



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP,
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Q: I wondered what your major policy agenda is for the 12 months from now? Do you have one or two specific things that you want to achieve in the next twelve months?

PM: Well, I want to drive the White Paper changes from, simply, a statement of policy changes to an outcome. That is, developing the training market, developing the job placement market, getting a much better focus. With information technology the way it is, the capacity to match demand and supply, we should be able to develop a much more sophisticated job placement business outside the CES which also should include, I think, case management. That is, we want to develop a market beyond the CES for case management. That is, we are to take people who are either long term unemployed - that is, unemployed over 12 months - or at risk of long term unemployment and manage them into the workforce. Including, of course, meeting the commitment we set in the White Paper of not letting any person under 18 slip through the system. That is, making a commitment to case manage every young person under 18, who might slip out of school, back into training, education and back into the workforce.

Now, I made the point in the speech, I don't think we're going to see migration making the commitment to skills formation which we're going to need in this recovery and we can do it through training and I think that is going to be one of our major objectives - actually driving this change along and making it work.

The other... the Government has got a sort of holistic approach to these things. I made the point about foreign policy being a part of economic policy and now it is in a very big way. I can't emphasise too much how

well we did with the Uruguay Round. It went on for seven years, I was at the OECD meeting where we stood up the Europeans in pushing agriculture into the round and, with the support of the United States, got it into the Tokyo Summit with President Reagan and into the Uruguay agenda. And, as you know, with the Cairns Group, we drove a lot of the debate through the period. But, there was a great cockiness in Europe coming up to 1992 and the notion that they could go their own way without giving concessions to the rest of the world was pretty strong among them. But, they were and are very worried about APEC - needlessly so, in my view, but right through my visit to Western Europe on this occasion I had all the major European leaders asking for full observer status by the European Union in APEC. They are worried about APEC getting away as a fast growing area and I think, as I said, without APEC having developed the way it has - with half the world's production and over half the world's population sitting down represented by heads of government - it was the nudge the Europeans needed to sign up at Uruguay. For a country like Australia which is not part of the European markets, that's not, has a close market like North America, that's basically got to trade on its own fat, the Uruguay Round was a great change for us. In principle and in content. And, to go and extend that and do GATT plus things in the Asia-Pacific is, I think, the way to go. That is why APEC is important to us. We are now exploring this opportunity, as I say, with AFTA and Australasia. The GDP of Australasia is about \$500 billion, the GDP of the ASEAN countries combined is about \$500 billion; there's complementarity between us in not only relative size and weight but complementarities. And it would give Australia a place in a trading market of around 300 odd million people and a combined GDP of around \$1000 billion and growing quite rapidly. So, that's important for us as well.

These are all, I think, things we have got to drive, and drive this industry innovation debate and the extension of that into these markets over the next couple of years. I think it is going to be terribly important to us. In the last year exports have grown by about 11 per cent and imports by nine per cent. This is quite encouraging in a recovery phase where we normally see a sharp lift in imports. So, we're heading down the right paths. I think the thing is to continue to push these changes through. The other change we want to see pushed through is the shift to enterprise bargaining of the great majority of areas under federal award coverage. And, as I say, we want to get to 80 per cent by 1996 and if we can do that we've really remodelled the Australian labour market away from the centralised system and made it more responsive. There's going to be a test in this recovery to see whether managers can spot the opportunities and draw from the workforce the productivity of related changes in business which can keep that inflation rate low, but lift profits of companies which can be divided between profits and wages. This has

never been the case in the past because, by and large, industry was always looking to centralised wage fixing. In fact, we are already hearing some firms saying, as there is a little bit of pressure coming from the recovery, "Can't we go back to centralised wage fixing?" Well, the answer is, "No, you can't go back to centralised wage fixing and we've got to do this one right." So, I think, that is another important part of the government's agenda and driving those things is going to take more than enough time.

Q: Prime Minister, you've just alluded to a very important point about the management challenge in all of this and the David Karpin Task Force report is due out very soon and in that, I think you will already know, that management doesn't get a very high score card there. I'm wondering whether you feel the challenge that management is up to this national picture challenge that you paint for us because, clearly, the rest of the workforce seems to be pushed very much towards the big challenge?

PM: Well, I think the environment has changed, that is the main thing. The environment has changed and, as a consequence, there is always, in every company, the person who spots the new environment, who understands the new environment better and exploits it better. And the performances of one firm verses another in this environment means that, generally, boards of directors make decisions about management if they find they are losing a competitive position or their opportunities are not being fully maximised. So, I've always been a great believer in getting the tariff levels down, getting the free winds of competition in the economy, getting an emphasis on product innovation and all the bits and pieces which need to come with that to make investment fire. That is, a profit share that gets investment off and running, a tax system which is sensible and, of course, flexibility in the labour market.

Now, I think, with those things we are seeing, really... I don't know what the consensus in business now is about the term of a chief executive officer but I would think that it is getting shorter and shorter. It was always about eight years and it is now coming down to about six and, more likely, five. After five years of a big effort by managers I think they are mostly moving on to do something else and there is another wave coming through. This is very healthy for the economy, I think, and very healthy for business. So, I'm very optimistic, really, about business management in Australia. I don't think we've been the best in the world, by a long margin, but I think that is changing and I think that turnover is going to sort of pick the people to suit the environment.

Q: Prime Minister, your White Paper was very well received. This move to increase training, I think, everyone must have agreed with that. Now,

there were a few comments though, buried deep in the leader of the Financial Review was a comment that perhaps the training was being concentrated too much on the people who are least likely to show any sort of response. I was just wondering if you have any reply to that and that perhaps that you could do better next time around?

PM: Well, I think that our view is that the Cinderella area of Australian education has been TAFE. And, trying to lift the status of vocational education has been one of the key objectives of the last few years. We started this with One Nation by putting \$700 million over three years - which we've now added to, it is now \$1 billion - for the growth in the TAFE system and we pulled the threads together into a national system. But, we want to develop... I mean, there is always a division of, if you like, interest or loyalties, as the case may be, in these things. I think the government wanted to see a training market emerge and not a monolith with TAFE. But, because we haven't really seen the proliferation of private training providers TAFE was the basic building block of the system. So, what we have sought to do is get TAFE geared up to take the throughput of the higher participation rate in schools and to say to kids, "Look, 15-19 is a period of vocational preparation, you can go through high school and out into tertiary institutions." We take about 40 per cent of the output, we are at the top of the OECD, or in that near top, where we are optimising the number of people exiting the secondary education system into tertiary. But, we are way, way below the optimum sorts of level of training through vocational education if, say, we compare ourselves with Western Europe or even North America, but particularly, with Western Europe.

So, expanding TAFE and getting it right is, I think, an important way to make a difference to aggregate training - training in the aggregate. But, that means, I think, that we want a private market to develop and we want business to be, basically, driving it. And, I think we'll see a very different complexion across TAFE. Where TAFE was once, the product of TAFE came from the training providers in the system we now want the product designed by the users of the system, the people who have demand for the product and that is, essentially, business. So, I think, if we can get the result we need in TAFE we are going to see a big change in training capacities and a focus by business on human development within companies and on training in the broad, which we haven't seen in the past.

Now, the labour market and the long term unemployed are different things again. Here, we've got people who have been unemployed for a year or 18 months or even greater, longer, two or three years. And, our experience with them is that, properly streamed and invested - that is,

people investing some time and effort in them - they pay, generally, substantial rewards. And, it is not a case of investing in the least likely but, rather, knowing that we can't have, in this economy, a labour market of this size - 300,000-400,000 people - who are long term unemployed. That is too big a drag on our national efficiency, it is inequitable and it produces this, sort of, division in society which is unhealthy. So, getting the focus back there, taking a personal interest in these people, case managing them, getting to understand their personalities, their educational attainments, their work experience, their aptitudes.... focusing them into a business or training them, I think, gives them a chance to get back into society. Particularly when the economy is producing enough aggregate jobs to take up a substantial proportion of unemployed people, including that stream of the long term unemployed who would not otherwise be there. So, it is a balance and in the balance I think we are getting the balance right. At any rate, I think it is a mistake - both in social and economic efficiency terms - to regard the long term unemployed as a lost cause and to move on. Because, we will run into skills bottlenecks and shortages and that can give us problems about wages and wage push inflation at another stage in the cycle and now is the time to be thinking about that.

Q: Prime Minister, infrastructure. In your last budget you adjusted the One Nation infrastructure bonds so that they are now tax attractive to investors, including institutional investors. What are your expectations for the role of private sector investment in infrastructure in your economic development agenda over the next five years?

PM: Well, I think this is going to be... let me just go back a step and say public infrastructure has suffered in the time when we had fiscal consolidation in the 1980s. When we had the government in a savings mode, the public sector in a savings mode developing those surpluses in the middle to late 1980s. We cut back all of the public sector, including infrastructure. And there will be a need for some public infrastructure which we have recognised in later times, in One Nation, for instance, in the national rail highway where we are putting now a substantial investment in the national rail agreement, in the major highway systems, in the trunk roads around the capital cities, I mean, we are doing it, now, in some places. But, there will be places where public investment or community investment in facilities will be important. I mean, after Working Nation I went down to the Sunraysia district and there - this is going to be the bulk wine growing capital of Australia. And, yet, the irrigation system was set up on gravity, all the contours of the system have, basically, been designed around the local topography. And, now, to expand the system it needs some community infrastructure in terms of drainage systems and water reticulation which, as a community, would provide an optimal kind of

investment to go there. Now, it may be that a super fund which is a low tax paying body which has found infrastructure bonds unattractive in the past - given we are now giving a 33 and 1/3 per cent rebate on infrastructure bonds - may find them attractive to invest. But, again, it is going to be a 'suck it and see' situation, to see what the funds think of the particular projects, whether they think they are going to stand up economically or whether they're, simply, just after the tax concession. And, we'll have to muck around to get that balance right, see where it is.

Some substantial state infrastructure, infrastructure in the states, will also qualify under the investment bonds, infrastructure bonds, but I don't want to see, if you like, a large proportion of state infrastructure responsibilities transferred to Commonwealth tax expenditure either. So, we're going to have to just see how it goes. For our part, we are willing to give it more than a reasonable fly to see if we can tap some of the savings of the superannuation industry and see them go into some of these sorts of areas. And, if they are well judged and well managed this could be a real addition to the national stock of infrastructure.

Q: Prime Minister, I was pleased to hear you reject, in the early part of your speech, the thinking that we either have a strong resources sector or a competitive manufacturing industry...

PM: Yes, that was a John Stone thesis so we don't hear much of it these days.

Q: ... Given the rejection of that thinking, though, I'd be very interested to hear how you see the benefits of the resources sector in building the future economy of Australia. How do you see it contributing to a future competitive Australian economy?

PM: Well, I think it is still of primary importance. And, if you look at... I mean, we are now focusing, often, on the success of the manufacturing sector from the inward looking structure we had a few years ago to what we have now. There's been a great transformation. This, in some way, is masking the success of the resources sector which has gone from strength to strength through the eighties. It has picked up, first of all, the primary benefits from the exchange rate, the new exchange rate system, but it has been well managed, it is more productive, its markets have diversified, the market penetration. The effort has been maintained and the contribution to national production and national exports has been growing very strongly. So, any notion that, you know, there's a new fascination with manufacturing and services at the exclusion of the primary export sector would be a very big mistake, in my view. And, I think, therefore, one has got to concentrate across the board and to see that all of our sectors get the advantage of enhanced competitiveness and where we can at least

give the managers of these resource sector companies of ours the chance to pick up the things that are coming from national productivity and national competitiveness. Now, a lot will then depend upon their entrepreneurship, their marketing and everything else but, by and large, I think that we have been able to provide a much more competitive environment and they have done the things that they need to do to make their businesses more productive and more competitive. Anyway, the proof of the pudding is in the eating and the strong contribution from the resource sector is sitting there in the national accounts.

Thank you very much.

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