Summit of 1983 and the realisation by the business community at that time that there was a need for a new organisation to meet the times.

There was a need for a sophisticated business viewpoint different from the narrow sectional views of the past.

With the Government clearly interested in building a community-wide commitment for change and reform, business wanted to be part of that commitment, part of that change.

For the Government's part, we welcomed this desire by the business community to be included and we were pleased at the decision to establish the BCA in 1983.

There have been the occasional celebrated squabbles over the years.

But we have continued to work together and talk together.

We have been able to co-operate with the BCA in a range of ways.

I am glad that we are keeping the lines of communication open because that is a hallmark of this Labor Government.

I have always believed that a solid partnership with business should be a central plank of a successful Labor Government.

Without a confident, profitable, expanding business sector Australia will not be able to build the basis for a successful society or a successful nation.

Without it we will not be able to generate jobs.

Without it, we will not be able to cut unemployment and give hope to those who would otherwise face a barren future.

Without a successful business community we will not be able to achieve a better environment, or better social infrastructure.

We will not be able to look after people as we would wish.

With this Government, success with business is the starting point of a virtuous circle which underpins a successful society.

And all my public life I have been of the view that building a successful business is a complex and difficult matter.

This realisation came to me as I tried to help businesses in my electorate of Bankstown cope with the debilitating years of the 1970s.

It was reinforced by my experience of the 1980s.

When I became Treasurer in 1983, the view at the time was that the key to building successful businesses was for the Government to take steps to boost profits, get rid of the so called "real wage overhang", cut back the size of the public sector, reduce public borrowing and cut inflation.

At the time this hardly seemed enough to me and I added the need for more competition by internationalising the economy and deregulating the financial markets.

I also saw the importance in establishing and developing a dialogue with the Trade Union movement and with talking to business and other groups at the Economic Summit.

This was not just to rebuild profits after the bleak Fraser years but to build a commitment for workplace and community change.

Having made remarkable progress on these fronts, we then took on the task of microeconomic reform.

We embarked on reforming aviation, the ports, shipping, land transport, communication and the rest.

I mention all of this to make the point that there are no simple text book solutions to building successful businesses.

The agenda for governments must of necessity be a long one and must be addressed with dexterity and with a feel for all the inter-relationships that exist within a society.

Take for example the Government's commitment to boosting business investment in research and development by maintaining the R & D tax concession at 150% indefinitely.

This is part of a deliberate strategy to accelerate the speed with which Australian industry improves the sophistication of its products.

This is what we must do if we are to make our way in the world.

The cost of the R & D concessions is worth carrying on the budget to help structural change and expand industries which will form the basis of tomorrow's job growth.

Likewise, the Co-operative Research Centres are both a way of developing links between government funded research outfits and business and a means of spawning new industries.

And we are having success.

34 of these centres are now in place and this will increase to around 50 by the middle of next year.

Communications, agriculture, mining, manufacturing, medical research, the environment and others are covered by these centres.

Frequently it is industry that is taking the lead as is the case with Hawker de Havilland and Asta which were instrumental in setting up the centre for Aero Space Structures.

Also, the centres cut across a wide range of industries - BHP, Carlton and United Breweries, Qantas and CAA are all involved in the centre for intelligent decision systems.

The centre for waste management and pollution control is supported by many companies including Brambles, ICI, BHP, ADI, the Water Board and so on.

The whole of Australian industry is becoming much more focussed on innovation and research.

In 1990, for instance, Australians registered twice as many patents overseas as they did in 1983.

Providing accelerated depreciation for new equipment investment is also part of a deliberate strategy to boost investment and grow new industries.

These new schedules announced in One Nation mean that our tax rules for investment will be more than competitive with comparable countries.

Increasing the depreciation rate for tourist-related buildings from 2 1/2% to 4% was also designed to play to our strengths.

The decision to fund a major expansion of vocational training and to develop a new national training system more relevant to industry, will help young people get jobs – and is also playing to our strengths.

It is training, research and development and new investment which will create the industries and the jobs relevant to Australian needs.

They will be industries and jobs which will enable us to take advantage of the growth prospects in our region.

These are the natural, sensible, creative things that Government should be doing.

And what this Government believes in.

We do not believe in Government withdrawing from its responsibilities.

Nor in simplistic solutions which deny a role for government.

In effect I am saying – beware of those who come before you with simple nostrums promising salvation.

At this point you probably think I am about to become a little political.

And you are right.

In the next six months or so Australia and Australian businesses have to make a choice.

They have to decide whether they will embrace Dr Hewson and the doctrinaire narrowness of the Fightback package.

Or whether they will continue to participate with a Government that has a clear reform agenda but believes in developing partnerships with people.

They will have to decide whether they will embrace the nostrums of Fightback with its massive dislocating tax shuffle.

They will also have to consider whether they accept the simplistic belief that business should deal with their employees through intimidation and not through cooperation.

It is as if Dr Hewson has been caught in a time warp.

It is as if he has learnt nothing from the successes and the setbacks of the 1980s.

He remains committed to the text book 'solutions' that he learnt in the 1970's and which Malcolm Fraser stopped him from introducing.

Can business really be expected to believe, for instance, that it has been the \$6 billion state payroll tax and the \$7 billion excise on petrol that has been the major factor holding them back all these years.

Can they really believe that the removal of these two taxes would unleash a business surge that would enable them to conquer new markets in Asia or develop a new product.

Life is not like that.

They should also consider that the payroll tax is a State tax and that the States will not be properly compensated by Fightback for its abolition.

As a result of Fightback, the States will suffer a cutback of no less than \$1.4 billion in Commonwealth funding.

Consequently they will be looking for new revenue sources, most of which are likely to impact on business.

Business should also realise that Fightback is committed to \$13 billion of income tax cuts it can't properly pay for.

Consequently any Coalition government at the Commonwealth level will also be looking for extra revenue.

Doubtless through higher road user charges or some such.

It is an unpleasant fact of life that one way or another the books will eventually have to add up.

People have to accept that Fightback cannot at the same time be a major benefit to business without hurting households.

Some one is going to miss out.

But most importantly, business should have every reason to disregard any benefits from the changes to payroll tax and the petrol excise because they would be funded by a \$27 billion GST which is a tax on everything they produce.

A tax equal to over half of the current income tax.

And why tax everything?

Why tax the output of an expanding industry like the tourism industry, which is where the jobs and our future lies?

Particularly when a GST on domestic tourism will make it relatively cheaper for Australians to take their holidays overseas.

Why drive Australians offshore?

Why tax food?

It can only be an ideological obsession with the GST itself.

In 1985 I believed in a GST.

But upon later reforming the income tax system – I realised it was not worth the macroeconomic dislocation.

I do not believe in a GST today and I haven't believed in one for many years.

It's too big a price to pay for too little return.

On the other hand, Dr Hewson ploughs on regardless.

And it is not only the mirage and dislocation of the tax shuffle that business should be concerned about with Fightback.

They should also be deeply worried about the change that will occur in their relationship with their employees.

Gone will be the developing commitment to change that the workforce has embraced over the past decade.

And as many in this room today will appreciate, with that commitment to change has come a degree of co-operation that has enabled a quite amazing transformation of industrial practices in this country.

Every day I am being reminded of this by business leaders as I go around the country.

In its place will come suspicion, intransigence and a determination to protect entrenched entitlements.

With a Hewson Government all subsequent progress on workplace reform will be fought out in that same old culture of conflict which debilitated this country for so long.

Companies who have made existing arrangements work well for themselves and for their employees, and who have seen major improvements to work practices and productivity, will see all that progress dashed.

And for what?

To satisfy an inflexible, anachronistic dogma that refuses to accept that great progress has been made in the way Australians do business.

Fightback and Dr Hewson refuse to accept that co-operation can bring big rewards if a Government accepts its responsibility to promote reform and make it happen.

And, as anyone who has tried to run a business knows, it is the culture of management and the employees who in the end determine whether a firm is successful or not.

Dr Hewson threatens to destroy the great progress we have made over the past decade in building a productivity culture amongst the workforce.

The successful economies of the world are those that have built up employee commitment to productivity and invariably this has centred on a cooperative approach with management.

Dr Hewson's approach to industrial relations will rip all of this apart.

The reform agenda that this Government has overseen is impressive but, most importantly, it will continue.

It will continue because the Government has locked into place a process that demands change.

We have learnt – all of us – that change breeds change.

Australia can no longer stand still.

The system now demands that we all make progress .

This is not fully understood by those who believe that Governments should be constantly inflicting change on the community in some self righteous frenzy.

Governments have to make hard decisions, and I can assure you all that I have participated in many.

But it is better to also create a community commitment for change and to design a system which rewards progress and makes it impossible to stand still.

This is what this Government has done by making co-operation and dialogue a key factor in dealing with change.

But most importantly, by internationalising the economy we have set forces in train that are requiring all of us to be competitive with the rest of the world.

Firms that have to deal with the world are demanding that their suppliers are competitive and that their services are efficient.

The BCA itself has served a useful role in promoting the needs of business and in being an agitator for reform.

And as I have said the progress is there.

To take a few examples:

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 and the average ship turn around time has fallen by 39%.

Most importantly the waterfront now works reliably.

We have more than achieved what we said we would do when we set out on this task in 1989.

Our ports now compare favourably with best practice overseas.

Stevedoring charges for new business and contract renewals have fallen by 25% over the last year, providing clear evidence that the benefits of reform are being passed on.

In shipping, the Government has also introduced a new coastal voyage permit system and the number of foreign vessels operating on the Australian coast has increased rapidly with 48 such voyages in 1988-89 rising to over 200 in 1991-92.

In the last three years crew sizes have fallen by a quarter, to equal the average crewing for OECD ships visiting Australia saving industry \$50 million per year. As a result ship owners have spent nearly \$2 billion on 22 new ships - about a third of the fleet.

These important changes have been brought about with very little industrial disruption simply because all parties - the Government, shipping companies, the unions, the shippers - all worked together.

Of course more can be done and more is being done.

Senator Cook has been working with all parties on the next stage in shipping reform and we will be announcing that shortly.

By deregulating domestic aviation we cut fares by around 23% in the first eighteen months; in the twelve months ending March 1992 airfares fell by a further 14%.

In 1991-92 a record 17.9 million passengers were carried by domestic carriers, a massive 30% above the previous peak in 1990-91.

Lower fares have been critical to the success of the tourist industry and we have no intention of letting competition in aviation wither away.

The Government has also orchestrated a revolution in Australia's international aviation services.

Ansett will now be able to compete with QANTAS and other international carriers.

To ensure that Ansett has the opportunity to develop into a successful regional airline, the Government is re-negotiating our air service agreements with other countries to provide for multiple designation and additional capacity.

The National Rail Corporation, incorporated in September 1991, will reduce the average cost of providing rail freight services by 45% in real terms, and will improve labour and rolling stock productivity by 35-45%.

The number of unions with coverage of national rail employees will be reduced from over 20 to 2 and these unions are currently negotiating an enterprise agreement with the Corporation to deliver these productivity gains.

National Rail will commence operations in February 1993, following completion of the enterprise agreement and the passage of all relevant State legislation.

The Corporation will turn around interstate rail freight from losing around \$320 million pa to financial break-even in 1995-96, and profitability by 1996-97.

Along with the One Nation spending on rail infrastructure, this will produce an effective national rail network and create a national standard gauge system for the first time in our history.

All of this would have been unheard of a short time ago when most assumed our rail system was heading for extinction.

On roads, all national road projects funded by the Commonwealth are now subject to tender, doubling the level of funding put to tender since 1988.

Heavy vehicle mass limits have increased, yielding large cost savings to Australian industry.

Conventional vehicles payloads and productivity have increased up to 20% since the mid 1980's.

All of this has led to an unheralded but major advance in transport efficiencies.

National introduction of B-doubles (a large articulated vehicle) will allow further productivity gains of up to 40% which can reduce national transport costs by up to \$200 million.

In co-operation with the States, we have established the National Road Transport Commission to develop and maintain a national system of uniform regulations for all vehicles and a fair system of heavy vehicle charges.

This initiative has been strongly supported by the Road Transport Industry.

And the Industry Commission has estimated that gains to GDP from reforms along these lines to be in the order of \$190 million each year.

There will be full competition in telecommunications in 1997. As part of this process we have already introduced a second network carrier with provision for three mobile phone services.

The Government has also put in place price control arrangements on charges for AOTC services to ensure that AOTC do not misuse their existing market power, and that new technology and efficiency gains are reflected in lower prices to consumers.

As a result, the average price for AOTC's main services has fallen by 4% per annum in real terms over the past three years.

For the next three years this price cap has been set at 5.5% below the rate of inflation.

The improved profitability and lower prices achieved by AOTC is illustrative of what is now happening with many government business enterprises.

Commonwealth GBE dividends have increased from around \$100 million in 1987-88 to over \$440 million in 1991-92 through improved productivity rather than higher real prices.

But as I said earlier, the agenda moves on.

Ralph Willis will shortly be announcing measures that will see the Commonwealth GBE's operate on a still more commercial basis with realistic relationships between the GBE's and the Government, as shareholder, established.

And the State GBE's are also being subjected to, and responding to, closer examination.

But the most interesting new development is the National Review of the Trade Practices Act to be conducted by Fred Hilmer.

Following this review, we – the States, Territories and Commonwealth – will have the opportunity to establish a national competition policy.

That is a policy which should support the development of Australia as one competitive market for our industries, not a set of divergent regulatory regimes.

Competition policy in the future will need to be consistent with removing unnecessary barriers to competition and a reduction in complexity and administrative duplication.

The significance of these principles and their potential impact is great.

The specific focus of the Review will be on sectors and industries exempted from the current Trade Practices Act.

Such as:

- State business enterprises like electricity, gas (in some states) and water
- unincorporated bodies such as partnerships including professions
- statutory marketing authorities such as Egg Boards, dairy marketing and fruit and grains.

With the States we are also committed to making major improvements in electricity generation and distribution.

Because of our abundance of low cost coal and other energy resources, electricity should be a key part of any industrial strategy for this country.

With the States the Commonwealth will be working to make sure that the electricity generating and distribution industries are efficient and that we make the best use of our resources.

While the States have prime responsibility in this area we must work for a national approach.

We have already secured agreement to the development of an interstate transmission network and to genuine separation of distribution and generation.

Work is continuing on this subject through the National Grid Management Council and will be taken further with the Premiers.

Customers and final users of electricity – including members of the BCA – also have an interest in the reform process and I will be discussing with the Premiers how input from these groups can be given greater prominence.

Let me restate. We value our partnership with you.

For example, in 1984, more than 20 BCA member companies participated in a pilot program for the Government's Affirmative Action for women legislation.

More recently, 5 BCA members have joined with the Government to develop practical ways to address work and family issues in the labour market.

And following a request from your Equal Opportunity Council, I have asked the Office of the Status of Women in my department to provide peak employer and union bodies with access to its Register of Women, which should assist you in locating qualified women for appointment to boards and senior management positions.

Ladies and gentlemen, it is a gentle irony I suppose that the Business Council of Australia has never known a conservative government.

It's a bit like those of us who lived through the twenty three years of the Menzies government.

But this is no reason to believe that it is time for a change.

I think that, notwithstanding the ground we have lost in this recession, our achievements – Australia's achievements – in the past decade have been remarkable.

The changes have been remarkable – the structural changes and the attitudinal ones. We do things differently and we think differently.

And so long as we take the people with us on these things, so long as we involve people in the change, so long as we stick to those principles of consultation and consensus, the process will go on.

It could only be reversed by throwing out the cooperative culture that has developed over the past decade, and the institutional arrangements and supports which are at once agents of the change and guarantees of continuity.

Ladies and gentlemen, I believe we now have a great opportunity. It is one we have earned – all of us.

It has been hard won and we are still not there. But we would be very foolish to throw it away. Very foolish to change the course which is changing Australia.

Thank you for the opportunity to speak to you this afternoon.