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INTERVIEW WITH JOHN BUTTON

John Button was an ALP Senator from 1974 to 1993. With the election of the Hawke Labor Government in 1983, Button was appointed Minister for Industry, Technology and Commerce - a position he held until his retirement from Parliament. Button is attributed with having had a major impact on the structural adjustment of industry in Australia. Indeed the industry plans he initiated in the mid 1980s are popularly known as the 'Button car plan'; the 'Button steel plan', etc.

Dick Bryan interviewed John Button as the political figure who most influenced the industry policy debate in the 1980s.

*Did you have any role in setting up the ACTU/TDC mission to Europe?*¹

I went to Europe in January '84, and the most influential part of that for me was Sweden². I came back here and I thought a bit about what was happening in Europe and so on, but mainly about Sweden. It was influential because there was a similar sympathetic political environment to the one in Australia but the relationships between industry and government were so much better there than here. They didn't believe in tariffs and didn't have them, but they did a lot of supportive things for industry like help with research and development and help with industry restructuring. For example, around the time I was there they closed a shipyard (I think it was at Malmo) and just moved a Volvo factory into where the shipyard had been.

I had some presentations from the Swedish Industry Department and what impressed me was that they were talking about where they wanted industry to be in ten years time. That was so remote from the way industry was being thought about in Australia. I was very impressed by the Swedish initiatives and I am sure I told people like Laurie

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- 1 The ACTU/TDC mission to Western Europe undertook the investigation on which *Australia Reconstructed* was prepared.
 - 2 This trip is covered in some detail in John Button's *Flying the Kite: Travels of an Australian Politician* (Sydney: Random House 1994)

Carmichael³ of my experience. That way I may have had some influence in putting Sweden on the mission's agenda, but I wouldn't say I had any direct influence in the formation of the mission.

In the context of in the early '80's there was some very strong hostility in the union movement to my attitude to tariff reductions. Tariff protection was still seen as the font of industry policy wisdom. I think there was a fairly genuine acceptance of the steel plan but some concern about tariff reductions in motor vehicles and other industries. Indeed, in the chemicals industry, the Industry Commission produced a report in 1987. As a Government, we recommended further reductions in tariffs than the Commission had recommended and that freaked everybody, including the Commission.

So in the absence of an ability to rely on tariff protection there was a general groping for a viable sort of way to go in industry policy. We had already established the industry councils in various industries as a subset of the Australian Manufacturing Council and the industry councils provided a framework for thinking about the medium to longer-term. I think it was probably helpful to them to arrive at a more positive agenda about what they might do in particular industries rather than rely on tariff protection. It was in that context that the mission went overseas. I think it was extremely influential.

How was Australia Reconstructed received in the Parliamentary Labor Party and in Cabinet?

I don't think *Australia Reconstructed* got much attention in the Parliamentary Labor Party except from people like myself from whom it had to get some attention.

Did members on the left embrace it as a document which presented a plan for the future?

I don't really think so. I think the parliamentary left was all over the place on these issues. The unions were well ahead of the Parliamentary Party. I thought the union movement made a lot of the pace in some of

3 Laurie Carmichael was National Research Officer for the Amalgamated Metal Workers' Union and a member of the ACTU/TDC mission to Western Europe.

these issues relating to workplace reform and productivity and things like that.

I can't remember precisely but I had no consciousness of being lobbied by the left in parliament to embrace *Australia Reconstructed*. Certainly I met with various unions and the midwives of this document to talk through some of the issues. We agreed on about half of them and the other half we didn't.

I had an extremely strong reluctance to embrace one thing they wanted which was a National Industrial Supplies Office.⁴ I don't know why, but I had a juggling act to perform, all the time being pressed by the dries on one side and the wets on the other. I didn't think the National Supplies Office was sufficiently important in terms of what it would actually achieve when balanced with the sort of symbolism it would have for the dries, the Treasury, and Finance. I was probably wrong about that; it was probably a wrong judgment.

What about issues like superannuation and a National Development Fund, and the proposal to draw superannuation funds back to Australia to fund local investment. Did proposals such as that resonate in the ALP?

I think most of those sort of issues would have been addressed to the Treasurer because they were not seen at that time as industry policy issues in terms of the structure of government. I remember a number of talks with Keating about that sort of thing. He wasn't entirely unsympathetic but on the other hand he wasn't going to help you with it.

4 A number of state Industrial Supplies Offices were already in existence in 1987. Their rationale was the belief that companies were relying on imported components simply because they lacked information about local suppliers. The role of the ISOs was to provide information to local producers about the possibility of local sourcing of inputs, and thereby reduce reliance on imports. The *Australia Reconstructed* proposal was for a National ISO to operate as a clearing house of state information and to act as coordinator in large national projects.

Do you think that the people who prepared Australia Reconstructed were disappointed by that reception? Were they expecting it to go all the way to the top?

Probably, but the union movement in those days worked in a strange sort of way. It presented an alternative vision and with itself as the nucleus of that vision - not necessarily the Parliamentary Labor Party or the government. It floated things like *Australia Reconstructed* as a sort of a rallying cry, a vehicle for trying to get unions thinking about particular issues and members of unions thinking about particular issues. In some ways that was its more important function.

What were the views of your Department (The Department of Industry Technology and Commerce - DITAC) on the sorts of policies proposed in Australia Reconstructed?

That is an enormously hard question because I think, unlike Treasury or the Department of Health, DITAC had no clear corporate culture at that time. Treasury always used to label them as protectionists and all that. That was unfair.

I was a fairly hands-on Minister and I think they took the line on most things from my office, but that varied across industry groups in the Department. So the Department was supportive of some plans, but not others.

I never felt I had the support of the departmental hierarchy on the automotive industry. Essentially in the automotive industry the relevant officers were supportive of the Lynch plan which was introduced in 1981. They didn't want it changed.

In terms of the chemical industry I think DITAC was in favour of the industry plan because they had some well informed people working on the industry. They were in favour of departing from the Industry Commission report.

I think the steel plan was supported by the departmental hierarchy. The guy who was most influential would describe himself as a protectionist. There were two: Robert Soames and Brian Meredith. They were outstanding, particularly because they knew where all the skeletons were

buried in the steel industry. They could say: "go and see Harry Hurrell⁵ but don't ask so and so at the same meeting because there will be a row". That was very helpful.

But it sounds like these initiatives didn't come from anything like a commitment to Swedish social democracy. This was just a strategy to support a particular industry, it wasn't about social change. Was there any of that Swedish social democratic push within DITAC?

No. I think that in terms of the sort of value system associated with Swedish social democracy, there was a bit of that in DITAC. But it wouldn't have been defined by people in the Department as social democratic. They didn't think politically at all.

Had you lost that social democratic push yourself by this stage?

It depends on what you mean by social democratic push. My major concern throughout the '80's was employment. That sounds odd from somebody who reduced tariffs, but my concern was not so much the aggregate level of employment but the quality of it; whether it would survive beyond the next five years. You had to get those traditional industries in a shape where they would provide long-term employment. For example, in the automotive industry, the Vehicle Builder's Union made a huge concession in 1984. They agreed that employment in the 1990s would be less, continually less, than it was then. I think that was a hard thing for a union to do at that time, but it made sense. The question was whether the remaining jobs would be good ones and long-term ones and whether the adjustment process would be a decent one in terms of the way the labour force was reduced.

The government had in place a sort of structural adjustment assistance called the Labour Adjustment Program (LAP). That was administered by Ralph Willis, Minister for Labour. We got a special deal for the motor vehicle industry and the steel industry. So there was a bit of special adjustment made available for people displaced at those industries. I don't think it worked very well. I am not criticising them for the way

5 Harry Hurrell was Federal Secretary of the Federated Ironworkers' Association.

they did it, but I just think it didn't work very well in the culture of the time.

The Swedish push, as you call it, had a lot of that sort of thing about it, but I think the influential things about Sweden was that they had the capacity to look ahead and relate things like training, R & D and finance to the needs of industry. This strategic thinking was lacking in Australia. It still is in many respects. Hawke used to talk a lot about the three R's (Reconciliation, Recovery and Reconstruction). The reconstruction part was left largely to me. Nobody else in the government really did it. For example, Peter Morris was Minister for Transport and did bugger all. I liked Peter but he just did nothing; bugger all. Efficient transport was very important to productive industries. But every time we'd say: "look, can we do something about that rail industry, shipping industry, or something", he would set up some tame-cat committee of mates, you know, and he would come back with a totally innocuous sort of report saying everything was all right.

So I think the Swedish social democratic element in our policy was an adjustment process in terms of the workforce. That was the only really social democratic thing about it, I think. There is nothing socially democratic about tariffs. Tariffs are a mechanism to try and provide a certain result, but they didn't work. The Swedes had the capacity to look ahead and they looked ahead in terms of manpower requirements and things like that, which Australia has never done satisfactorily.

From the perspective of the late 1990s, what are your reflections on industry policy in Australia and the decline of the Swedish economy?

I haven't followed the Swedish thing closely. Looking back here, I think the greatest revolution in Australian industry which took place in the 1980s had little to do with the industry plans. It was as a result of putting in place a number of measures which were somewhat amorphous but measures of general application to help new industries - like the R & D tax incentive, bounties in certain industries and export incentives.

A lot of the business which belonged to that old tradition of highly protected industries in Australia is still pretty intellectually moribund. But the innovation is taking place in smaller companies. I could compile

a list of companies that are now ten to twelve years old. They all started in 1985 and 1986 using R & D incentives or grants.

These are the McKinsey emerging exporters?⁶

Yes. The fascinating thing about those companies is that their employment has grown tenfold on average. Look at a company like Memtec. When I first knew it in the mid '80's there were a hundred people employed. There are now fifteen hundred. Vision Systems here in Melbourne had twenty people in the mid '80's. It now has four hundred and fifty. That is the change from the 1980s which is most important. I have to say that all that stuff was very much related to my Swedish visit because I saw we were missing out on a slice of what ought to be value added industries.

Then do you think the industry plans of the 1980s were about giving a soft landing to industries that were going into decline?

Yes, well I didn't know that they were going to decline but I knew that if the government didn't do something they would fold. Take steel as an example. There was a debate on the board of BHP between the oil men and the steel men. The oil men wanted to get out of steel. As a government, you needed something to swing that debate a bit. The Industry Commission said later that the steel industry would have recovered anyway due to the decline in the value of the dollar. That's bullshit in my opinion. I don't think industries like motor vehicles, chemicals, and certainly not shipbuilding are going into decline.

In the case of the automotive industry the manufactures were all owned overseas - Americans and the Japanese - and what the car plan did was to give the local people a lever to use against their corporate masters. It gave them a sort of new lease of life. The great success of the car plan has been the quality of the cars that they produce now compared with

6 In 1993 consulting company McKinsey & Co. produced a report for the Australian Manufacturing Council called *Emerging Exporters*. It's focus was small, high technology firms which were believed to be naturally export-oriented because they produce specialist products potentially for an international market. JAPE earlier published an article on the McKinsey report by George Argyrous (issue number 32, December 1993)

what they were. What we didn't get right was in saying the numbers of car models that were produced in Australia had to be reduced to six. We didn't foresee that the manufacturers would all get out of small cars. That has meant we now have big imports, predominantly of small cars.

You are saying that you didn't realise it at the time but do you think you would have had the capacity to specify then what sorts of cars would be produced? Or would that have been too much of an encroachment into managerial prerogative?

Well, put as boldly as you did it, that would have been very difficult. But I think you could nonetheless have had influence. We had some money for the car plan, about \$150 million, which we used to stimulate local design. We might have been able to do something with that. In part, that money was used to make sure that the next Falcon was produced in Australia.

I think the most successful of those industry plans, which was a very modified plan but the most interventionist of all in some ways, was the plan for the shipbuilding industry. That industry was going out backwards when we acted and we did two extraordinarily interventionist things, I suppose you would say now. The first was to rationalise the number of shipyards. There were seventy-four shipyards in Australia, all eligible to claim the shipbuilding bounty. But not all of them were active. So we said: "unless you have a yard which is a waterfront site, which has upgraded technology, which trains apprentices, you can't have the bounty", and we reduced in a very quick time the number of eligible shipyards from seventy-four to sixteen. It has gone down further since. The second thing we did was link the shipbuilding bounty to exports. It was the first time I think any bounty had been made applicable to exports. If you build a ship for export to Japan you get the bounty. That hadn't been done before.

But as well as this you got a fantastic coincidence of other events which really made that industry work: first rate naval architects, some good entrepreneurs, and really specialist skills in aluminium welding (because ships started to be built in aluminium rather than in steel). All those things sort of came together at the one time. I am really trying to answer

the question of how much it happened by design and how much by accident, and the answer is a bit of both.

On the other hand, the Factor F scheme in the pharmaceutical industry⁷ was very targeted, very designed and it worked. I don't know what the government's going to do now.

So from the perspective of the '90's, when everyone talks of the impact of globalisation, how do you see that impacting on the possibility of industry planning in Australia, thinking particularly of BHP's recent Newcastle decision?

I don't see it impacting on anybody at the moment here very much. What I think it is all about now is not industry planning as it was called in the 1980s. I said then, and I still say, that what this country needs more than anything is the capacity to develop a strategic role for Australian industry: to think strategically. Nobody in Canberra ever sits down and thinks "what are the work-related capacities of this country? Where should we put resources"? Look at the education system. There's no real industry-related education system in this country. From ministerial level down no one is asking the question: "what are our people requirements? What sort of people are we going to need in ten or fifteen years time if we want to make a success of these industries".

Trying to pin you down on BHP, do you think there is anything that either could be done now or could have been done differently in the 1980s to prevent the situation which has now arisen?

I don't know enough about it now. I only know what I read in the newspapers and it seems to me that BHP seems to have made a decision based on a short-term look at where it's all going. They perhaps see steel over-capacity in this region and cheaper steel being made in Asia for the next two years. BHP has thought: "it's about time we got out of this; it's going to be too tough for us". If that is the basis of the decision that's wrong.

7 The Factor F Scheme is a mechanism for leveraging the locally-based pharmaceutical products industry, based on government subsidy of the industry via the Pharmaceutical Benefits Scheme.

You're saying it's short-term, they would presumably say it's long-term, so why do you say it's wrong?

Well, I think that it's just that steel requirements fluctuate so much it is wrong to base an assumption on a short-term outlook, but that may not be what they've done. I don't know what you would do to save Newcastle because it has been run down so much. They haven't invested in it as they should have. They were going to build a mini-mill there and then they shifted it to Sydney.

Their history would seem to indicate that they didn't take the '80's steel plan as the opportunity to rebuild a twenty-first century industry. They bought time before they shut it down.

And made money.

THE AGE, Wednesday 29 July 1987

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