



## PRIME MINISTER

**SPEECH BY THE PRIME MINISTER, THE HON P J KEATING, MP  
OPENING OF GEELONG WOOL COMBING LTD PLANT, CORIO  
10 DECEMBER 1993**

I am very pleased to be here today at the opening of this wool combing facility in one of the great regional cities of Australia.

This year marks the bicentenary of the invention of the first mechanical wool comb, an event which was followed by combers rioting in the streets of the English wool towns.

You can't help having sympathy for the old Luddites, but historically speaking they won a few battles and comprehensively lost the war.

It is very important that we Australians win the war: our industry has to be at the leading edge of progress.

And this new plant is a perfect example: it will help the industry and the region.

We are all well aware that the wool industry is going through a major transitional period that has not been easy for many growers. The collapse of the Reserve Price Scheme, the accumulation of a large wool stockpile and a massive debt, the effects of drought and a collapse of wool prices have all posed very significant challenges.

Equally, we know that Geelong has not had an easy time of it recently.

But both the wool industry and the Geelong region are resilient: the basis for recovery is there in the quality of the product and the people.

Both the wool industry and the people of Geelong know that our industries and our regions need to adapt to keep pace with international developments. Increasingly they know that unparalleled opportunity can come from a readiness to embrace the necessary change.

And the Government is supporting them.

It is one of the truisms of the past - that Australia rode on the sheep's back. And it is a truism of our present that for all the greatness of our primary and extractive industries we have to add value to the product.

We have to get from our great resources the maximum in dollars and the maximum in jobs.

Wool is a marvellous product - a marvellous fibre. We count wool as a primary product but nature has already added value - and marketability. Wool begins with a distinct comparative advantage. This plant builds on it. It adds more value.

It can't be said often enough that the image of Australia stuck in a time warp where it is content to be a supplier of raw commodities for others to transform is false.

The "dig it up and ship it out" mentality hasn't applied for a long time - not to the Government, not to our businesses, not to our workers.

That this has happened is a consequence of the energy of business and industry and the willingness of employees - to confront necessity and embrace change.

You will forgive me for saying that it is also the result of government policies which we began to apply a decade ago.

Let me briefly run through a few facts.

The Australian economy is now around 30 per cent more internationally competitive than 10 years ago.

In the last decade, exports have doubled.

They have grown from 13 per cent of GDP to 20 per cent.

Exports of manufactures have trebled and now exceed those for rural products and minerals and fuels.

In the past six years exports of Elaborately Transformed Manufactures have grown at an average rate of 19 per cent per annum and nearly trebled in value.

Today, profits are at record levels.

Inflation is low and under control.

Interest rates are at historically low levels.

Investment is beginning to grow, just as manufacturing output is growing strongly.

A new culture of industrial relations has been established - one which increases labour market

flexibility and productivity growth by widening the spread of enterprise bargaining.

Our recent business tax initiatives have ensured that the competitiveness of our system is on a par with comparable OECD countries.

We have reduced our corporate tax rate to 33 per cent.

We have introduced a development allowance, a general investment allowance, a substantial acceleration of depreciation provisions and concessionally-taxed pooled development funds.

And we have established an orderly and manifestly effective program for reducing tariff protection.

There were those who doubted the wisdom of orderly tariff reduction.

What they failed to appreciate was that the existing tariff regime was manifestly inefficient and unfair - unfair to our trading partners, unfair to employees in other non-protected areas, unfair to consumers who had to pay more for their goods.

We had no choice but to change the focus of those industries, which survived only through border protection. To bring them to an outlook which is more conducive to wealth creation for this country - an export oriented outlook.

And we are being proved right.

Take one example. For years it has been axiomatic that Australians could never be internationally competitive in textile, clothing and footwear industries.

Well, last year, exports in the TCF area rose by \$534 million, a 21 per cent increase on the previous year.

They rose because the TCF industries embraced the necessity of a new industrial culture.

The opening of this plant, as with other recent developments within the wool and wool processing industry, is a welcome sign that the wool industry is embracing this new culture too.

Embracing the need for increased value adding.

The importance of utilising new technology.

The crucial requirement to be market-oriented - to be closely attuned to the needs of its customers.

And to export, export, export - particularly to the rapidly growing markets in the Asia-Pacific region.

It is not enough, as everyone realises, that Australia continue to dominate the global supply of wool. We account for some 30 per cent of world production and 70 per cent of finer apparel wool - but that wool, of itself, will not re-establish the pre-eminence of the wool industry in Australia.

The bulk of our wool is still exported in greasy form, with little or no value added. For example, Australia's production of wool tops accounts for only 4 per cent of global supply and even less in later stage processed products.

Compare this with a country such as Uruguay which produces 3 per cent of the world's wool, but is the second largest exporter of wool tops.

While it is pleasing to note that over the last decade Australia has doubled its exports of scoured and carbonised wool, and increased wool top exports by 75 per cent, there remains considerable scope for expansion in this area.

It is clear that if we are to secure the Australian wool industry's long term future as a world supplier of a high quality wool and wool products, we need to strengthen linkages between the various segments of the wool production and marketing chain.

This view was endorsed by the Garnaut Committee, which was established by the Government to review the wool industry's institutional and operational arrangements. The committee's recommendations for new institutional structures and a new market-driven approach were in large part taken up by both the Government and the industry, and new legislative arrangements to give effect to them have just been put into place.

There is a solid base for Australia to expand its wool processing sector, particularly in early stage processing.

We have access to a high quality and diverse wool clip.

We have a close proximity to the growing markets of Asia.

Our energy costs are competitive.

For this industry, China will be a key. It alone has been responsible for a 20 per cent increase in sales in the region over the past decade.

In June this year, I discussed with the Chinese Vice Premier the possibility of developing strategic long-term linkages between our respective wool and wool textile industries.

Following a series of negotiations at official and Ministerial level, agreement was reached whereby China would reduce, from 1 January 1994, its tariff on wool tops to 15% - that is to the same level as applies to greasy and scoured wool.

This agreement is an encouraging step forward. It is up to the industry now to follow it up. We simply cannot allow such opportunities to pass us by.

The well justified satisfaction we take in the success of our new manufacturing industries should not lead us to conclude that our old established industries are of declining importance. The wool industry remains a great industry. The point which this new plant makes is that it can become a greater one.

The decision by Bremer Woll-Kammerei (BWK) to establish its first plant outside Germany, is tangible evidence that major foreign investors believe that Australia is a location where the wool industry can renew itself.

The benefits that will flow from the establishment of this plant are significant, both locally and nationally.

Total investment in the project is expected to be \$85 million, and it will create more than 150 new long term jobs, in addition to those that have been created during the construction phase.

As a recognised world leader in the production of high quality wool tops, BWK will also bring state of the art processing technology to Australia.

I understand that the additional capacity of this plant will increase to 8 per cent the proportion of the total Australian clip processed to tops stage by 1996 - about \$34 million a year of value will be added to the raw wool processed at the plant.

The Government is substantially supporting this plant with a \$5 million grant and a \$15 million low interest loan

This plant is the first to be supported under a \$40 million Further Wool Processing Program.

In future, the projects funded will generate over \$200 million of new investment, resulting in additional capacity of over 30 million kilograms of wool tops, a doubling of current top making capacity, and the creation of 445 new jobs. Most of this additional output is for export.

This is yet another example of the importance to Australia of market access, and why the Government has placed so much importance on securing a successful GATT outcome.

That outcome now looks like delivering dollar benefits for Australia at a conservatively estimated \$A2.5 billion.

The immediate benefits to Australia will be in agriculture, but the result will also see the textiles and clothing sector again coming fully under the GATT through the phasing out of existing import restrictions under the Multi-Fibre Agreement (MFA), particularly in the important US and European Union markets.

This will free up the world trade in textiles and clothing, estimated to be worth more than \$100 billion annually.

Australia will directly benefit from the liberalisation in this sector as a substantial supplier of textile raw materials and a growing exporter of made-up articles.

It is also reasonable to conclude that increased demand should also push up commodity prices.

We are now in an excellent position to seize the initiative and capitalise on the opportunities opening in the international market for wool. I am confident that our wool and wool-processing industry can emerge as leading players.

I am confident, too, that the Geelong region will play an important part in Australia's future success in this and other industries, just as it has in the past.

Regional development is a matter of primary importance to the Government, and, as you may be aware, we will next week receive the report of a Task Force on regional development, chaired by Mr Bill Kelty.

The Task Force has been inquiring into impediments to economic development in the regions of Australia, and into the ways in which regions can use their comparative advantages to build their future prosperity.

There is no doubt that the internationalisation of the Australian economy has had differing impacts on different regions.

We believe that if Governments, industry and regional communities get together, identify the opportunities and develop the strengths that already exist in abundance in our regions, it will have major consequences for the future well-being of this country.

And for the regions themselves, it will ensure that new jobs and opportunities for enterprise and our youth can be offered, that the local knowledge and expertise essential to a prosperous future will not be lost, and that the regions, which give Australia not just strength

but character, will be revitalised for the twenty first century.

In conclusion, let me say again what a pleasure it is to be here today at the beginning of a new partnership between a great Australian industry and a great city of Australia.

And now let me officially declare the Geelong Wool Combing facility open.