



**PRIME MINISTER**

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP  
OPENING OF MANUFACTURING PLANT OF MERCK SHARPE AND  
DOHME PTY LTD, SOUTH GRANVILLE, SYDNEY, 23 NOVEMBER 1994**

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Thank you very much Paul Bell, Managing Director of MSD, Jim Beattie, Lee Ausburn, Lesley Russell, Jim Gazilas, other distinguished members of the management and ladies and gentlemen the employees of Merck, Sharpe and Dohme Australia.

It is a great pleasure for me to be involved with this. Not simply because it is so proximate to my own constituency here in Sydney and part of the general area of Sydney where I am from and which I have represented now in the House of Representatives for over a quarter of a century, but more particularly what has happened here and is happening here is the very essence of what I have been seeking to do and trying to bring about in the House of Representatives, in the Government over the last 12 years.

I think it is entirely true, as Paul Bell said, there was a time when the investment in this business had ceased and it was to be, as he put it, 'mothballed' or run down and where it would soon be merchandising or wholesaling, distributing products made by other arms of the company abroad. And, to see such a change from that to one where we are seeing a very large investment, a world class production facility and packaging facility and distribution and a very strong change and commitment on the part of the employees to the business is the kind of model that Australia needs and the model which will, of course, change our industrial culture and improve our levels of wealth, our capacity to employ people, their rates of pay and, of course, our relationship with the rest of the world. I was particularly pleased in the briefing I had a few moments ago to see that exports had risen to about \$125 million a year now, rising towards a forecast \$250 million a year in a few years from now from virtually nothing not that long ago. And, it is part of that sea change in Australia – looking out rather than looking in.

Now, what has obviously happened here is that there was a real conversation between this industry – the pharmaceutical industry – and the Government in the 1980s and, I think, Governments have got to make key decisions about whether they want particular industries or whether they don't, what they can do to try and make the environment more conducive to them staying and investing. And, in a major policy change in the 1980s across a range of areas, we improved the atmospherics for the pharmaceutical industry in Australia. I suppose the most well understood part of that by those people in the industry and probably members of the public is the factor ' scheme which was one of the things which underpinned the future of the industry.

Now, governments can do those things, but if companies don't take them up well, not much is likely to happen. But, I think, that at Merck, Sharpe and Dohme they have seen a willingness on the part of the Government to say 'yes, we want this industry and it can make a contribution to our national product and to our exports' and the company said 'in that case, we will see what we can do, get a strategic plan together, a corporate plan and make some investments and try to make it all happen.' As a consequence we have seen this very large investment here – \$75 million – the most modern developments in the production of pharmaceutical products and what I can see around the plant, tremendous camaraderie and esprit de corp between all of you who work for the business and those who manage it.

I suppose, this is part of the sea change in Australia too. It is no accident that we have an inflation rate of just under 2 per cent. That is there because of co-operation from the workplace and because of some wisdom on the part of employers not seeking to charge what the market will bear. These things have changed the culture of industrial relations in Australia and there is a commitment and I hear Paul Bell say about a number of unions committing themselves to the business here. I think there were 13 originally, there are now five and there has been that commitment and, I think, when one looks at a lot of other societies which have succeeded in production and in exports and probably Japan obviously comes to mind, the management of great companies in that country always seem to get this conducive relationship with the workforce. I suppose this is one of the points of difference we have with the Coalition in this country. We say let's get people committed in a group way, to group objectives and let's all travel in the same direction together rather than singling people off for individual wage contracts. If they pipe up they lose their job, if they don't sign up for particular things they lose their jobs. That is not the environment, I think, which produces the kind of outcome that you really need in a group sense to make a business work, that is, a commitment right across the business and not simply people taking employment contracts out of fear or out of pressure or out of something else. The way to get the change and to improve the productivity

and the culture of the business is to get that commitment from the employees and the management to work together.

I was delighted when I was taken around and just shown parts of the plant to hear a number of the people demonstrating it to me say 'well, some of our ideas are in there'. In other words good ideas are appreciated rather than good ideas being, in a sense, rejected because they haven't come from the top down. I mean, there has been a sea change in Australian management. There was a time when the boss saw the workers for a cup of tea and a scone on Christmas Eve and that was that end of it or a beer maybe, then they charged off and all came back to their being their grumpy self for the new year. Now, that has changed and, I think, where ever you see managers enlighten people, who want a good relationship with their employees, people of good will can get it and, I think, this business proves that too.

I'll just say one thing about the factor 'f' scheme, I have been urged by Paul Bell to continue to support it and part of the value of coming to a plant like this is to see it in action. I think, we are providing something like \$1 billion worth of assistance and in return 17 companies have committed themselves to undertake nearly \$8 billion in additional exports. Now, when one looks at the nature of the products here, there is not just the added value and this is the sort of added value that Australia can use, but there are also products that actually make you feel good about producing, you are producing something that is going to help somebody and you are doing something socially useful as well as something as productive and economically sensible.

So, this is, in a sense, part of the model that we see for Australia, being driven by the thing that is our great comparative advantage- that is our education system. Because if you ask many Australians - what is Australia's comparative advantage? - they will say 'well, it is our minerals or it is our wool', but I would say it is our education. As you know, 10 years ago only three kids in 10 completed secondary school, this year it is eight in 10, and we are streaming 40 per cent of those through universities and we are now building vocational education to sit beside the universities so that we can have a very high participation rate in school and a competent tertiary and vocational education system which will feed businesses of this kind. Then, with our incentives for research and development I am delighted that we are actually seeing primary research in pharmaceuticals undertaken here in Australia and here particularly by Merck, Sharpe and Dohme.

So, congratulations to the Company. I mean, it is always a tough task master being the local subsidiary of an international parent company, singing for your supper, trying to get a commitment by the international board to capital. It is one thing committing it yourself, but when you have got to get someone else to commit it, it is pretty hard and you have got to have a good story to tell and I

hope that the story that Paul Bell and his colleagues have been able to tell Merck in the United States is a story of Australia. The story of a modern, sophisticated country with a strong base in education, that is interested in doing productive things and doing them well and shipping to the part of the world where we know we can be very competitive.

So, when you hear the term added value, this is what we mean and you see it in these modern surroundings. And to see that commitment and, obviously, the very good will that exists between all of you is a real pleasure for me indeed. It is with even greater pleasure that I now declare these facilities open and to draw the curtain on the plaque. Thank you indeed.

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