PRIME MINISTER

30 January 2014

TRANSCRIPT OF THE PRIME MINISTER
THE HON. TONY ABBOTT MP
JOINT PRESS CONFERENCE WITH THE HON. IAN MACFARLANE MP,
MINISTER FOR INDUSTRY,
PARLIAMENT HOUSE, CANBERRA

Subjects: SPC Ardmona; ABC.

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PRIME MINISTER:

Thank you all for coming. Ian Macfarlane and I are here to deal with a very serious subject, which we have discussed at great length now for the second occasion in the Cabinet. We discussed this for quite some time before Christmas and we had a discussion lasting, I would say at least three hours today, and that of course is the future of SPC Ardmona.

I think this is a fine business – a really fine, century-old business – that has evolved many times over the years to deal with changing conditions.

I want to congratulate the owner of SPC Ardmona, Coca-Cola Amatil, for the efforts that they have already made to restructure the business. They’ve already put many millions in to the restructure. They’ve put a new management team in place. There are new marketing strategies, both domestically and abroad, to ensure that this business can go forward in the best possible condition, to ensure that it continues to be a large employer in Shepparton, to ensure that its workforce continue to have good jobs into the future.

I’m delighted that the information that Coca-Cola Amatil gave to the Government in the course of the last few weeks shows that they are keen to invest an additional $161 million into the business. They’re also prepared to very extensively renegotiate the enterprise bargaining agreements.

This is a restructure – a necessary restructure – that Coca-Cola Amatil, as the owner of SPC Ardmona has been prepared to embark upon and I think it’s very important now that Coca-Cola complete the restructuring that they have embarked upon.

It is very important that they complete the renegotiation of the enterprise bargaining agreement. The existing agreement contains conditions and provisions which are well in excess of the award: there are wet allowances, there are loadings, there are extensive provisions to cash out sick leave, there are extremely generous redundancy provisions well in excess of the award. This does need to be very extensively

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renegotiated if this restructure is to be completed and I have to say, as SPC and Coca-Cola go about this renegotiation, they’ll certainly have the support of Government in doing so.

I think it’s great that SPC Ardmona do have the support of such a strong parent business, because Coca-Cola Amatil is one of the most profitable companies in our country; it’s a $9 billion business by market capitalisation. In the last six months for which has been reported, their pre-tax profit was just a whisker under $300 million, just for six months. I think their after-tax profit was about $215 million. So, this is a very, very strong business and I think this is a business which well and truly has the resources to ensure that SPC Ardmona is in a strong position to restructure in a way which will enable this company, these jobs, to flourish into the future.

This is a government which is committed to trying to maximise employment, to try to ensure that the workers of Australia have viable jobs for the future; they have well-paid jobs in viable businesses and the best way to ensure that that is the case is for business to lead the restructuring that is necessary to ensure that companies like this have a strong future.

Now, as I said, Coca-Cola Amatil is a very good business; a very, very good business. Its chairman is David Gonski – David Gonski AC – one of our best known business people, also the incoming chairman of one of our leading banks, former chairman of the Future Fund. I know he won’t let those workers down. I know he will want to ensure that SPC Ardmona has a strong future and I think, as a subsidiary of Coca-Cola Amatil, SPC Ardmona does have a very strong future.

I think Shepparton will continue to be a very dynamic town and I think that the agricultural industries of Shepparton have a bright future, with a business like Coca-Cola Amatil as the owner of SPC Ardmona.

So, as I said, it’s been a very good Cabinet discussion – lengthy, all positions were put, everyone had a chance to say their piece. I do think, if I may say so, that the decision that came from the Cabinet today does set an important marker. This is a government which will make sure that the restructuring that some Australian businesses need, that some Australian sectors need, is led by business as it should be and we will set the parameters, we will ensure that the climate is as good as it possibly can for those business to do what is necessary to restructure, to survive, to employ and to give their regions, to give their workers the best possible chance to flourish in the future.

I want to thank Ian Macfarlane for the work he’s done. Ian has been the Industry Minister now for I think six-and-a-half years, haven’t you?

INDUSTRY MINISTER:

Almost, yeah.

PRIME MINISTER:

Six years under the former government, four or five months now under this government and Ian has worked very closely with this business. This is a business that went to the former government seeking some support. He’s discussed it with the business and I think that what we’ve got from the business is indications that they are prepared to make the very substantial investment in SPC Ardmona, the very substantial commitment to restructure the EBA, which is necessary for this business to do well in the future. But thank you so much, Ian, and you may like to add to the discussion.

INDUSTRY MINISTER:

Thanks, Prime Minister.
The Cabinet has made a decision not to support the proposal to supply $25 million to SPC Ardmona. This was an issue I inherited from the previous government. It was an issue which I wanted to put in front of Cabinet for the reasons which the Prime Minister has outlined.

It is fair to say that I have not taken an issue to Cabinet before which has been given such an extensive and fair hearing. It occupied quite a bit of the last Cabinet meeting pre-Christmas and again today. I think it is a clear delineation of where this government believes we need to go with industry policy.

The decision is based around two premises. Firstly, that the parent company, Coca-Cola Amatil under the chairmanship of David Gonski is a very, very strong corporate citizen in our community as well as a very profitable business and we have confidence that they will stand behind SPC Ardmona and the community of Shepparton. That we believe, as the Prime Minister said, that we believe industry reform needs to be led by industry and we believe that in this case the Government would have to borrow money on behalf of the taxpayers to put into the proposal, where we believe Coca-Cola, with a very, very healthy balance sheet is able to provide that money from within in its own resources.

So, we’ve made a decision. It was an extensive discussion and I think, as I say, it is a defining point in terms of where we go with industry policy in Australia now.

Let me just say, though, that as someone who comes from regional Australia, who has a passion for regional Australia, I’m very cognisant of the uncertainty that will face the workers in that community and I say to Coca-Cola Amatil: these workers are your responsibility. The company made the decision to buy SPC. They have by their own admission managed the company; SPC’s been managed very poorly in the past, although I have to say that I am extraordinarily impressed with Peter Kelly and I have every confidence that providing he can introduce some changes to conditions – and I emphasise conditions, not wages – that this can be turned again into a profitable organisation and a profitable subsidiary for Coca-Cola.

QUESTION:

Prime Minister, [inaudible] your reasoning, are you saying that changes to industrial relations law, like renegotiations of the EBA is the difference between this company being able to survive or not? Is that the Cabinet’s view?

PRIME MINISTER:

Well, plainly, Coca-Cola have done a lot to restructure the business already. They’ve put a lot of money in, they’ve changed the management, they have new product lines that they are beginning to roll out, they have done a lot of work with some of their customers, both domestically and abroad. So, the restructure is underway, but there’s a lot more that needs to be done and it should be done by the business. It’s not really the Government’s job to restructure a particular business; it is the manager’s job to restructure a business and I think that the new management at SPC Ardmona, with the backing of a very strong parent company with a very strong balance sheet and a very strong Board led by David Gonski, one of our most prominent business people, this is just the right circumstances in which we can see the sort of turn-around completed that has already been begun with SPC Ardmona. But the job does need to be finished and it does need to be finished by the company.

QUESTION:

Do you believe there’s sufficient flexibility in the current industrial relations law that enable the company to make the changes necessary?
PRIME MINISTER:

Well, if you have a look at the existing EBA, it is way in excess of the award and there are a lot of provisions in the EBA which the company accepts need to be renegotiated. Now, the company needs to get on with that renegotiation and I’m confident that the workforce there, who I believe are committed to the business and are committed to their jobs – and we’re not talking here about hourly rates, we’re talking here about additional conditions – I think that’s a negotiation which ought to be done by the business.

QUESTION:

Mr Abbott, last year you gave a message to Sharman Stone to give to workers at SPC in May saying that you would stand by them. Have you breached that promise now, or what do you say to those workers now?

PRIME MINISTER:

What I am saying is that the best thing that government can do for the workers of Australia is not to borrow money to give it to highly profitable businesses like Coca Cola. The best thing that government can do for the workers of Australia is to get the frameworks right and to encourage the management of these businesses to do what they need to do for these businesses to be profitable in the medium and long term.

We grow very good fruit, we have excellent farmers, we have got very creative people, we have workers who under the right circumstances are the best in the world. Let them have a go and that is what I think can be done, given that SPC Ardmona has an extremely strong parent which is extremely well managed and as I said led by David Gonski, who is one of our most prominent and successful business people.

QUESTION:

Prime Minister, is this a line in the sand in terms of not giving hand-outs to industry? What can we draw from this? And secondly, what is your assessment of whether this plant can continue to operate without government assistance?

PRIME MINISTER:

Well, plainly this is a plant which Coca Cola was prepared to invest $161 million in. Now, I am confident that if they are prepared to make that kind of commitment to the Government and if they are prepared to continue the kind of thorough restructuring that they need; including renegotiation of their enterprising bargaining agreement, then it cannot just survive but flourish. There are new product lines, there are new arrangements with Coles and Woolworths and if you go to Coles and Woolworths you will see that SPC Ardmona product is now quite prominently displayed. I went to a Woolies store in my own electorate just before Christmas and was very impressed by the effort that was being made to display good, Aussie products from SPC Ardmona. So, given the strength of the parent, given the new product lines that are coming, given the parent’s willingness to renegotiate the EBA – yes, I am very confident that this is a business which has a strong future.

QUESTION:

Prime Minister, why does Cadbury in Tasmania deserve the $16 million you promised before the election but SPC Ardmona doesn’t deserve this $25 million?

PRIME MINISTER:

Well, Karen, one was a pre-election commitment and it was essentially an investment in tourism infrastructure. What was asked for by Coca-Cola was basically a $25 million grant for the ordinary operations of the businesses. Now, given the other commitments that Coca-Cola were prepared to make in
terms of their investment and in terms of restructuring the EBA, we think that that very strong and profitable private business, that wholly owns SPC Ardmona ought to complete the job of restructuring.

**QUESTION:**

If this is a line in the sand, can we then understand if Toyota were to come to Government having failed to renegotiate their EBA, any requests for assistance would also fall on deaf ears?

**PRIME MINISTER:**

Well, the point that we have been making and this is everyone – the Minister, the Treasurer, myself – we have all been making, is that we think this country, our workers, our businesses, our industries are more than capable if the shackles are off, if we don’t have the green tape and the red tape, if we don’t have the carbon tax and the mining tax, if we don’t have the dead hand of officialdom on them. We are confident that this country is more than capable of succeeding abundantly. Now, the important thing is that business is prepared to have a go, business is prepared to have a go. Now, SPC Ardmona, Coca Cola indicated to us abundantly that they were prepared to have a go with the $161 million, with the readiness to restructure the EBA – well go forward. Go on with it. We believe that the first task of business is to do its business, and the first task of management is to ensure that it has got its own house in order and that is true across the board. Get your house in order and we will create the frameworks that will make it possible for you to do that.

Laura?

**QUESTION:**

Mr Abbott, you have talked about the framework quite a lot and about being there to support business – we’re just trying to clarify in terms of the enterprise bargaining agreement. Do you think the enterprise bargain structure that is in place at the moment does give SPC enough scope to move or do you think it is something that has to be re-examined by the Government as well?

**PRIME MINISTER:**

My understanding is that there is absolutely nothing to stop SPC Ardmona under the existing legislative provisions going back to its workforce and renegotiating that. I would invite you to have a flick through the existing enterprise bargaining agreement which as I said is way in excess of the award. There are wet allowances, there are loadings on top of overtime, there is the ability to cash out sick pay, you get two weeks redundancy for every six months of service up to 104 weeks. This is a pretty an extraordinary EBA and the company admits that in the past this hasn’t been well handled. It is now the responsibility of the company to handle it better; to complete the restructuring that they have embarked upon. They are restructuring their plant, they are restructuring their product and they now need to talk to their workforce because what all of us want are secure well-paid jobs for the long term, but you need a viable business to do that. Part of creating a viable business – at the heart of creating a viable business – is having the kind of relationship with your workforce that will enable these sorts of matters to be dealt with.

**QUESTION:**

Just to follow up on Karen’s question, you talked a lot about the profitability of the parent company Coca Cola but of course Cadbury’s parent company is hugely profitable as well. One and a half billion I think was the figure spoken of today in profits. So, are workers in Tasmania more important than workers in Victoria?

**PRIME MINISTER:**

No, absolutely not. What was requested of us today was fundamentally different to what was sought of us in the case of Cadbury. Cadbury had long had, until recent years, a tourism dimension to it. So, what they
asked for was a piece of tourism infrastructure, regional tourism infrastructure, which we funded. What Coca Cola were asking for was essentially money for the ordinary course of business and I just think there is a fundamental difference.

QUESTION:

Mr Abbott, what is your message to the unions who will be fundamental to this restructure? What is your message to them?

PRIME MINISTER:

Well, I would really prefer to talk to the workforce, to talk to the workers at SPC Ardmona. I don’t believe that David Gonski for a moment will let you down. I think that David Gonski and Coca-Cola want the best possible partnership with the workforce. I think that the unions should do everything they possibly can to ensure that this is a viable business for the long term, a viable competitive business and that obviously means not cutting wages – no way. It means trying to ensure that the business is as flexible, as adaptable and as responsive as it needs to be to take advantage of the evolving market circumstances.

QUESTION:

Prime Minister, you have talked about the need to renegotiate this enterprise agreement and we also know that the Government is taking a position on Toyota’s attempt to renegotiate with its workers. How much of these decisions to reject bail-out requests or intimations from companies are designed to actually reset the landscape in terms of conditions and drive workers conditions, strip workers conditions back? How much is that actually a motivator in these decisions?

PRIME MINISTER:

Well, the position of this Government is that our job is to set the best possible framework for businesses to flourish, for jobs to be secure, for workers to earn high wages. The point I have been making repeatedly ever since I was the leader of the opposition and subsequently Prime Minister is I want Australian workers to be the best paid workers in the world but in order for that to happen we have got to be amongst the most productive workers in the world. That means that businesses have got to be able to take advantage of market conditions, they have got to be responsive, they have got to be flexible, they have got to be creative and I think the workforce want to be responsive, creative. I think I know the Australian worker pretty well. He or she is hard working, savvy, inventive, and I think that the management want to work hand in hand with the workers of Australia to bring out the best in our businesses. That is exactly what I want to see as Prime Minister.

QUESTION:

Is this an example of, to quote Senator Abetz, a “weak kneed company” negotiating poorly with unions, too generously?

PRIME MINISTER:

The company will admit that in times past this particular business has been poorly managed. The company would be the first to admit that but last year they put a new management team in place, they began the process of reinvestment, they began the process of new product lines, they began the process of renegotiating with customers at home and abroad. I think they have made a terrific start to the restructure, they have made an excellent start to the restructure. Now the restructure needs to be completed and the best way for it to be completed is to be led by the management, by the business itself. I think that the workers at SPC Ardmona are very, very well served by having such a strong parent company, a $9 billion
capitalisation, $299 million in pre-tax profit in the last six months, a very strong balance sheet, chairman David Gonski. David Gonski is not going to let the workers of SPC Ardmona down.

**QUESTION:**

Prime Minister, just on another topic, how do you think the ABC is managing the Australia Network and do you think this so-called soft diplomacy has a future under your Government?

**PRIME MINISTER:**

This is a matter which has been addressed by Julie Bishop, the Foreign Minister and it is well known that the Coalition had enormous concerns about the probity issues under the former government when the Australia Network tender was awarded. I think it was a particularly dodgy piece of work by the former government. We are working our way through it and if there is more to say it will be said in due course.

Thank you so much.

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