



PRIME MINISTER

STATEMENT BY THE PRIME MINISTER THE HON P J KEATING MP

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"INVESTING IN THE NATION"

When I opened this campaign on Sunday I said that the main issues were going to be the economy, unemployment and the protection of our way of life.

The statement we have released today goes to the heart of those issues.

If we are to reduce unemployment the revolution in our economy must continue.

But we must take the people with us. Our ambition must remain a fair, just and cohesive democracy.

That is why we must confront the realities of unemployment.

But the reality is that unemployment will not be easily reduced.

Growth is too slow. It is slow here. It is slower still in most other parts of the world.

And at the same time our work places are changing.

Employers are replacing the people who once worked for them with new technologies and new systems, more people are working part-time, there are more women in the workforce.

Confronting the reality of unemployment means providing a social net to ease the hardship. It also means providing all the training opportunities we can.

But above all else it means we must create more growth.

Squarely faced, our problems are daunting, without question.

But the same realistic appraisal of our position, gives every reason for confidence in what we can do, and pride in what we have done.

We have real strengths on which we can build.

We have them particularly in the enterprise of private companies – in the energy and initiative of small to medium sized businesses who are now showing the way in Australia's drive to develop an international export-oriented economy.

This is where we can provide a spur to economic growth and employment.

Today's statement offers new incentives to business in Australia – small, medium and large. It offers an environment for free enterprise as competitive as any in the OECD, and competitive with most in Asia.

The Statement is modest in size but because it is so focussed, so targetted, it can mark a new age for Australian business.

The *One Nation* statement we brought down nearly a year ago was designed to increase investment through public spending on projects of long term value to the nation while private investment was subdued.

One Nation reflected our determination to marry social and economic imperatives. To meet short term needs without sacrificing our responsibility to the long term interests of Australia.

Today's statement reflects the same determination.

The vast majority of the measures outlined in *One Nation* have been enacted or implemented.

As a Labor Prime Minister, I am proud of the decisions we made in *One Nation* and at other times during the year – watershed decisions, such as the establishment of a National Training Authority, the deregulation of civil aviation, the construction of a National Rail Highway, an environmental overhaul of our greatest inland river system.

These are great projects of enduring value to Australia

I am equally proud of the decisions announced in the Youth Statement and the Budget that directly assist the unemployed.

-It is partly as a result of *One Nation* that the Australian economy has grown in the past twelve months, while other economies have slipped back.

Modest as the growth is, we might take some small measure of satisfaction in the fact that what we achieved last year we achieved ourselves – and against the odds: against the

international trend and with much of our corporate sector concentrating on reducing debt and cutting costs.

There can be no one now who does not understand how imperative it is to be competitive, to be international, to go into the world, and to go especially where the world is growing fastest – the Asia Pacific.

The truth is that the race for competitiveness never ends. This time five years ago it was the goal. It is the goal now. It will be the goal, we can be sure, in five years or ten years time.

The thing to remember is that we are now in the race. Unlike a decade ago, we are competitors. And each year we are doing better.

Amid the hardship wrought by the recession and the blow to our confidence it delivered, in times when many of the signs are negative and might be read as indicating the necessity for retreat – there are also sure signs that we can advance.

We are more than twenty five per cent more competitive than we were a decade ago.

We have the lowest inflation in the world and, Victoria notwithstanding, the lowest number of industrial disputes for thirty years.

These are the changes which have put us in with a chance – a better chance in many respects than Australia has ever had before.

The evidence is manifest. We produce one third as much again as we did in the early eighties.

Our exports have doubled and are now nearly a quarter of everything we produce.

More and more of them go to Asia.

We are now a much more competitive country by virtue of conscious decisions, by virtue of conscious decisions by Government, business and workers.

It is the result of our choosing not to drift, but to take up the challenge. It is what Australians have done by and for themselves.

A recent McKinsey Report to the Australian Manufacturing Council attests to the success of a large number of Australian businesses which have grown up in the past few years.

McKinsey found 700 high value-added manufacturing firms in Australia playing a significant part in Australia's export growth.

The Report says:

The entrepreneurship and ingenuity of these firms is exciting. Throughout the study, we have been constantly amazed and inspired by the stories of these individual firms, their determination and their success.

The authors point out their success has largely gone unnoticed in Australia.

Yet these firms were responsible for over \$8 billion in exports in 1990-91 and McKinsey's estimate the figure is likely to double by 1997.

These companies are exemplars of the change in the business and industrial culture of Australia.

They are marked by the dynamism of their leadership; by their flexibility; their export orientation and their success in capturing niche markets, particularly in Asia.

These are the Australian companies of the future. The companies which will provide work - rewarding, interesting work for our children.

A large percentage of these companies were "born global", meaning that they considered the world as their market from the first day of their existence.

There is no better evidence of the emergence of an international business frame of mind. They are the off spring of a new export culture.

The McKinsey Report is a significant indication of the direction economic policy should take. A sign that recovery will be hastened, and jobs created, by the rapid expansion of vigorous and innovative small and medium sized businesses - in the main, companies.

That is on the assumption that the number of these firms continues to increase at the present rate.

A principal aim of today's statement is to increase that rate.

The national quest upon which we are now embarked is for two things - production and employment.

One Nation promoted these things with public investment through an ambitious program of infrastructure spending.

But the private economy has been slow to respond and we have not had the large increments to production and employment which we need.

But *One Nation* never pretended that the large and continuing increments to production and employment Australia needs could be delivered by or in the public sector.

These things must come from the private economy, from private investment, from private businesses like the ones McKinsey has described.

A large part of today's Statement focuses on this – the role of the Australian company in the dynamism of Australian business.

The measures I am announcing will make the Australian company a more effective device, playing a more effective role as an instrument of national achievement and enterprise.

The Australian company, large and small, will be the basic device that powers our innovation, marshals our capital and our productive power.

And we all know when that happens the other thing marshalled is employment.

We have decided that the simplest and most effective way to encourage Australian companies to work for Australia is to lower their tax burden.

So, under a Labor Government, on July 1 this year the company tax rate will be reduced from 39 cents in the dollar to 33 cents.

Coming on top of the accelerated depreciation allowances announced in *One Nation*, this will make the Australian corporate tax system highly competitive within the OECD countries.

But, more importantly, we will also be competitive with the countries in our region.

Australian companies will thus be much better placed to trade with Asia – the region where it is going to matter most.

I might add that it should give Dr Hewson food for thought: under Labor a business tax rate of 33 per cent, under Fightback a rate of 42 per cent, plus a 15 per cent GST.

In *One Nation* we introduced a Development Allowance for projects involving investments of \$50 million or more.

By the end of December 1992 we had received applications to a value well in excess of \$100 billion – \$130 billion in fact.

This of course is a wonderfully encouraging response.

— We intend to bring forward the development of as many of these projects as we can.

But we are also determined to enlist new ones.

To do this a Labor Government will establish a generalised Investment Allowance which will help small to medium sized companies invest in job creating industries.

It will also help bring forward the enormous stock of projects which are already seeking the development allowance.

Increased investment is the key to economic expansion and the key to higher employment.

But the corporate sector has not been investing enough.

It has been cutting costs at the same time as the banks have tightened their lending guidelines.

New businesses and businesses wanting the necessary finance to grow have been subjected to more stringent tests.

As business stirs the banks must respond. Australian business must have access to finance when it needs it.

In a speech late last year I outlined the need to encourage a new culture in Australian banking.

The consequences of lending based on the value of security have been all too evident in recent years, as first inflated asset prices saw credit expand rapidly and then collapse as asset prices fell.

Instead, we need a culture which lays more stress on establishing close relationships between banks and their customers.

I encouraged the banks to provide extra training for staff so that they can better evaluate the risk and potential of proposals; and to be much more prepared to lend on cash flow.

If we are to develop and expand innovative small and medium business in Australia, this sort of closer relationship banking is essential.

If Australian banks can develop their skills of evaluation and monitoring, the rewards for business will be very considerable.

So too, obviously, will be the rewards for banks.

In this we have something to learn from the German and Japanese banking systems.

While we should not be imitating their systems, it does provide another lesson in the strength to be derived from partnerships in the economy.

In future, to ensure that our banking system is working effectively, under a Labor Government the Reserve Bank will establish the machinery to regularly monitor the conduct and patterns of bank lending.

In addition, the Reserve Bank will conduct quarterly surveys of small businesses to establish a better understanding of their relationships with banks.

To provide the RBA with more detailed information and advice, the Reserve Bank will also establish a large and representative Advisory Council whose members will be principals of small and medium businesses.

To encourage banks to establish the appropriate structures and to increase the lending to small and medium business, the Reserve Bank will pay market interest rates on bank deposits it holds, thereby increasing the revenue of banks by about \$140 million.

Mr Chairman

As you will see there are more measures in this Statement than it is possible for me to address here. Let me mention just two – two which illustrate the broad front on which we have to work.

The solutions to our problems depend on both on our continuing willingness to change and our ability to adapt to change.

Let me mention just two examples. There is a trend towards part time work in the economy and there is a need to provide for unemployed people as much access to this work as possible.

Consequently today's Statement changes existing programs of assistance for the unemployed to provide greater incentives for recipients of allowances to take part-time and casual work.

These measures have the dual purpose of enabling people to supplement their allowances and maintain their links with the labour market, which means increasing their chances of gaining permanent employment as the economy improves.

To become a truly competitive nation we must ensure that our workforce is adequately educated and trained, and able to adapt to the needs of an evolving economy.

We must also recognise that in some cases it is appropriate to devise special policies or programs which encourage people to look for work.

One such group is women with young children.

The level of women's participation in the labour market is remarkable: it has doubled in the post-war period, and is now increasing at a faster rate than men's.

The future growth of the Australian economy and the living standards of Australians will benefit from the participation of women in the workforce.

But there are barriers to this.

For the more than 50 per cent of women with children under 12 in the workforce, child care is a paramount concern.

Since 1983 we have increased the number of child care places more than four-fold, and our program of fee relief has made child care affordable for low and middle income families.

Nevertheless almost two-thirds of working women who use child care use informal care, often because they are unable to find, or afford, places in the formal child care system.

It is time we began to treat the needs of working parents with the same seriousness as education or aged care.

It is time we faced up to the implications of child care as an employment related program and recognised that it is a cost necessarily incurred by parents in the earning of income.

In recognition of this we have decided both to greatly expand our child care program and to fundamentally reform its design.

First, we will dramatically increase the number of funded places with the aim of meeting projected demand for work-related child care by the year 2001. We have set an interim goal of meeting 84 per cent of demand by 1997.

Second, in recognition of the high cost of care, we will introduce a 30 per cent cash rebate, in addition to existing fee relief arrangements, for all families using child care while in employment, training, studying or looking for work.

This cash rebate, which will be claimable through Medicare offices, is vastly superior to a tax rebate. The amount received will depend on child care expenses actually paid, and not on how much tax is paid. And unlike a tax rebate which can only be claimed once a year, parents will be able to collect their cash rebate as often as once a week.

The maximum cash rebate will be \$1466 a year for one child, or \$3182 a year for two or more children.

--- Third, to ensure that child care is safe and secure, and that it provides children with a stimulating environment, we have decided to introduce a system of national accreditation of child care centres.

These measures move child care into the 21st century.

Taken with other child care initiatives outlined in the Statement, they mean that Australia becomes the first nation to put together a coherent and integrated program which caters to the needs of the working parents.

It is a program to be proud of, and one that I hope will make the often stressful job of juggling work and family responsibilities easier for working parents.

Ladies and gentlemen

As I said before, today's Statement is modest in size. It will add \$692 million to the Budget in 1993-94, declining to \$387 million by 1996-97.

We will achieve these modest costs principally by reorganising company tax arrangements and reducing our holding in the Commonwealth Bank to 51 per cent.

We remain committed to maintaining a majority stake in the bank. We think there is a place in the banking system for a majority Government-owned major bank.

Ladies and gentlemen

It remains to urge you to read the Statement. It contains much more than it is convenient for me to talk about just now.

The salient thing is this. The Australian economy undoubtedly has in it the potential for growth.

Being close to the most rapidly growing markets in the world offers a potential we have never known before. Already new Australian companies have emerged to seize the chance.

The Asia-Pacific region is one great advantage. Much that we have done here, as these new companies testify, has created a number of others.

Having a robust democratic system, a broad consensus on the need for social justice, including justice in the labour market, and believing as we do in social improvement gives us an even greater advantage. It gives us both strength and incentive.

My belief is that these things must never be threatened - that we will not make progress of any kind by subjecting these values to attack.

~~Good policy treats the economy and society in concert.~~

Today, I believe, is an example of good policy.

What we propose for the Australian company should help create levels of energy and excellence we have rarely if ever seen in our history – companies suited to the opportunities available.

It should liberate the private sector for growth and employment.

By our radical improvements to our child care system we also recognise the social needs which change creates.

That is the essential thing – radical change where it is necessary, but always sensitive to social needs and our social goals.