

TRADE AND INDUSTRY DEVELOPMENT STRATEGY
ACTU Congress 1995

- 1 TRADE AND INDUSTRY DEVELOPMENT
 - 1.1 The ACTU recognises the significant role that trade and industry development plays in supporting a sustainable high growth strategy.
 - 1.2 In macroeconomic terms policies for trade and industry development are particularly important in strengthening the tradeable goods and service industries thus helping to lift the balance of payments constraint to growth.
 - 1.3 In microeconomic terms such policies are strategically significant in facilitating improvements in the performance of businesses and their capacity to realise international business opportunities.
 - 1.4 The ACTU acknowledges the substantial achievements brought about by the current economic recovery, particularly the 550,000 jobs created over the past 2 years. In addition manufacturing industry is experiencing its strongest and most sustained expansion in more than two decades. Yet despite these and other achievements the graphs at Appendix 1 suggest a continuing long term deterioration in the manufacturing trade balance (exports-imports) which is by far and away the most significant factor explaining Australia's balance of payments problem. Clearly there is much that remains to be done in ensuring that an appropriate trade and industry development strategy, combined with our national savings policy, assists the long term rectification of the imbalance in our trade performance.
 - 1.5 In promoting trade and industry development the ACTU strategy is built around 3 key objectives.
 - (i) Modernising the nation's capital stock and accelerating the trend growth rate of investment in the tradeable goods and service industries. This is the **investment objective**.
 - (ii) Improving the performance of individual and groups of enterprises and their capacity to realise international business opportunities through "improvements in technology and better ways of doing things". This is the **innovation objective**.
 - (iii) Enhancing the capacity of unions and their members to promote initiatives that encourage investment and innovation. This is the **involvement objective**.
- 2 INVESTMENT

- 2.1 The ACTU Strategy for trade and industry development recognises the substantial investment incentives provided by Government in the One Nation and Investing in the Nation Statements. This included:
- (i) New depreciation schedules that are particularly favourable to mining, manufacturing and down stream processing investment in plant and equipment with a long life.
 - (ii) A 10% development allowance and a 10% general investment allowance.
 - (iii) A reduction in the corporate tax rate from 39% to 33%.
- 2.2 The ACTU and its affiliates will seek to ensure that:
- (i) The investment incentives are successful in encouraging additional productive investment and innovation as well as 'pulling forward' investment projects already in the pipeline. However, if incentives such as the corporate tax reduction are being utilised simply to increase managerial salaries and dividends then the ACTU, through the Accord process, will seek appropriate changes to the incentives.
 - (ii) Any future investment incentives should be selective, more focussed and directed at such issues as:
 - (a) attracting regional headquarters of overseas firms to locate in Australia;
 - (b) encouraging improvements in process technology and new product and service development; and
 - (c) forming part of a sectoral development strategy.
 - (iii) To ensure a favourable environment for productive investment, the Government continues to adopt measures which will eliminate harmful speculation in finance and property markets. In addition, the Government should take the lead in ensuring its current investment incentives encourage growth in priority industry sectors and encourage regional development and other social and economic objectives.
- 2.3 Where practical, the ACTU will assist in removing impediments and help accelerate the effective planning, implementation and through life support of investment projects. The union movement will also develop a pro-active approach to encourage higher levels of Australian industry participation in both domestic and overseas project work.

3 INNOVATION

- 3.1 The ACTU strategy for trade and industry development recognises that to sustain a high growth strategy in the 1990's Australia will, amongst other things, need to become a more innovation driven economy. It is also the case that Australia's trade

and industry development policy during the past decade has provided the nation with a greater capacity to encourage and facilitate innovation through such initiatives as:

- (i) the 150% tax concession for research and development;
- (ii) sectoral initiatives which foster Research and Development and encourage additional exports (such as the Factor F scheme in the pharmaceutical industry). Criteria need to be developed to ensure that companies who are recipients of Government support are conducting their businesses in a socially responsible manner;
- (iii) a more client oriented CSIRO;
- (iv) a range of grant schemes (such as GIRD) to enhance innovation;
- (v) other policies at both Federal and State level including AusIndustry sponsored consultancies and best practice demonstration programs.

3.2 To build on these initiatives over the next 2 years the ACTU will:

- (i) Facilitate the union movement's input on policies and strategies to encourage technology development. This will include representations to Government concerning the recommendations in the Industry Commission's Final Report on R&D as well as new materials.
- (ii) Continue to pursue the agenda set out in the ACTU submission to Government on implementing the Australian Manufacturing Council/McKinsey Report including:
 - (a) improvements in export assistance arrangements
 - (b) more focused programs and advisory services that improve managerial performance. This will also involve the ACTU responding to the Karpin Report.
- (iii) Support expansion of national innovation effort and the underlying Research and Development to reach in the next 10 years international best practice in standards of performance and achievement.
- (iv) Improve links between Research and Development providers and their clients based on co-operation rather than short term funding based relationships.
- (v) Raise the public significance of innovation in order to attract students to science, engineering and technology pursuits and careers.

3.3 The thrust of the ACTU approach is to encourage a greater focus by Government on the small and medium size business sector where future employment growth will be

concentrated and where innovation is a critical success factor. In this context the ACTU will discuss with Government a strategy for doubling the number of firms in Australia's tradeable goods and services sector (be they involved in import replacement or export expansion) over the next two decades. A successful innovation strategy will be essential for achieving this objective.

4 INVOLVEMENT

4.1 A central objective of the ACTU trade and industry development strategy is to enhance the capacity of unions and their members to influence such development at both the macro and micro level. This will include:

- (i) A substantial union contribution to the work program and activities of the Australian Manufacturing Council (AMC).
- (ii) Encourage the establishment of an Australian Services Industry Council, with a similar brief and role to the AMC.
- (iii) Providing union inputs to the development and implementation of the National Trade Strategy, including participation in the various APEC sub-committees where appropriate.
- (iv) Assisting in promotion of new investment in greenfield sites.
- (v) Encouraging greater membership involvement in sectoral development strategies. The vehicle industry and rail unions have both had experiences during the 1990's of involving delegates directly in group initiatives to promote plant level and industry wide improvements. The ACTU and its affiliates will identify other areas where this approach could be successfully established.
- (vi) Targeting a small group of companies to implement a more comprehensive enterprise bargaining agenda where investment and innovation are major issues.
- (vii) Facilitating the involvement of shop stewards in enterprise environment auditing to reduce energy and waste management costs and improve occupational health and safety practices.
- (viii) Utilising industrial supply offices and project development agreements to increase Australian industry participation in the provision of goods and services. In order to achieve this the union movement will lobby Federal, State and Territory Ministers through their Council to review how effective their agreed guidelines are in increasing Australian industry involvement in major projects. The relevant unions will campaign to achieve 85% local content in all projects of national significance. This campaign will involve the union movement targeting several major projects in 1995-1996.

- 4.2 The ACTU has established priorities and strategic directions for pursuing its trade and industry development strategy over the next 2 years. In developing a package of measures for discussions with Government in 1995-1996 the ACTU will also:
- (i) Develop the union movements response to the Karpin Report on Australian management.
 - (ii) Develop a more effective approach to utilising public sector purchasing to support industry development objectives.
 - (iii) Continue to monitor the effectiveness of Australia's anti-dumping arrangements.
 - (iv) Seek to establish a practical agenda for encouraging import replacement. This should include:
 - (a) expansion of the industrial supply office network;
 - (b) enhancement of the Federal Government's successful National Procurement Development Program; and
 - (c) examining a new program to encourage import replacement in key industry sectors which target key products and opportunities.
 - (v) Reach agreement with Government on opportunities for pursuing sectoral development strategies.
- 4.3 In addition, unions must make greater use of the consultative provision of awards, certified agreements and supporting legislation to ensure project developers maximise Australian industry participation.
- 4.4 The overall approach to Trade and Industry Development and the pursuit of our investment, innovation and involvement objectives will be targeted at achieving a sustainable high growth strategy which is essential in achieving strong employment growth.

APPENDIX 1