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**TRANSCRIPT OF THE PRIME MINISTER  
THE HON JOHN HOWARD MP  
ADDRESS AT THE QUEENSLAND CHAMBER OF  
COMMERCE AND INDUSTRY DINNER  
(Being held in conjunction with the Australian Chamber of  
Commerce and Industry  
National Industry Policy Conference)  
BRISBANE CONVENTION AND EXHIBITION CENTRE**

**E&OE**.....

Well, Mr DeSouza, Mr Rob Gerard, the Federal President of the Australian Chamber of Commerce and Industry, Joan Sheldon, the Deputy Premier and Treasurer of Queensland, my other Ministerial and Parliamentary colleagues and many leaders of Australian industry, ladies and gentlemen.

It goes without saying that I am quite honoured to be invited to address this dinner tonight which comes at the end of a very important Conference about the role of industry policy and about the future of Australian industry.

I might also say that it comes at the end of quite a momentous week for the Australian economy. Not momentous in the sense that particular statistics and figures have been released. But momentous in the sense that I believe a number of very important markers have been put down about the future of the Australian economy. And that there have been some attitudinal changes and there has been some refocussing about the important things that affect future economic development in our nation.

First and foremost I am very pleased to say that this is the week in which your Government has got well and truly serious about fundamental reform of the Australian taxation system. And I know how close to the heart of your organisation that fundamental reform has been.

And I also think it worth mentioning that in all of the many submissions that we have received over recent months, indeed since we came back to office, about the future

shape of industry policy in Australia, all of them have had, as a core element, fundamental reform of the Australian taxation system.

The other highly significant thing about developments this week was that important speech made by the Governor of the Reserve Bank, Ian Macfarlane, in Western Australia.

It was an important speech because, like the report delivered by David Mortimer to the Government, it focussed our attention on the central role and the central importance of economic growth in the future development of Australia. Because for the first time that I can remember in the 23 years that I have been in politics I heard a Governor of the Reserve Bank of Australia saying that, in the short term at least, the constraints and the speed limits on economic growth had been removed.

He talked enthusiastically about the capacity of the Australian economy to grow at over four per cent. Now, that carried a number of important messages. Not least, of course, I would say it represented a tacid endorsement of the fundamental approach that we have adopted to repairing the Australian economy over the last 17 months.

It also carried a profoundly optimistic message for the unemployed of Australia. Because at the heart of solving the unemployment challenge in our country is to accelerate the rate of economic growth.

There are two ways you attack unemployment. You attack it by accelerating economic growth and you attack it by removing the impediments against the employment of Australians by individual employers. And to have somebody as senior and as authoritative as the Governor of the Reserve Bank of Australia saying quite clearly that, in the short term at least, those speed limits had been removed was very good news indeed.

And what I believe he has done, and what I believe that valuable reports like those of David Mortimer's have done, is to refocus our attention on the importance of economic growth.

And what they've also done is to reinforce the importance, for all of us, in focussing on the capacity of our nation to realise its potential as we move into the 21st Century.

The economic strategy that we have pursued since coming to office in March of last year has essentially been divided into two phases.

The first and very important phase was the repair phase. And I know this is not a Conference about looking over our shoulder to the past, but I think it is worth reminding this audience that we did face and underlying deficit of \$10.5 billion, and that in our first three years of government we believe we will have converted that from a deficit of \$10.5 billion to a surplus of \$1.6 billion.

But in 1995 we had a debt to GDP ratio of 19.5 per cent. But by the year 2000 we will have halved that to only 10 per cent. But according to the latest OECD survey the growth rates of the Australian economy in 1997 and 1998 will be above the average of

the G7 nations. That we will have massively repaid debt and we'll be laying the foundations for a debt free Australian future.

We have seen levels of inflation that we haven't experienced since the 1950s and 60s, and we have seen significant falls in interest rates.

Now, all of these things are important and all of them have made a major contribution to improving the framework for Australian industry and that they have made a major contribution towards very sound industry policy settings.

Now, I know that quite correctly, ladies and gentlemen, much of your work over the past few days has been focussed on the future of industry policy. And as Prime Minister I recognise, quite directly and quite openly, that there is a strong debate within our community about the role and the shape of industry policy.

The interesting thing about that debate, my friends, is that there is a wide area of common agreement.

In all of the submissions that I've seen recently on industry policy nobody disputes the need for fundamental industrial relations reform. And I believe that the *Workplace Relations Act* that was taken through the Federal Parliament by Peter Reith has dramatically changed the Australian workplace.

It has achieved the great goals that we set ourselves in Opposition. It has brought in a new era of direct negotiation between employers and employees. It has ended, for all time, compulsory unionism. It has restored teeth to the secondary boycott laws. And it has redressed the imbalance that used to exist in the industrial relations arena. And I believe, as the months go by and the full benefits of those changes are recognised and taken up by Australian industry, it will make an enormous contribution to the enhanced industrial structure that this country needs for the 21st Century.

So we have common ground about the need for industrial relations reform. We have common ground about the need for reducing the budget deficit and putting our budgets into surplus. And we have common ground about taxation reform to which I will allude in a moment. We have common ground about the need for sound infrastructure. We have common ground about the need for sound education and training policies. Indeed, there are many areas where there is wide degrees of common ground right across the industrial and business spectrum in Australia.

And I think it is fair to say, ladies and gentlemen, that the area where the debate has become quite properly focussed on is the extent to which the Government itself intervenes directly through budget assistance, either on the expenditure side or the taxation side of the budget, to provide direct incentives to companies to invest in Australia and to invest in Australia's future.

Now, we have before us at the present time David Mortimer's report. We have just received the report of Professor Ashley Goldsworthy on information technology. We have received a report of Mr Cutler on online services. We have before us the report commissioned by the Metal Trades Industry Association and prepared by the

Economist Intelligence Unit. And we will have before us, next week, the results of this very important Conference presided over by the ACCI.

And I want to say to you that one of the most important policy responsibilities my Government will have is to examine all of those reports and to respond very quickly to the various recommendations that have been made in them.

But I think it's important to acknowledge to you that the real debate and the real area of decision making is the extent to which governments should intervene through direct budget help.

But beyond getting the fundamentals right it is important, as we come towards the end of the century and we move into the 21st Century, that governments ensure that industry policy help us to realise our full potential.

You have often heard me speak about the role of small business in the Australian economy. And I was glad of the acknowledgment that your Queensland President gave to that role in his introductory remarks. But I want you to understand that we see the growth of both large and small businesses to be not only compatible and independent, but vital for greater levels of investment for job growth and for national prosperity.

The aim of industry policy, in my view, is to create world competitive enterprises that generate high value added and quality jobs drawing on Australia's rich endowment of natural, human and man-made resources.

Industry policy is about creating an economic environment that is conducive to investment, jobs and growth. That requires macroeconomic stability, structural and taxation reform, targeted budget intervention to address market failure and a lower burden of business regulation.

In an era of globalisation, industry policy must be forward looking and outward-oriented. The challenge is to empower enterprises and workers to deal constructively with, and to harness, change. Our focus is on facilitating adjustment from declining to emerging activities, encouraging international best practice and gaining access to lucrative markets.

Education and training, active labour market policies and programmes, R & D, sophisticated and competitive infrastructure services are the sinews of competitive advantage in the new world economy.

A productive, competitive and outward-oriented manufacturing industry is fundamental to my personal vision and the vision of my Government on the future of Australian industry.

My Government is prepared to strategically intervene in industry to offset distortions and remove impediments to expansion.

In May, for example, we announced a new Pharmaceutical Industry Investment Programme which will run for five years from 1999. The programme will provide \$300 million to offset the distorting effect of the Pharmaceutical Benefits Scheme on pharmaceutical prices and therefore on the incentive for pharmaceutical companies to invest in increased R & D and production in Australia.

The Government's recent decision on tariff levels for the automotive industry was, in my view, the only responsible one which the Government could have taken. It took into account the commitment of all APEC members to opening up their economies, the need to continue to improve the industry's ability to compete internationally while providing certainty to communities, workers, and business. This decision is already paying off in increased investment in the Australian motor vehicle industry.

The traditional role of government is changing in response to global trends. Marketing the nation state is increasingly important to attract large, capital intensive and footloose investments. Multinational corporations are now able to play various countries and their incentive regimes off against each other. We must be willing to address this issue - how best do we offset what other countries may have to offer? It is asserted by some that establishing competitive conditions, removing impediments and trading on our social capital, such as our lifestyle and cultural diversity, are simply not enough.

As I've already observed, there is much common ground on the industry policy debate. And the area of debate now surrounds the extent to which governments should intervene by investment incentives, whether through increased outlays or tax breaks. And as I've indicated a moment ago, we'll be responding to a series of reports in that context.

The Government is, however, determined to pursue action agendas for emerging industries along the lines of our 'Supermarket to Asia' policy. The Mortimer Report identified telecommunications, resource processing and tourism. And I would add information technology/online services and the financial services industries. Some of these sectors will be the subject of decisions over the next few months which will accelerate their development. This is not picking winners - it is facilitating the emergence of new areas of competitive advantage.

We'll also, in the next few weeks, be responding to the report of the Wallis inquiry into the Australian financial system.

Part of achieving our future potential as a nation depends upon exploiting Australia's comparative advantage in the information sector.

We have every reason to be excited by the communications revolution and the opportunity that it provides for our future.

The growth of information technologies is forging new ways to communicate, to manage information and to make and market transactions. Business opportunities will come from the expansion of telecommunications, information technology manufacture,

software and content provision and the impact on the competitive advantage of existing industries.

We are in a particularly good position to take advantage of these opportunities. We rank second only to the United States in computer ownership. Our spending on information technology as a proportion of GDP is 2.8 per cent compared to 1.9 per cent in Japan and 3.1 per cent in the United States. We have also one of the most rapid take ups of the Internet of any country in the world and this is estimated to continue at a rate of 130 per cent into 1998.

Our Australia Online policy seeks to support industry development through the provision of a low cost world class telecommunications infrastructure. The opening up to full competition of telecommunications carriage and services on the first of July and the establishment of Networking the Nation, our Regional Telecommunications Infrastructure Fund, will underpin industry competitiveness. And I will be announcing a new policy framework to maximise development of information technology and online services in the near future, one of a number of plans we have for realising our potential into the 21st Century.

Ladies and gentlemen, no speech of this type, to this gathering, in this week, would be complete without my returning to some of the details of what I have had to say over the past few days about the future of the Australian taxation system.

I have now been in politics for over 20 years and I have watched, during that period of time, the attempts of both sides of politics to bring about fundamental reform to the Australian taxation system.

And if you step back a moment and think about that debate over the last 20 years one of the more fascinating aspects of it is that at various stages the leaders of both of the major political parties in Australia have advocated in essence the type of fundamental reform that we committed ourselves to earlier this week.

If you go back to the middle 1980s you will remember, may I say, the passionate and, indeed, principled commitment of the former Prime Minister and the former Treasurer, Mr Keating, to the cause of fundamental taxation reform. And I can certainly remember a conversation I had with him, when I was the then Opposition spokesman on Treasury matters in the mid 1980s, when he handed me a copy of the White Paper that the then Labor government was about to present to the Taxation Summit. And he spoke quite passionately about the importance of governments making fundamental changes for the national good. That, of course, was 12 years ago in 1985.

You'll all remember the change in attitude of the Labor Government after the objections to taxation reform by the ACTU at the Taxation Summit.

And if you fast-forward to 1992/93 you'll remember the very determined attempt by my predecessor as Leader of the Liberal Party, John Hewson, to bring about fundamental taxation reform.

I believe that we cannot be serious as a nation about equipping ourselves in a competitive fashion for the 21st Century unless we are prepared to embrace a fundamental reform to the Australian taxation system.

And you cannot embrace that fundamental reform unless you are prepared to examine all of the options. You cannot embrace that fundamental reform unless you are prepared to examine, quite openly and quite directly, the introduction of a broad-based, indirect tax.

And I was delighted today to see the Commission of Inquiry that's been established by the Evatt Foundation which, as its name suggests, is associated with the Australian Labor Party and the Commission is chaired by the former Governor of the Reserve Bank, Mr Bernie Fraser and has Mr Trevor Boucher, the former Taxation Commissioner, as one of its members.

I was delighted to see both Mr Fraser and Professor Bob Gregory, another member of the Committee, say quite openly that you couldn't be serious about examining taxation reform without looking at the possibility of introducing a goods and services tax or a broad-based, indirect tax of some other kind. And the idea that you can be serious, you can even playing the game and participating in the process of taxation reform without examining the introducing of a broad-based, indirect tax, is utterly and completely unrealistic.

I've already said, ladies and gentlemen, that the goal ought to be to develop a different mix within our taxation system. The goal ought to be to alter the balance away from our over-reliance on direct personal taxation towards a different mix. And in the process I certainly see, as part of the change and part of the reform, the introduction of significant reductions in the level of personal income tax, particularly for middle income earners.

I describe the process of taxation reform as a very important adventure. And I believe that it's an adventure in policy change and policy making which is quite crucial and pivotal to the economic future of this country in the 21st Century.

Given the competitive challenges we face and irrespective of the view that you take on the level of government budget assistance and incentives to attract industry and attract investment to Australia, it must be obvious to all of you and, I believe, to an increasing number of the broad Australian community, that if we are to be competitive, particularly in the Asia Pacific region, if we are to realise the great potential of this country into the 21st Century then we must tackle, we must embrace and we must solve the challenge of taxation reform. Because giving Australia a modern, contemporary, incentive driven, incentive based taxation system, will be to remove one of the last great road blocks to realising the full potential of the Australian economy.

I think back to the late 1970s when we had a rigid and closed financial system. And based upon the recommendations of the Campbell Report, and, may I say, because of a bipartisan approach with a Coalition Opposition beginning the process, a Labor government with Coalition Opposition support, not Coalition Opposition obstruction, the implementation of the recommendations of the Campbell Report we have now

developed one of the most open and deregulated and, I believe, efficient financial systems in the world.

We have seen the progressive implementation of workplace relations change culminating in the *Workplace Relations Act* that my Government piloted through Parliament last year.

We have seen a more modern and progressive approach to tariff reform and to tariff policy. We have seen the embracing of national competitive policy. We have seen an increased focus on microeconomic reform. But all the while we have been chained and retarded and held back by an outdated, outmoded, taxation system. All the while we have gone to our conferences, we have delivered our papers, we have made our submissions to government, we have acknowledged the progress that has been made in particular areas and almost under our breaths we have said but, of course, we are yet to successfully tackle change and reform to the Australian taxation system.

It has often been said that there is never a right time to confront and embrace fundamental change. I think in relation to taxation that if we don't seize the opportunity that we now have then I think future generations will judge, not only the current generation of political leaders, but also the current generation of community and business leaders, as having failed the national interest and failed to make a sufficient contribution to realising the great potential of this country as we go into the 21st Century.

My Government is very strongly committed to the process of taxation reform.

I invite all sections of Australian business and Australian industry to join that process, to join it in a very full-blooded fashion, to join it because I believe all of us can derive great benefit from it.

If we can fix our taxation system, if we can re-balance the incentives, if we can get something that ceases to penalise our manufacturing exporters, which the current system does, if we can get a business tax regime that makes us more competitive, particularly in the Asia Pacific region, and I can't think of a single reform in an important area which will make a more fundamental contribution to realising that great potential of our nation as we go into the 21st Century.

Ladies and gentlemen, I hope that your deliberations over the past week have been very fruitful. I thank the Australian Chamber of Commerce and Industry and the Queensland body for the honour that you've both done me in inviting me to address the dinner.

Can I conclude by saying that my Government does understand the very strong feelings felt in various sections of Australian business about current industry policy settings.

I've endeavoured, in my remarks, to point to the fundamental importance of what we have done over the last 18 months in providing a sound underpinning for sensible, enduring industry policy in Australia.



Over coming weeks my Government will be very, very energetically addressing those many reports and recommendations, including the fruits of this particular Conference. And I believe that the outcomes that will come from those deliberations will be ones that will work very much for the benefit of Australian industry and very much for the future level of investment in industrial and business activity in Australia.

Thank you very much.