



PRIME MINISTER

**SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING, MP
LAUNCH OF THE STUDY *INTELLIGENT EXPORTS AND THE SILENT
REVOLUTION IN SERVICES*, PARLIAMENT HOUSE, 2 SEPTEMBER 1994**

For too long now, we've tended to think of exports purely as things that are transported to our wharves, put in the holds of ships and sent overseas.

In the same way, we've tended to underestimate the critical importance of services to our national economy.

Services are our economic oxygen.

But because they're all around us - because they account for 70 per cent of our GDP and 80 per cent of our employment - we often forget just how important they are.

I am very pleased, therefore, to launch this report *Intelligent Exports and the Silent Revolution in Services* because it goes a long way to putting our services trade in the national spotlight.

It goes a long way to redressing what I think has been a failure to appreciate the importance of our services trade.

And it gives us a new platform from which we can move forward.

Services directly account for 20 per cent of all our exports.

And when you look at the services input into our manufactures, mining and agricultural exports, you see that services contribute up to another 20 per cent of our exports.

All up, that means services account for around 40 per cent of the total value of our exports, that's two in every five export dollars.

But, as this study points out, you wouldn't know about it from our media - only one in ten articles about exports relates to services.

When last Tuesday's Financial Review ran a piece on the balance of payments figures, it used the images of ships and mineral conveyor belts as backdrops for its charts on the current account and export figures.

These images, while not inaccurate, do nonetheless reinforce the perception that trade, and more particularly export, is only about physical goods, the things you put in the holds of ships.

What they miss out on is the importance of the services side to our exports - either as exports in their own right or as vital components in our traditional exports.

They miss out on the intelligent side to our exports, that part of our exports whose value has been added by the skills, creativity and ingenuity of individual Australians.

And this goes some way to explaining why the revolution in services has been a silent revolution.

The silence is a concern because services are going to play an increasingly important role in our trade.

The information superhighway will see to that.

As we pointed out in the White Paper on Employment and Growth, *Working Nation*, Australia's future depends upon the ideas, skills and knowledge of our workforce.

With services the fastest growing category of world trade, and with Australia producing highly-skilled, well-educated workers, we are ideally placed to gain a greater share of the expanding services cake, particularly in the Asia Pacific region.

When Indonesia's Foreign Minister Ali Alatas needed vital heart surgery recently, he didn't fly to the United States to find one of the world's most sophisticated medical centres, he came here to Australia, to the Austin Hospital in Melbourne.

The service Ali Alatas received was an Australian export, an Australian services export.

When IKEA put out a world wide tender for a stock management system for its operations in Singapore, it was won by Price Waterhouse's Australian consulting arm.

And the reason the Australian team won the right to lead the project was because it was multi-disciplined, it had the necessary expertise in software, retailing, marketing and distribution as well as the experience in doing business in Asia.

Importantly, it's a project that should lead to many others in the region.

When I visited Thailand and Laos earlier this year, I formally handed over the Friendship Bridge which spans the Mekong River and links Thailand and Laos by land for the first time.

This Bridge stands as a testament to the quality and capability of Australian engineering and construction services - it was designed, built and funded by Australians.

Already two companies associated with the bridge, John Holland Engineering and Construction, and Maunsell Sinclair Knight have won flow-on work in Laos.

They will join the likes of other Australian exporters like Transfield which recently secured the development rights for the \$1.2 billion Nam Theun hydro-electric dam project.

Engineering and construction companies have won major international tenders to design hospitals in several countries and a Melbourne based healthcare consultancy company has undertaken a host of joint ventures managing hospitals in the Middle East, India and Malaysia.

Our education exports are now running at \$1.3 billion - a twenty six fold increase since 1986.

And tourism now accounts for 12 per cent of our total export earnings.

This report contains many more impressive statistics like these and countless stories of Australian services companies out there winning against the best in the world.

Let me then turn to the report and congratulate its authors, the LEK Partnership, and the ten organisations which funded the project.

In particular, I want to acknowledge the role Ralph and his steering committee played in overseeing the study.

Let me also acknowledge the role that the Australian Coalition of Service Industries (ACSI) has played over the past few years in upping the profile of the services industry and also for its work with the Government on the two vitally important areas of the Uruguay Round and APEC.

With the publication of this report, I think ACSI has gone from a fledgling organisation to one now on a par with its international counterparts.

One of the great things about this report is that it's an international first for the services industry.

And it builds on the McKinsey report on our emerging manufacturing exports.

It shows that services exporters are typically small, innovative and flexible, that they rely heavily on exports to survive.

In the six years to 1991, Australia bettered both the world and regional growth rates for the export of services.

Australian exports grew by 17 per cent per annum while the Asian average was 14.6 per cent and the world average 13.6 per cent.

This is impressive when you consider that over the same period services exports increased their share of total global exports from 18 to 21 per cent.

As the report points out, the competitive domestic economy - that is, this Government's opening up of the Australian economy - was a big contributing factor in the growth of our services exports, with most services exporters pointing to our great strengths in our workforce skills, telecommunications, education system and information technology levels.

And once the Hilmer reforms are in place this will give us an even more competitive services sector.

Add to this economic prospects about as good as you could ever hope to get, and the future looks very bright indeed.

Not surprising then that the companies which participated in the study expect their export revenues to double in the five years to 1998 to reach \$33 billion.

Not surprising also that total services exports are forecast to generate an additional \$18 billion and 109,000 jobs by 1998.

And as the economies of Asia continue their high growth, as APEC continues to grow as a force for trade liberalisation in the region, we can expect to see many more opportunities opening up.

In fact, the report predicts that by 1998, Indonesia and China will become our most important services markets.

Japan, of course, will remain one of the most significant destinations for our services exports.

And as you know on Sunday, I'll be heading to Japan for a short visit.

And let me emphasise it will be very much a working visit without formality or ceremonial trappings.

I will be meeting with Prime Minister Murayama and his senior colleagues to discuss the forthcoming APEC Leaders meeting which President Soeharto will chair in Bogor in November.

I want to make sure that the Japanese Government understands what aspirations Australia holds for APEC and I also want to make sure that we understand Japan's views.

I'm particularly looking forward to renewing my contacts with senior Japanese business people, Japan is, after all, our largest trading partner and our largest export market.

Clearly, as this report shows, the growth in our services exports is very good but it could be great.

Only 5 per cent of Australian service sector production is exported.

The report suggests that an export share of 8 to 10 per cent of production could add an additional \$10 to \$15 billion to Australian service exports each year.

The way we're going I'd say that the 10 per cent is well within our reach by the turn of the century.

We have an economic recovery well and truly underway.

It's a strong recovery.

With business investment now coming through and inflation locked in low, it's a very sustainable recovery.

As we move ahead down the growth path, we can't afford to sit back and coast along.

That would be to waste the opportunities now before us.

That would be to deny future generations of Australians.

But I don't think that will happen because competition is now well and truly locked into our national economic psyche.

More and more potential exporters are coming to realise that if they're competitive in Australia, odds are they're competitive internationally.

What this report has shown is that there is enormous scope for Australian service companies to lift their export game.

It's difficult to see how the circumstances could be much better.

And that makes the export imperative greater than ever.

The world economy is growing and it's looking for the sort of high tech, high value adding services - the intelligent services - that Australia can provide.

Government can help by creating the right environment and encouraging firms.

We've got the right macroeconomic settings in place and, as the report notes, in the White Paper we took additional measures to build more competitive services firms.

We're putting in place major training initiatives to lift our skill levels and improve productivity.

We're introducing tax initiatives to encourage investment in small to medium sized enterprises and bring more regional headquarters to Australia.

We're making it easier to get access to finance.

We're encouraging innovation through a more generous research and development tax concession, through assistance for the commercialisation of new technology and through a national technology diffusion network.

We're giving industry better access to the government purchasing market while also extending the operation of the EMDG scheme to include tourist operators.

But, as important as these measures are, at the end of the day, it's really up to business to show vision and leadership by getting into the export game.

As I see it, it's simply a question of more Australian business people in the services industry saying "Well, let's look at this export game. Let's give it a go."

I don't for a moment pretend that it's easy. It's not.

But there are a hell of a lot of service exporters already out there making it happen.

I commend this report to anyone who's interested in our services industry and I urge the business community to lend its support to the series of national seminars commencing next week.