

MSAA CONFERENCE '90

AUSTRALIAN FABRIC STRUCTURE INDUSTRY AT THE CROSSROADS

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One of the few certainties in the world we live in is that nothing is static, everything will change.

The rate of change will vary, it may be unexpectedly rapid as is the case with recent political events in Eastern and Western Europe, or gradual.

Once the process has started it is seldom reversed. Change affects all aspects of our lives both personally and commercially. The need for recognition of this process is obvious and yet how many of us here today consciously assess and act on the potential of change in our day to day business activities? How frequently are we the servants of change rather than its master?

Our global population becomes more educated, healthy and emancipated - the courts of power change and power itself will become distilled in the hands of fewer relative to the numbers they govern. Environmental issues become more pressing as the result of our past ignorance compounded by the rapidity of change.

An added dimension to this dynamic process is the exponential growth in communication technology over the last decade and the escalation of world population which will double by the year 2020..

Consider also the impact on new technology that of all the "scientists" who have been born since the dawn of time 90% are alive today.

Against this background Australia remains hobbled by its isolation, a puerile media, an ineffective bureaucracy and politicians whose principles have been corrupted by an indecent urge to hold power for its own sake.

Economists and accountants having failed to come to grips with the dynamics of change, tell us that there is no long term or even a medium term but focus almost exclusively on short term results. Bankers have abdicated their traditional role of facilitating business in their chase for the 'fast buck' from individuals they euphemistically called entrepreneurs.

The 1990's became the decade of the 'paper merchants' and 'service industries' - bright minds have been directed to non-productive enterprise. Manufacturing has become "too hard".

Unnecessary cost burdens are imposed by inept decision making within the building and design communities. The tender process is wasteful and used unduly as a sop by unqualified decision makers. Genuine **cost/benefit** analysis is the exception rather than the rule - the lowest common denominator prevails.

We have a Treasurer who has the gall to criticize manufacturing industry while at the same time overseeing through his policies, a soaring national debt which stands at \$120 billion. The 'J curve', the 'Accord', 'consensus politics', 'micro-economic reform' and all other quick fix gimmicky thrust upon us in recent years will change, not through the efforts of incumbent politicians but through your individual efforts and decisions.

Management aggravates this malaise through reliance on its traditional crutch of criticising labour rather than developing creative policies to gain their fellow workers' support towards a common goal. We have forgotten how to win!

In the last seven years international commodity prices have generally been favourable, good seasonal conditions have prevailed compared to extensive drought in the preceding decade

and the exchange rate relative to the \$US has moved favourably since 1983 from \$A1.00 = \$US.97 to \$A1.00 = \$US.77. Yet the Government in power has in the same time, through the policies of the "best Treasurer in the world," overseen an explosion in our national debt from \$23 billion in 1983 to more than \$120 billion. Inflation and unemployment levels remain intractable at around 8% and 7% and we live with an interest regime of 18% or more. (Compare this to Singapore for example, where inflation is around 1%-2%, unemployment and interest rates 6-7% or Thailand with 10.6% growth in G.D.P. and inflation below 4%).

The Geigers, Nohmuras, Bilsboroughs, Birds and Ottos of this world are its real asset. Tenacity and vision in varying degrees were paramount together with a confidence in the knowledge of their sense of right.

What does this mean to us as members of the 'fabric structures industry' - put aside for a while considerations of shape and form for the time being.

Local Factors

Our industry has achieved a capacity to service the Australian market with a technical proficiency comparable to that of the longer established international and traditional sources of the technology. Since the early work of Bilsborough the rate of change was slow through the 70's and early 80's but has picked up momentum in the last four years.

- The Australian market is finite determined by its 17 million population and inherent limitations of the product. Growth has been rapid in the last four years and while individual large projects will create 'spikes' in the growth curve the rate of growth will slow in 1992 before settling into a pattern of the economy of large from 1994/95.

Costs relative to conventional building forms will reduce in the short term and will extend market opportunities but only to a degree.

Only limited basic research has been possible in our industry by such as Lambert, **McCready**, Sedlack and Kneen. The same applies to product research. Restraints have until now been the lack of financial capacity of any single member of the industry - a result of competition in a limited market.

A likely scenario in the next five years is that either drought will return or international commodity prices will decline, or both. We have managed to snatch defeat from the jaws of victory and through a neglect of those charged with guiding our economy can expect no relief from the present financial conditions, unless through our individual enterprise.

The brain drain which afflicted the U.K. through the sixties resulting from an environment which failed to reward excellence has commenced in Australia and will accelerate.

Overseas Factors

Asian markets will expand exponentially and disproportionate to population as individual communities (by dint of their efforts over the last twenty years) achieve necessary levels of disposable income. Traditional low cost construction methods in

these markets will gradually make way for more "sophisticated" material and technology. This trend which is now established, will accelerate through the 90's.

- Eastern Europe will in the short term, become a low cost exporter. European union including Russia will by the turn of the century become the major trading "bloc" rivalled only by Asia.

China's growth will be intermittent but will accelerate at the turn of the century as traditional power bases erode, before entering a substantial growth phase and probable alignment with Asia - including Taiwan. Amalgamation with Hong Kong and the infusion of real entrepreneurial skills from Hong Kong and later from Singapore and Taiwan will accelerate the rate of change.

Generally

There will be a petrochemical shortage before the turn of the century which will **irnpact** on relative costs and massive diversion of resources. Price increases for basic materials essential to our industry and to the order of 100% over three to four years are likely to occur between 1996-2000.

- Climatic changes either cyclical through a 200 year phase which we do not yet fully understand, or resulting from environmental impact of increasing consumer demands, population growth and the depletion of our marine resources will alter the face of the agricultural and fishing industries as we know them today. This presents particular problems and opportunities to Australia in respect of our agricultural economy and our particular industry.

The variables are infinite and by definition change daily and yet how often do we set aside time to establish long term goals through strategic planning? How often do we lift our eyes to the horizon?

Australia (and our fabric structure industry) must at one time nationalize and internationalize. The industry has matured to an extent that increasing dialogue between its members can now occur. It is no longer necessary for individual members to 'fear' the loss of technical advantage, whatever is exclusive - if anything - is shortlived. I believe that the success of U.S. industry over a half century from the 30's through to the early 80's owes much to its refreshingly co-operative attitude between its members. The superb achievement of NASA for example could not have otherwise been achieved.

From a national viewpoint Australia requires leadership which will instil pride and confidence rather than dissension and self interest created by politicians with self serving divisive policies. It is essential that we are not convinced that the present situation is inevitable but work towards goals to promote changes to achieve this.

While overt nationalism has no place in international trade - only genuine partnerships will ultimately succeed - it is necessary to unify and consolidate our home operation to obtain respect of our trading partners borne of professionalism.

This same respect and position of strength will enable members of the Australian fabric structures industry to take their seat at the table as an equal with their international peers and develop relationships from which all will benefit.

Our industry members must be prepared to meaningfully support their association in basic research programmes, at the same time the association must purge itself of vested interests - I believe that this process is underway and will continue.

It is not unusual for a country rich in resources to rest on its laurels and see its lifestyle eroded while on the other hand less 'fortunate' societies with only their hands and minds to rely on succeed beyond expectation. What better comparison than the **drift** of asset rich Malaysia compared to vibrant Singapore separated only by a Causeway and which with only two resources - its people and strong effective leadership - is creating an example for all in our region.

Australia once had that determination - a spirit that must be rekindled if we are to catch up the ground lost over the last decade. Government has failed in that task and through its cynical attempt to win votes through "multi-culturalism" (another buzz word) opportunities and on the run 'policy' making increasingly in evidence in recent months is dividing rather than consolidating and focusing our efforts to a common purpose. It rests with the individuals to fill the void that exists.

An indication of the disinterest which infects us can be seen at any trade show in Asia. These events are a genuine forum for doing business a marketplace - and do not degenerate into a corporate ego trip visited by individuals interested only in looking over their opposition's shoulder as is more often than not the case here. With one or two exceptions, Australian attendance is singularly absent.

There is no good reason that this should be so, particularly in our industry which has a common international language. Australia is a more logical source of technological excellence and support than distant Europe or U.S. Japan has and will become increasingly beset by problems associated with its high cost of production and domestic economy.

Australian industry has at its feet an opportunity to participate as part of Asia. Time has been unnecessarily lost, I suspect through fear of failure. We have at best five years to change this and establish ourselves as a small but significant player in the region. Sweden is an example of what can be achieved by a small technically proficient industry in international markets.

Many Asian countries have historical links similar to those of Australia and contrary to popular opinion have similar aspirations and business ethics. It has been my experience that businessmen in these countries welcome proficient Australian enterprise ahead of the U.S., Europe and Japan, who are perceived as more threatening from both a business and political perspective.

Despite my previous observations **concerning** the inadequacies of bureaucracy, a wealth of talent and support is available from the Australian Trade Commission 'AUSTRADE' and yet very few of us take advantage of this service. Perhaps this results from the justifiable perception of most of our government instrumentalities - in this case this is a serious misconception. That AUSTRADE is succeeding despite government attempts to emasculate it is in itself evidence of the strengths of those within its ranks.

A second hurdle is the expectation of developing a business relationship in Asia based on an 'agency' arrangement and of retaining a dominant role. This is ultimately doomed to failure in any trading situation. A genuine partnership with shared risks and benefits can only succeed with the strengths of one partner complementing the weakness of the other.

A third and related difficulty is the perception that we must export 'things' or 'whole things' - be it widgets or fabric structures. This at best can only be a short term goal and the extent of the potential value added must be assessed realistically on a case by case basis. Certainly value can be added in varying degrees but it is not the panacea to our international trade deficit.

We must develop a mind set to words exporting technology, management and entrepreneurial skills, 'parts of things' and ultimately participating through this route through investment in various ventures. Japanese industry has succeeded in transplanting its technology and management skills offshore no doubt as a result of a forward looking policy by its industry leaders in anticipation of the inevitable change in its domestic circumstances.

The ultimate revenue flow is greater, capital requirements are lower and risks in a changing market are reduced to an acceptable level.

The alternative to reaching out to offshore markets is to see our fledgling industry eroded by international competition at home and **become** a destination for yet another imported product with creative technology and production lost, at least until the time for change occurs again.

We stand at the crossroads, the direction which we take individually will determine the success of our business in the coming decades. Collectively our decisions will determine the position of our industry and of Australia in a rapidly changing global market place.

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