



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
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Thank you very much Jim Fleming, distinguished guests and ladies and gentlemen.

Well, it is a very great pleasure indeed to come to the 1994 Supermarket Show. My contact with supermarkets is fairly thin these days, but I occasionally dash in to buy something - mostly something for my children - but, one is always been impressed with the competition and the quality of the things which are sold in Australian supermarkets and the way they are presented, the nature of the stores, and it comes as really no surprise to me at all that the Australian Supermarket Industry in presentation, in competition, in pricing, as Jim Fleming remarked in turn-over, ranks up there with the best in the world. In fact, I'm sure some in Australia would believe better than any in the world. And, this has been a good thing for the Australian consumer and again, as Jim Fleming remarked, a good thing in restraining the prices in Australia and restraining inflation because this is a very large industry which turns over something like \$17 billion a year and it has a decided impact on the standard of living of Australians - the way they live and the quality of the things they buy.

So, we have got much in this country to celebrate, I think, in the way in which our retail sectors have developed over time and it's, I think, a wonderful thing that the Australian Retail Institute has developed this Supermarket Show so that the industry can get together and look at trends and discuss changes and we can also invite colleagues from around the world including, of course, the Asia Pacific area where now Australian retailers and wholesalers are starting to do business, and to try to make those connections and underwrite some of the things we might do together.

I think that those of you, particularly from abroad, would have some idea of the perhaps quiet sense of confidence that Australians currently enjoy about themselves, about their country and about our economy. We were the first western country out of the world recession. We are now growing somewhere between four and five per cent and as a consequence we are seeing now a lift in employment and prosperity resuming once more. By contrast, most of the western economies are growing at the moment on an average of 2.5 per cent. So, Australia's growth is nearly double that of comparable countries and as a consequence there is a feeling of confidence about the place and investment is starting to pick up again and we are starting to see a long run, low inflationary recovery ahead of us through the 1990s. And, I think, this is very encouraging for Australians that this position is

here because we have changed much about Australia in the last 10 years. Ten years ago this was a very inward looking economy with a ring fence, bound by tariffs, with a managed exchange rate, with a sclerotic financial market, with a government budgetary policy which was out of sorts with private investment in this country and as a consequence we were growing at a very small rate and we had very low employment growth and high unemployment.

Today we have still got high unemployment, but it is off a massive level of participation in the work force. If we had the same number of people looking for work today as we had in 1984 we would have unemployment at under 6 per cent. But now, because there are so many people looking for work, particularly women - with an enormous increase in the participation rate for women - we still have relatively high unemployment, but we are now starting to see tremendous employment growth. In fact, over the last year we have had employment growth of about four per cent.

This, I think, matters a great deal to retailing because every year the Government has been in office real household disposable income has risen because there are more people in households in work. So, while there has been a change in relative wages over the decade, the relative price of labour has changed and been reduced. The number of people in households working has risen so that there was a very strong growth in household disposable income over the decade and that has driven retail sales and it has driven consumption which in turn has driven investment. And, I think, if one looks to the growth of the supermarket industry through the 1980s and early 1990s one finds that what is the driving force behind it - not simply population growth - but the workforce growth and the rise in household disposable income which has come with it - that's resuming again with, as I say, four per cent employment growth this year. So, we are going to start to see again a fairly strong pick up in household disposable income during the period.

The other thing I think that is worth saying to our partners from abroad is that by and large the Australian economy is in size just under the combined GDP of the ASEAN economies. A couple of years ago we were about the same. I think the ASEAN economies together are slightly now ahead of Australia. That is, in Australian dollars at about \$410 billion of product. So, when you get an economy of this size growing at four or five per cent one is creating the equivalent of \$15 to \$20 billion of extra value, extra wealth every year and that is driving a tremendous amount of investment and consumption in this country. It is one of the reasons why there is no substitute for growth for employment and there is no substitute for growth for wealth and why, I think, the retail sectors have done very well and why, I think, it is a good place to do business. In this country we have a corporate tax rate of 33 per cent, about the same as Singapore, but this is not a city state. This is a nation continent with a very sophisticated level of public services and to provide that with a corporate rate of 33 per cent is really at the leading edge of tax rates around the world for corporations.

As well as that, as domestic share holders will know, we have in this country a system of full dividend imputation. That is, we don't tax dividends twice, we do not classically tax company income. So, we give our shareholders a tax credit for the company tax paid when they receive a dividend in their hands. This, along with vast acceleration and appreciation makes this just about, in western world terms, the finest corporate tax system

In the western world and certainly comparable to any country which is even near comparable with Australia in the Asia Pacific.

So, all these things, I think, are bull points for growth and for the future and we have, as Jim Fleming said, been able to provide Australian consumers with high quality goods at very fine margins. I mean, a few years ago one would have to go to speciality shops to find sophisticated foods and pay a very high margin on them. Today you would expect to find these in supermarkets and that is because, I think, of the ambition, the ambitious attitude of supermarket proprietors in this country and food wholesalers and retailers, that they want to stock those items and deal in them. And this, of course, improves the spice of life for Australians and the food they consume and, of course, it guarantees them these products at much finer prices and thinner margins.

So, retailing has done a lot for Australia, but competition here is very intense and one of the by-products of that intensity is, I think, it has distracted some of the major companies from looking at the Asia Pacific in particular or further afield to North American and West European markets. As a consequence, I think, we are missing opportunities now in this part of the world particularly. You notice here we have had a substantial history of mergers and acquisitions in retailing now over an extended period of time. In fact we have the heaviest retailing sector companies in the world. Companies like Coles-Myer and Woolworths have unprecedented market shares in world terms. I think Coles-Myer has something like ten times the size of market penetration as say a comparable, the first comparable US corporation. So, there is a very heavy concentration and the Government has made it fairly clear to the major retailers, competition is one thing, but attempts at sort of monopolisation of the market in the end don't do any of us any good.

So, in a sense punching each others eyes out for another one per cent of market share is fairly counter productive when one can open themselves up to retailing in China, in Vietnam, in the established markets like Singapore and Thailand where Australian retail capacity and retailing skills can really lay down the foundations for the retailing sectors of countries and regions.

So, I'd say that the Government would be urging Australian retailing and wholesaling companies to go abroad and to find opportunities and relieve themselves and the Trade Practices Commission of the burden of reminding them that large market shares are fine, but to go beyond that essentially establishes a real tyranny for food suppliers and clothing suppliers and others who have to deal with very large quasi-monopoly businesses.

Now, I am delighted we are starting to see this trend. We have seen Davids' Holdings - John David is here this morning - go to the Asia Pacific area into co-operative ventures, in Singapore in Indonesia and in other places. And, it is this sort of outward view that while the Australian economy is growing quite fast in western world terms, in terms of population growth we will still have modest population and a modest absolute size to our consumer market compared with the growth in population in some of the countries I have mentioned and, of course, the absolute size and rise of incomes in those markets. So, the market opportunities abound very close to Australia where it is possible to ship food stuffs chilled not frozen, perishables things which years ago we couldn't consider and where we can establish the style of retailing or if not establish it certainly amend and change and adapt the style of retailing in those markets. And, I think, this is a very important thing and I

certainly congratulate those companies that have gone out there and have taken those first steps to establish real market and growth opportunities for themselves, realising that to stay in Australia and try to take over another wholesaler or another retailer, to have another argument about competition policy, to further constrain the options of manufacturers, to squeeze further wholesalers from the business and in the case of the retail mergers is by and large a pretty counter-productive activity.

So, I hope that our retailing sectors will now really understand that they have developed here something really competitive and really good and that they can take it out as a product. That their systems, their warehousing, their retailing, they can take out as a product to the Asia Pacific area, indeed, they can then buy market share in other countries or develop businesses in other countries, say in North America and Europe, where retailing is no more a developed art than it is in this country.

So, at any rate, we are told that there is \$160 billion of growth in Asia in food - a lot of it western foods - and there is a great opportunity here and a great opportunity exists, not just to retailers but, for our food industries in particular the Agri-Foods business and it is worth, I think, noting that growth in Australian high value food exports currently exceed 18 per cent a year and the industry looks set to pass our Agri-Food Council's target of \$7 billion of high value food exports by the Year 2000. So, there is a tremendous, I think, chance to sell what Australia does best, that is high quality food, foods with disease free status - which is fairly unique in this part of the world - and to capitalise on the food technologies which Australia does well. So, there is no reason, I think, why we would leave the growth of these products and the growth of retail to the Sogos or Makros or Park'n Shops or any of these other people, we have got to be out there basically doing these things ourselves.

Now, in terms of our own industry, retailing accounts for a very great number of employcos, I think in the order of half a million plus people, and it is continuing to adapt and change and the Government has now sought to try to change the training agenda so that retailing can pick up and train young people and actually pick them up from school and train them while they are at school. A couple of weeks ago at a shopping mall in Gosford I launched the Australian Student Traineeship Foundation which is letting young people in years 11 and 12 pick up TAFE training - technical and further education, vocational training - while at school to give them accreditation in a TAFE course so they can also do on-the-job training while they are in their school years. So, we can start to stream young people in years 11 and 12 into vocational education and into work and work experience. And, the key change in all of this is that in vocational education the Government wants to see industry essentially shaping the training agenda. Once it was true in this country that in our vocational education, in TAFE as we call it, technical and further education, the product of the system was the product divined by the suppliers of the education themselves - formerly trades people or specialised people who were then teaching what they knew to their student bodies - and that was the product which industry then look. What we are trying to do is to get industry to decide what product they want and then change the training profile of the vocational educational institutions to give them the kind of trainees and people with the skills they need and this is where, I think, the involvement of let's say in retailing, the retail sector in vocational education and in the student foundation traineeships is, I think, going to be a very important development in Australia.

Now, we have now developed a body called NETTFORCE and NETTFORCE is to seek the development of training companies in particular sectors of Australian industry. So, in the metals industry there will be a training company. In the retail industry there will be a training company. In other industries, in the motor car industry, there will be a training company. That will mean that any company in that sector can actually go to the company which it owns shares in and be advised and directed how it can best train young Australians for their own purposes, for the purposes of that industry or that particular business. This comes as an initiative from the White Paper called 'Working Nation' that I had the pleasure of introducing some months ago and, I think, we will see with NETTFORCE - and I know there is already a retail training company established that we will start to see some real progress in companies seeking then advice and direction for their own training needs from their very own industry training company.

Now, in this you know the Government has been committed to the long-term unemployed in the White Paper 'Working Nation'. And this has two very important things about it. The first thing is we are saying as a society we won't have an underclass. If the Americans want an underclass they can have one. If the British want an underclass they can have one. But, we won't have one. We are not going to have a section of the community drop off and find themselves living on charity or living in the streets or on sub-poverty incomes. And the other thing about it is why should just a proportion of the workforce carry the butt of structural adjustment or in the past, the recession? Why shouldn't we get them back into the labour market? Why should the new jobs only go to those new entrants to the workforce? And, we are having a great deal of success. We have got a program here as many of you know called JOBSTART which is a Government subsidised labour market program. Last year 150,000 people got jobs under JOBSTART, 70 per cent of them were long-term unemployed and the retention rate, that is the rate of retention by businesses after the subsidy finishes is exceptionally high indeed. So, we are seeing now in this last year more long-term unemployed people picked up than we have ever seen, certainly in the last 10 or 15 years.

In the past three years nearly a quarter of a million - in this country with a workforce of just on eight million, this is a big number - nearly a quarter of a million long term unemployed people have been hired by employers through JOBSTART subsidies alone. And, as you know we have introduced as part of 'Working Nation' a new training wage which is set between \$125 and \$333 and payable to all unemployed people and new entrants to the labour force. Together with JOBSTART the training wage means an employer can receive subsidies ranging from \$5,000 to \$8,260 for taking on a long-term unemployed person. So, that is \$100-\$160 a week subsidy if an employer takes on a long-term unemployed person.

By doing this, by changing the nature of TAFE, by getting the balance right between tertiary education and vocational education as we see that four per cent employment growth we want to be pulling up the long-term unemployed with it because, I think, the other thing that people have got to understand in the industry, and this is including retailing, and that is skills formation in this recovery is not going to come from migration. It is going to come from our own labour market. So, to avoid bottlenecks and wage pressures as the recovery continues to strengthen we have to have a greater complement of trained people coming in to the labour market and that has to come, amongst other

places, from the body of 300,000 odd of long-term unemployed people. But, the whole focus of traineeships and training is there because the Government – and it is worth recalling this – ten years ago only three children in ten completed secondary school in this country. Last year that was eight in ten and the Government has now added 65 per cent of extra places to universities since 1985. So, we now have not just a very high retention rate in secondary schools, but we have also provided the university places for those students as they leave. So, our proportion of university places to the school aged secondary population is as high as any in the world. The weakness in Australian education has been the Cinderella status of vocational education – TAFE. That is why in 'One Nation' in 1992 I announced the formation of the Australian National Training Authority which has a national system of TAFE and where we are trying to develop TAFE into a national system to bring vocational education up to equal status with the universities. So, a student has a real choice, that is, an accredited nation wide certificate of status from TAFE or a tertiary education and a tertiary degree.

In this way, we will be able to meet the training needs of Australia as we continue to produce elaborately transformed products and elaborately transformed exports be they in manufacturing or in food or electronics or wherever it is we will need a trained workforce. One of Australia's great comparative advantages is education. There is only one other country in the Asia Pacific with an education system like Australia and that is Japan and we should play to our comparative advantage and our comparative strengths by making certain that the output of our education system kicks along product innovation in this country and allows us to sell exports competitively to the rest of the world.

So, this, I think, is an important thing for the country, for the economy, for the workforce and for retailing because retailing is such a large employer and the skills changes are going to need to be there to keep it at the forefront of retailing techniques and abilities throughout the balance of this decade.

So, perhaps let me wind up on these points. To say firstly thank you very much for inviting me to come. I think it is a very good thing that the Supermarket Show exists, that people can actually exchange views, talk about developments in their industry whose matters of moment can be discussed, but it is a particularly important opportunity, I think, for international visitors to come to Australia and to get to know our retailers and our wholesalers and our distributors in the various sectors and to see what opportunities they can take and also our manufacturers, to see what products can come from Australia and go on the shelves of supermarkets in the region in which we live. This, I think, is very important to us.

I'd like to underline again just how competitive our supermarket and retail industry in this country is and just again make the point, as Jim Fleming did, this is a bull point for lower prices and for restraining inflation. We have got inflation now at somewhere between 1.5 and 2 per cent and we want to keep low inflation very much in the forefront of our mind in terms of economic policy and prices in retailing is an important component and will always be an important component of that. And, the other thing is we will continue to work on training and finally the Government will continue to encourage the development of an outward looking retail sector as these rapidly growing markets in Asia emerge and where we can obviously see or see obviously our capacity to participate in those markets and not simply to participate, but in actually shaping them and shaping their future.

So, perhaps let me finish by congratulating the Australian Supermarket Institute once again for this very impressive supermarket show and I look forward with some substantial relish to the exhibits and to meeting some of you who make this industry tick.

Thank you very much indeed.

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