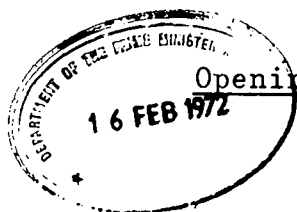


PREMIERS' CONFERENCE



Opening Statement by the Prime Minister

14 FEBRUARY 1972

IT IS OPPORTUNE THAT WE SHOULD MEET HERE TODAY FOR A WIDE-RANGING DISCUSSION ABOUT THE AUSTRALIAN ECONOMY AND YOUR STATE FINANCES.

THE TIMING HAS NOT COME ABOUT BY CHANCE. WHEN THE COMMONWEALTH ACTED IN A NUMBER OF WAYS LAST NOVEMBER TO ASSIST DEMAND AND MAINTAIN GROWTH IN THE ECONOMY, WE HAD IN MIND THAT IT WOULD BE APPROPRIATE TO REVIEW THE POSITION AGAIN ABOUT THIS TIME - TO STAND OFF FOR A LITTLE AND THEN HAVE ANOTHER LOOK AT THE TRENDS.

THE DATE WHICH WE THEN SUGGESTED WAS CHOSEN WITH THAT CONSIDERATION VERY MUCH IN MIND. THE APPROPRIATE TIMING OF THESE DISCUSSIONS THUS RESULTS RATHER FROM POSITIVE FORETHOUGHT, CONSISTENT WITH THE ASSURANCES OF THE TREASURER AND MYSELF TO KEEP THE ECONOMY UNDER REVIEW, AND AS PART OF THAT PROCESS.

WITH THIS TIMETABLE IN MIND, WE IN THE COMMONWEALTH UNDERTOOK LAST WEEK A COMPREHENSIVE REVIEW OF THE ECONOMY.

AS A CONSEQUENCE OF THAT REVIEW WE HAVE COME TO CERTAIN BROAD CONCLUSIONS. BEFORE FINALLY MAKING OUR DECISIONS - OR SOME OF THEM - WE WANT TO HAVE THE BENEFIT OF YOUR VIEWS IN PREMIERS' CONFERENCE.

WE SHALL, NO DOUBT, FIND OURSELVES IN BROAD AGREEMENT WITH SOME OF THE VIEWS THAT SOME OF YOU WILL PUT TO US AND IN DISAGREEMENT WITH OTHERS. THAT IS IN THE NATURE OF CONFERENCES AND NONE OF US SHOULD FIND IT IN ANY WAY SURPRISING.

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OVER THE PAST FEW MONTHS THE GOVERNMENT HAS MADE SEVERAL CONSIDERED ADJUSTMENTS TO POLICY TO MAINTAIN AS FAR AS POSSIBLE OUR OBJECTIVES: THE MAINTENANCE OF ECONOMIC GROWTH, WHICH IS ESSENTIAL AMONG OTHER THINGS TO OUR PURPOSE OF MAINTAINING A HIGH LEVEL OF EMPLOYMENT; AND THE CONTROL OF INFLATION.

IN THE LIGHT OF OUR DELIBERATIONS I WILL ANNOUNCE SOME FURTHER ADJUSTMENTS WITHIN THIS BROAD POLICY FRAMEWORK.

I WANT, AS AN INTRODUCTION, TO SAY SOMETHING ABOUT THE CURRENT AND PROSPECTIVE ECONOMIC SITUATION AS WE SEE IT.

WE HAVE BEEN DISTURBED BY WHAT WE BELIEVE TO BE THE EXCESSIVELY GLOOMY VIEWS BEING PUT ABOUT RECENTLY REGARDING CURRENT AND PROSPECTIVE ECONOMIC CONDITIONS. ACCORDINGLY, WE HAVE GIVEN THOSE VIEWS THE MOST CLOSE AND CAREFUL EXAMINATION. WE HAVE COME TO THE CONCLUSION THAT THESE EXTREME VIEWS ARE SIMPLY NOT SUPPORTED BY THE FACTS. I SAY THAT BECAUSE WE MUST GUARD AGAINST BEING OVER-INFLUENCED BY SUCH VIEWS.

REASONED CRITICISM IS ALWAYS WELCOME, AND IT IS IMPORTANT THAT WE SHOULD BE AWARE OF AND UNDERSTAND SUCH CRITICISMS. BUT THE MORE OMINOUS OF THESE STATEMENTS CAN HAVE, IN SOME DEGREE, A SELF-FULFILLING CHARACTER IF THE COMMUNITY TAKES THEM SERIOUSLY.

PUBLIC CONFIDENCE CAN BE VERY SENSITIVE. FOR THAT REASON, IT IS I THINK THE DUTY OF ALL OF US TO EXAMINE THOSE AREAS OF THE ECONOMY WHICH COME WITHIN OUR RESPECTIVE JURISDICTION AND TO ASK OURSELVES - ARE THINGS REALLY AS BAD AS SOME ARE CLAIMING THEM TO BE?

WE THINK THAT THE ANSWER TO THAT QUESTION IS CLEARLY IN THE NEGATIVE. THAT BEING SO, THOSE WHO SO SHRILLY VOICE THE OPPOSITE OPINION BEAR A HEAVY RESPONSIBILITY TO THEIR FELLOW CITIZENS.

THE ECONOMY HAS BEEN GROWING STEADILY. THE GOVERNMENT IS RESOLVED TO SEE GROWTH CONTINUE. WE HAVE NOT THE SLIGHTEST INTENTION OF COUNTENANCING ANY OTHER OUTCOME. IT IS A TRAVESTY OF OUR VIEWS TO SUGGEST OTHERWISE.

THERE ARE, IN FACT, CLEAR ELEMENTS OF STRENGTH IN THE ECONOMY WHICH WOULD, EVEN IF NO FURTHER ACTION WERE TAKEN NOW, ENSURE CONTINUED GROWTH IN THE MONTHS AHEAD.

IT FOLLOWS THAT ANY MEASURES NOW TO BE TAKEN - AND I HAVE ALREADY SAID THAT WE PROPOSE SOME - WILL BE DESIGNED TO STIMULATE THAT GROWTH.

CERTAINLY THE ECONOMY IS NO LONGER IN THE STRAINED CONDITION OF A YEAR OR MORE AGO. IT WAS, INDEED, A BASIC AIM OF OUR ECONOMIC POLICY THEN TO MODERATE THAT CONDITION. IF WE WERE TO AVERT THE THREAT OF A SELF-PERPETUATING WAGE-PRICE SPIRAL, THAT WAS A NECESSARY PRE-CONDITION AND OF COURSE IT REMAINS SO. FOR IT REMAINS TRUE THAT THE MOST DIFFICULT TASK, AND ONE WHICH IS STILL BEFORE US, IS TO QUELL INFLATION.

BUT THAT IS NOT TO SAY THAT WE CAN TURN AWAY FROM OUR OTHER HIGH OBJECTIVE, NAMELY, TO MAINTAIN THE MOMENTUM OF ECONOMIC GROWTH, WITH ALL THAT MEANS FOR EMPLOYMENT.

HERE ALSO WE HAVE PROBLEMS, INCLUDING THE RURAL RECESSION AND RESULTING RURAL UNEMPLOYMENT, WHICH WE HAVE ALREADY TAKEN STEPS TO MEET AND WHICH WE SHALL DO MORE ABOUT IN ACCORDANCE WITH DECISIONS WHICH I WILL MENTION LATER.

THESE FURTHER STEPS ARE IN LINE WITH THE FLEXIBLE APPROACH THE GOVERNMENT HAD ADOPTED IN DEALING WITH PARTICULAR TRENDS AS THEY EMERGE. THEY REPRESENT A FURTHER MEASURED RESPONSE DESIGNED TO MEET PARTICULAR PROBLEMS, WHILST MAINTAINING OUR COUNTER-INFLATIONARY STANCE.

HERE I PAUSE TO LOOK MORE CLOSELY AT THE PROBLEM OF COST AND PRICE ESCALATION.

ONE DOES NOT HAVE TO SEARCH FAR TO FIND THE MAJOR FACTOR PUSHING COSTS AND PRICES ALONG AT THE PRESENT UNACCEPTABLE AND INDEED DANGEROUS RATE. IT MUST SURELY NOW BE CLEAR TO EVERYONE THAT THE VERY RAPID INCREASE IN WAGE AND SALARY COSTS IS THE MOST IMPORTANT FORCE WHICH HAS CHARACTERISED RECENT PERIODS OF COST AND PRICE INCREASES. WE ARE, OF COURSE, AWARE THAT THERE ARE OTHER FACTORS; BUT WE SHOULD NOT ALLOW THEIR EXISTENCE TO DIVERT OUR ATTENTION FROM WHAT IS CLEARLY FAR AND AWAY THE MOST IMPORTANT CAUSE.

IN THIS FIELD, THE COMMONWEALTH HAS VIGOROUSLY PUT TO THE ARBITRATION COMMISSION ITS VIEW THAT EXCESSIVE WAGE INCREASES IN THE CURRENT CIRCUMSTANCES ARE VERY MUCH AGAINST THE COMMUNITY'S BEST INTEREST.

IN SOME DECISIONS TOWARDS THE END OF 1971 IT APPEARED THAT THE COMMISSION HAD TAKEN COGNIZANCE OF THE EFFECTS OF ITS DETERMINATIONS ON THE ECONOMY IN GENERAL. THERE HAS ALSO BEEN SOME WELCOME REDUCTION IN THE RATE OF INCREASE IN OVER-AWARD PAYMENTS.

NOTWITHSTANDING THESE MODERATELY HOPEFUL SIGNS, THERE ARE STILL EXTREMELY SERIOUS UPWARD PRESSURES ON THE WAGES FRONT - PARTICULARLY ON AWARD WAGES. I WILL HAVE MORE TO SAY ABOUT THIS MATTER LATER.

REDUCING THE IMPACT OF INFLATION IS, AS I SAID, ONLY PART OF OUR TOTAL OBJECTIVE.

IN RELATION TO OUR GROWTH OBJECTIVE, THERE ARE SOME FLAT ELEMENTS IN THE ECONOMY. THERE IS THE DEPRESSED SITUATION IN SOME OF OUR RURAL INDUSTRIES AND THERE IS THE SUBDUED GROWTH OF CONSUMER EXPENDITURE. THERE IS ALSO EVIDENCE TO SUGGEST SOME PROSPECTIVE LEVELLING OFF IN CERTAIN AREAS OF PRIVATE INVESTMENT EXPENDITURE, FOR EXAMPLE, IN THE FIELD OF NON-DWELLING CONSTRUCTION.

AS THE ECONOMY HAS COME OFF THE BOIL THERE HAS, TOO, BEEN A RISE IN UNEMPLOYMENT - A RISE WHICH SHOULD NOT BE JUDGED, HOWEVER, BY COMPARISON WITH THE VERY LOW LEVEL OF UNEMPLOYMENT WHICH HAD BEEN REACHED IN 1970.

A GOOD DEAL HAS BEEN SAID IN RECENT MONTHS ABOUT THIS LATTER ASPECT OF ECONOMIC DEVELOPMENTS AND I THINK IT IMPORTANT THEREFORE THAT I SHOULD SAY SOMETHING ABOUT IT.

IT IS IMPORTANT TO NOTE THAT THE CURRENT (END-JANUARY) LEVEL OF UNEMPLOYMENT, AT 1.62 PER CENT OF THE WORK-FORCE IN SEASONALLY-ADJUSTED TERMS, IS LITTLE DIFFERENT FROM THE LONG -TERM AVERAGE OF 1.4 PER CENT EXPERIENCED IN THIS COUNTRY; AND THAT LONG-TERM AVERAGE IS REMARKABLY LOW COMPARED WITH THE EXPERIENCE OF MOST ADVANCED WESTERN NATIONS.

CERTAINLY, THE UNEMPLOYMENT SITUATION IS MUCH CLOSER TO THE LONG-TERM NORM THAN IS THE CASE WITH PRICES, WHERE THE CURRENT RATE OF PRICE INCREASE - ABOVE 7 PER CENT PER YEAR - CONTRASTS WITH OUR EXPERIENCE THROUGH THE 1960'S OF SOME  $2\frac{1}{2}$ -3 PER CENT PER YEAR.

SECONDLY, I POINT OUT THAT THE TREND OF UNEMPLOYMENT HAS VIRTUALLY FLATTENED OUT IN RECENT MONTHS. IN SEASONALLY-ADJUSTED TERMS, IT HAS INCHED UPWARDS DURING THE PAST FEW MONTHS FROM ITS LEVEL OF 1.53 PER CENT AT END-SEPTEMBER TO 1.62 PER CENT AT END-JANUARY -- THAT IS, A RISE OF LESS THAN 0.1 PER CENT OVER FOUR MONTHS.

ANY BALANCED APPRAISAL OF OUR PRESENT ECONOMIC CONDITION AND PROSPECTS MUST HAVE REGARD TO THESE POINTS. WHAT I WANT TO STRESS IS THAT IT IS WHOLLY CONSISTENT WITH OUR OBJECTIVE OF MAINTAINING STEADY GROWTH IN THE ECONOMY THAT WE SHOULD MAINTAIN A HIGH LEVEL OF EMPLOYMENT.

IT WAS, INDEED, WITH THAT IN MIND THAT THE GOVERNMENT LAST NOVEMBER AND DECEMBER TOOK A NUMBER OF STEPS - STEPS WHICH I SHALL NOT DETAIL AT THIS POINT BUT WHICH, AS YOU KNOW, INCLUDED THE ARRANGEMENT FOR GRANTS TO THE STATES FOR THE RELIEF OF UNEMPLOYMENT AS WELL AS A NUMBER OF OTHER ACTIONS.

SUBSEQUENTLY, AS PART OF THE THOROUGHGOING REVIEW OF THE ECONOMY WHICH HAS BEEN PROCEEDING SINCE ABOUT MID-JANUARY, WE MOVED, WITH YOUR APPROVAL, TO EFFECT FURTHER SHARP REDUCTIONS IN INTEREST RATES ON GOVERNMENT SECURITIES. AT THE SAME TIME, AND IN PART AS A CONSEQUENCE, WE MOVED ALSO TO HAVE SIGNIFICANT REDUCTIONS MADE IN TRADING BANK LENDING AND DEPOSIT RATES. THESE LATTER MOVES WERE, IN EFFECT, FRUITS OF THE REVIEW WHICH COMMENCED SOME WEEKS AGO.

BEFORE ANNOUNCING WHAT WE NOW HAVE IN MIND AS A FOLLOW-UP TO THOSE RECENT AND EARLIER ACTIONS, IT MAY BE WORTHWHILE FIRST TO LOOK BRIEFLY AT SOME PARTICULAR ASPECTS OF THE CURRENT ECONOMIC SITUATION AND THE REASONS FOR THE CHANGES WE INTEND TO MAKE.

NON-METROPOLITAN UNEMPLOYMENT

ONE IMPORTANT ASPECT OF THE CURRENT LABOUR MARKET RESULTS FROM THE EXTRAORDINARILY DIFFICULT SITUATION WHICH IS CONFRONTING SOME OF OUR RURAL INDUSTRIES. THE GRANTS WHICH WE INTRODUCED LAST DECEMBER FOR RELIEF OF NON-METROPOLITAN UNEMPLOYMENT HAVE, IT IS TRUE, ALREADY HAD A USEFUL IMPACT ON THIS ELEMENT IN THE SITUATION.

THESE GRANTS ARE DESIGNED TO FINANCE ADDITIONAL LABOUR-INTENSIVE ACTIVITIES OF A PRODUCTIVE KIND BY STATE, SEMI-GOVERNMENT AND LOCAL GOVERNMENT AUTHORITIES IN ORDER TO PROVIDE EMPLOYMENT OPPORTUNITIES IN NON-METROPOLITAN AREAS. AS SUCH, THEY HAVE ALREADY PERMITTED MUCH URGENT AND USEFUL WORK TO BE UNDERTAKEN AND HAVE MADE A SIGNIFICANT CONTRIBUTION TOWARDS THE STRUCTURAL PROBLEM OF NON-METROPOLITAN UNEMPLOYMENT THAT IS INVOLVED.

IN THE LIGHT OF EXPERIENCE WITH THIS SCHEME, THE GOVERNMENT BELIEVES THAT MORE COULD NOW BE DONE IN THIS AREA. WE THEREFORE PROPOSE, SUBJECT TO YOUR AGREEMENT, THAT THE MONTHLY RATE OF EXPENDITURES UNDER THE SCHEME BE INCREASED.

AT PRESENT, THE GRANTS ARE SET AT \$2.25 MILLION PER MONTH. WE BELIEVE THAT THIS AMOUNT COULD BE INCREASED, EFFECTIVE AS FROM TODAY, TO A RATE OF \$4 MILLION PER MONTH. IN THE BALANCE OF THIS FINANCIAL YEAR - AND SUBJECT TO REVIEW IN JUNE - THE ADDITIONAL FUNDS INVOLVED WOULD AMOUNT TO \$7.75 MILLION.

IN TERMS OF IMPACT ON THE ECONOMY, A CLEARER IMPRESSION IS CREATED IF WE THINK IN TERMS OF AN ANNUAL RATE OF INCREASED SPENDING OF \$21 MILLION PER ANNUM - BRINGING THE ANNUAL RATE OF SPENDING UNDER THE SCHEME, AS REVISED, TO \$48 MILLION PER ANNUM IN ALL.

IN REACHING OUR DECISION, LAST DECEMBER, TO OFFER THESE FUNDS FOR NON-METROPOLITAN EMPLOYMENT PURPOSES, WE WERE OF COURSE VERY CONSCIOUS OF THE PARTICULAR PROBLEMS AND SOCIAL COSTS OF UNEMPLOYMENT IN RURAL AREAS, WHERE AVENUES FOR NEW EMPLOYMENT ARE OFTEN VERY LIMITED. UNEMPLOYMENT, HOWEVER, CAN AND DOES BRING HARDSHIP WHEREVER IT OCCURS. THIS IS THE REASON WHY THE GOVERNMENT HAS, OVER THE YEARS, PAID BENEFITS TO ELIGIBLE UNEMPLOYED. IT IS SOME TIME SINCE THE RATE OF THIS BENEFIT WAS INCREASED. FOR THAT AND OTHER REASONS WE THINK THE TIME OPPORTUNE TO CHANGE THE RATE. WE HAVE DECIDED TO INCREASE THE ADULT RATE FOR UNEMPLOYMENT BENEFIT, AND ASSOCIATED SHORT TERM SICKNESS AND SPECIAL BENEFITS, FROM \$10 PER WEEK TO \$17 PER WEEK. JUNIOR RATES FOR 16-17 YEAR OLDS AND FOR 18-20 YEAR OLDS WILL BE INCREASED RESPECTIVELY BY \$3 AND \$5 PER WEEK.

WE WILL BRING FORWARD LEGISLATION TO THE PARLIAMENT TO GIVE EFFECT TO THESE INCREASES AS A MATTER OF URGENCY.

SOME MEASURES, SUCH AS THE NON-METROPOLITAN EMPLOYMENT GRANTS, HAVE A DIRECT INFLUENCE UPON DEMAND FOR GOODS AND SERVICES, INCLUDING LABOUR. BUT BROADER MEASURES WHICH SHOULD INFLUENCE CONFIDENCE AND ACTIVITY WILL ALSO BE OF BENEFIT. THE GOVERNMENT HAS ACCORDINGLY DECIDED THAT ADDITIONAL MEASURES OF THIS BROADER KIND ARE NOW DESIRABLE.



INVESTMENT ALLOWANCE

WE HAVE HAD IT PUT TO US FROM MANY QUARTERS IN RECENT WEEKS THAT THE SINGLE MEASURE MOST LIKELY TO BOOST CONFIDENCE AND ACTIVITY ON THE PART OF INDUSTRY, AND MANUFACTURING INDUSTRY IN PARTICULAR, IS THE RESTORATION OF THE SPECIAL INVESTMENT ALLOWANCE FOR MANUFACTURING INDUSTRY.

THIS WAS, YOU WILL RECALL, SUSPENDED TWELVE MONTHS AGO. ALTHOUGH THE MAJOR DETERMINANT OF INVESTMENT EXPENDITURE MUST, OF COURSE, BE THE EXPECTED GROWTH OF DEMAND RELATIVE TO EXISTING PRODUCTIVE CAPACITY, WE ARE PERSUADED OF THE FORCE OF THE VIEW I HAVE STATED ABOUT THE INFLUENCE OF THE INVESTMENT ALLOWANCE IN BOOSTING CONFIDENCE.

ACCORDINGLY, THE GOVERNMENT HAS DECIDED TO RESTORE THE SPECIAL INVESTMENT ALLOWANCE ON NEW INVESTMENT IN MANUFACTURING PLANT AND EQUIPMENT AS FROM THIS DAY, IN THE FORM IN WHICH IT PREVIOUSLY EXISTED. ON THE BASIS OF THE VIEWS THAT HAVE BEEN PUT TO US, THIS STEP CAN BE EXPECTED TO STIMULATE ACTIVITY ACROSS A WIDE SPECTRUM OF AUSTRALIAN INDUSTRY.

THE TREASURER WILL MAKE A FURTHER STATEMENT ON THIS SUBJECT, IN A MORE DETAILED FORM, LATER TODAY.

THE MEASURES WHICH I HAVE JUST ANNOUNCED, TAKEN TOGETHER WITH THE MONETARY MEASURES WE ANNOUNCED LAST WEEK AND THE ACTIONS WE TOOK LATE LAST YEAR, WILL WORK BOTH DIRECTLY AND INDIRECTLY TO ENCOURAGE ACTIVITY IN THE PRIVATE SECTOR.

PUBLIC SECTOR

FOR OUR PART, WE THINK THIS IS APPROPRIATE. BUT THERE IS CLEARLY ALSO A CASE FOR SOME MEASURED ADJUSTMENT TO DEVELOPING CIRCUMSTANCES IN THE PUBLIC SECTOR.

PUBLIC AUTHORITY EXPENDITURE OVERALL IS PRESENTLY ONE OF THE STRONG POINTS IN THE ECONOMY. IN REAL TERMS, THE OVERALL POSITION IS ONE OF STRONGER GROWTH THAN LAST YEAR. WITHIN THIS OVERALL PICTURE, TOTAL PUBLIC AUTHORITY CAPITAL EXPENDITURE IS GROWING MORE SLOWLY THAN CURRENT EXPENDITURE. THIS FOLLOWS A PERIOD WHEN, IN 1970-71 THE IMPACT OF RAPIDLY-ESCALATING WAGE COSTS ON STATE BUDGETS WAS SUCH THAT, DESPITE CONSIDERABLE SPECIAL ASSISTANCE FROM THE COMMONWEALTH, A NUMBER OF IMPORTANT STATE WORKS HAD TO BE DEFERRED.

SIMILARLY, THE WORKS ACTIVITIES OF CERTAIN OF THE STATE SEMI-GOVERNMENTAL AND LOCAL AUTHORITIES HAVE ALSO HAD TO BE CURTAILED AND WE ARE AWARE, FROM THE DIRECT REPRESENTATIONS COMING FORWARD TO US IN THAT FIELD, THAT SOME RELAXATION THERE WOULD BE WIDELY WELCOMED. IN THIS RESPECT I MENTION THAT THE SEMI-GOVERNMENTAL AUTHORITIES HAVE BEEN VERY SUCCESSFUL IN THEIR LOAN-RAISING ACTIVITIES IN THIS FINANCIAL YEAR TO DATE.

WORKS AND HOUSING AND SEMI-GOVERNMENT BORROWING PROGRAMMES

IN THE LIGHT OF OUR OVERALL OBJECTIVES, WE BELIEVE THERE IS NOW A CASE FOR SUITABLE INCREASES BOTH IN THE STATES' WORKS AND HOUSING AND THE SEMI-GOVERNMENT BORROWING PROGRAMMES. ANY INCREASE IN THE WORKS AND HOUSING PROGRAMME TO WHICH WE MIGHT AGREE WOULD, OF COURSE, INVOLVE THE COMMONWEALTH IN TAKING UP PART OF SUCH INCREASE, 24.4 PER CENT TO BE PRECISE, IN THE FORM OF INTEREST-FREE CAPITAL GRANTS.

IN PROPOSING TO INCREASE THESE BORROWING PROGRAMMES, WE SEEK YOUR ASSURANCE THAT THE ADDITIONAL FUNDS SHOULD, SO FAR AS IS PRACTICABLE WITHOUT LOSS OF EFFICIENCY AND EFFECTIVENESS, BE UTILISED QUICKLY, HAVING IN MIND WHAT I BELIEVE TO BE OUR COMMON OBJECTIVES RELATING TO EMPLOYMENT.

AS WE UNDERSTAND IT, YOU HAVE NO LACK OF TASKS TO BE DONE, PARTICULARLY IN YOUR URBAN AREAS. HOUSING, SCHOOLS, WATER SUPPLY AND SEWERAGE - ALL THESE, WE KNOW, AND OTHERS, PROVIDE OPPORTUNITIES FOR EXPENDITURES OF THE KIND WE HAVE IN MIND.

STATE REVENUE BUDGETS - PROSPECTIVE POSITIONS

SOME PREMIERS MAY WISH TO REFER NOT ONLY TO THEIR LOAN PROGRAMMES BUT ALSO TO THEIR PROSPECTIVE REVENUE BUDGETS FOR 1971-72.

I TAKE THE OPPORTUNITY OF INFORMING YOU THAT, SINCE THE COMMONWEALTH BUDGET ESTIMATES WERE FRAMED, THERE HAVE BEEN REVISIONS TO ELEMENTS OF THE FORMULA DETERMINING THE FINANCIAL ASSISTANCE GRANTS TO BE PAID TO THE STATES IN 1971-72.

THESE REVISIONS WILL RESULT, ON PRESENT FIGURING, IN AN INCREASE IN THE AMOUNT STATES WILL RECEIVE BY WAY OF GENERAL REVENUE ASSISTANCE IN THIS FINANCIAL YEAR. WHILE THESE ESTIMATES, LIKE OTHERS MADE AT THIS TIME OF THE FINANCIAL YEAR, CAN ONLY BE BEST GUESSES, WE PRESENTLY CALCULATE THE INCREASE INVOLVED AS OF THE ORDER OF \$20 MILLION.

IN THINKING ABOUT THIS MATTER MORE GENERALLY, WE HAVE IN MIND THE UNCERTAINTIES WHICH SURROUND OUR OWN BUDGET-ESTIMATING PROCEDURES EVEN AT THIS TIME OF THE FINANCIAL YEAR. WE EXPECT THAT SIMILAR UNCERTAINTIES ALSO EXIST IN THE CASE OF STATE BUDGETS.

FOR THAT REASON, OUR OWN VIEW HAS NORMALLY BEEN THAT THESE MATTERS ARE MORE APPROPRIATELY SUBJECTS FOR DISCUSSION AT THE REGULAR JUNE PREMIERS' CONFERENCE THAN AT A CONFERENCE SUCH AS THIS TODAY, CONVENEED AS IT HAS BEEN PRINCIPALLY TO DISCUSS THE ECONOMIC SITUATION.

THIS IS NOT TO BE TAKEN AS IMPLYING THAT THERE CANNOT BE DISCUSSION. WE SHALL LISTEN CAREFULLY TO ANYTHING THAT YOU MAY CARE TO PUT ON THIS POINT - JUST AS YOU WILL, I AM SURE, CONSIDER THE VIEWS WE HAVE AS TO WHETHER ACTION IN THIS AREA IS NOW APPROPRIATE.

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THE MEASURES I HAVE ANNOUNCED AND THOSE THE GOVERNMENT HAD PREVIOUSLY TAKEN IN RECENT MONTHS ARE DESIGNED TO DEAL WITH SPECIFIC PROBLEMS WHILE AT THE SAME TIME PROVIDING A STIMULUS TO THE ECONOMY IN LINE WITH OUR CONTINUING OBJECTIVE OF MAINTAINING ITS GROWTH MOMENTUM.

BUT I MUST EMPHASISE THAT THERE IS A FINE LINE BETWEEN ACTION DESIGNED TO THAT END AND ACTION WHICH WILL TILT THE BALANCE TOO FAR, RESULTING IN THE LOSS OF SUCH HARD-WON SUCCESS AS HAS SO FAR BEEN ACHIEVED IN CONTAINING INFLATION.

THE MEASURES WE HAVE CHOSEN, AND THEIR EXTENT, ARE DESIGNED TO MAINTAIN THE BALANCE. IN THIS RESPECT WE HAVE A NARROW PATH TO TREAD: WE MUST TREAD IT.

INFLATION

HAVING ACTED TO STIMULATE ACTIVITY AND EMPLOYMENT, WE MUST CONTINUE TO SEEK ANOTHER OBJECTIVE - THE CONTROL OF INFLATION. FOR THE EFFECTS OF INFLATION ARE INSIDIOUS. IT IS NOT MERELY AN ECONOMIC PROBLEM, BUT ALSO A SOCIAL ONE.

I HAVE ALREADY MENTIONED THE COMMONWEALTH'S INTERVENTION IN ARBITRATION COMMISSION AWARD HEARINGS. IN RECENT TIMES THAT INTERVENTION HAS, IN RECOGNITION OF THE INCREASING GRAVITY OF THE PROBLEM OF WAGE-INDUCED INFLATION, BEEN MORE FREQUENT AND MORE VIGOROUS THAN FOR MANY YEARS PAST.

I INSTANCE AS EXAMPLES THE 'CARPENTERS CASE, THE ANNUAL LEAVE CASE AND THE BANK OFFICIALS' CASE. I ADD THAT WE WILL, OF COURSE, BE MAKING VERY STRONG REPRESENTATIONS TO THE COMMISSION IN THE NATIONAL WAGE CASE WHICH HAS BEEN LISTED TO RESUME NEXT WEEK. IT HARDLY NEEDS SAYING THAT THE OUTCOME OF THAT CASE WILL BE OF GREAT IMPORTANCE TO YOUR OWN BUDGETS AND WILL HAVE A CRUCIAL IMPACT ON COSTS AND PRICES IN THE FUTURE.

WE HAVE BEEN URGING PRIVATE EMPLOYERS TO RESIST EXTRAVAGANT CLAIMS FOR INCREASED WAGES AND IMPROVED CONDITIONS MADE UPON THEM, AND WHICH CAN ONLY RESULT IN FURTHER PRESSURE UPON THEM TO RAISE PRICES IN ORDER TO CARRY THEIR INCREASED COST STRUCTURE.

WE RECOGNISE, HOWEVER, THAT WE CANNOT HOPE TO EXERCISE A SIGNIFICANT INFLUENCE IN THAT WAY IF THERE IS ANY WIDESPREAD FEELING AMONG BUSINESSMEN THAT WE ARE NOT, IN FACT, EXERCISING RESTRAINT WITHIN THE AREAS OPEN TO OUR DIRECT INFLUENCE - THE PUBLIC SERVICE AND THE VARIOUS COMMONWEALTH STATUTORY BODIES.

THE COMMONWEALTH PUBLIC SERVICE BOARD HAS, IN FACT, A FIRM POLICY OF NEITHER LEADING THE WAY IN ITS DETERMINATIONS ON WAGES AND CONDITIONS OF SERVICE NOR LAGGING SO FAR BEHIND THAT RECRUITMENT TO AND THE EFFICIENCY OF THE SERVICE BEGINS TO SUFFER.

I WISH TO UNDERLINE THAT POLICY.

AT THIS TIME, HOWEVER, WE HAVE A PARTICULAR SITUATION RELATING TO THE WHITE COLLAR AREA WHICH GIVES CAUSE FOR VERY SERIOUS CONCERN - NOT MERELY TO THE COMMONWEALTH BUT I THINK TO ALL OF US HERE TODAY.

IN ONE STATE, ADMINISTRATIVE AND CLERICAL OFFICERS WITHIN THE PUBLIC SERVICE AND THE STATUTORY AUTHORITIES HAVE BEEN GRANTED AN INCREASE OF 9 PER CENT IN WAGE RATES.

I AM NOT CONCERNED TO CANVASS THE CIRCUMSTANCES IN WHICH THAT INCREASE CAME ABOUT, ALTHOUGH I NOTE AND WELCOME THE SUBSEQUENT ANNOUNCEMENT BY THE PREMIER OF VICTORIA THAT HE PROPOSES A RADICAL OVERHAUL OF THE WAGE-FIXING MACHINERY IN HIS STATE DESIGNED TO ENSURE THAT SUCH A CHAIN OF CIRCUMSTANCES COULD NOT OCCUR IN FUTURE. WE SHOULD BE GLAD TO HEAR FURTHER FROM HIM ON THAT MATTER SHOULD HE SO DESIRE.

WHAT I AM CONCERNED ABOUT NOW IS TO ENSURE THAT THE INCREASE IS "QUARANTINED" TO THAT PARTICULAR STATE, AS FAR AS OUR OWN ACTIONS AND POLICIES MAY MAKE THAT POSSIBLE AND THAT THIS INCREASE DOES NOT SPREAD GENERALLY TO WHITE COLLAR WORKERS THROUGHOUT THE ECONOMY.

SHOULD WE FAIL IN THAT RESPECT, THE CONSEQUENCES ARE CLEAR. STATE BUDGETS WILL ONCE AGAIN BE UNHINGED, PUBLIC AUTHORITIES AT ALL LEVELS WILL BE FORCED ONCE AGAIN TO CONSIDER RAISING THEIR CHARGES TO MEET THEIR INCREASED COSTS, AND THE INFLATIONARY SPIRAL WILL BE GIVEN A NEW AND SERIOUS TWIST. SUCH AN OUTCOME WILL OBVIOUSLY BE DAMAGING TO THE BEST INTERESTS OF THIS COUNTRY.

I THEREFORE TELL YOU NOW THAT THE COMMONWEALTH PROPOSES TO TAKE WHATEVER ACTION IT CAN TO CONTAIN THE FLOW-ON OF THE 9 PER CENT INCREASE TO WHICH I HAVE REFERRED IN THE AREA OF THE COMMONWEALTH PUBLIC SERVICE OR COMMONWEALTH INSTRUMENTALITIES. WITHIN THE PROVISIONS OF THE PUBLIC SERVICE ARBITRATION ACT, WE WILL PUT OUR CASE RELATING TO SUCH INCREASES AT APPROPRIATE STAGES OF THE ARBITRAL PROCESS. WE WILL ALSO INTERVENE, WHENEVER THE OPPORTUNITY IS OPEN TO US, AGAINST CLAIMS OF A LIKE KIND IN THE PRIVATE SECTOR.

THIS IS A SERIOUS DECISION, AND NOT ONE THAT WE HAVE TAKEN LIGHTLY. NEVERTHELESS, WE BELIEVE IT TO BE NECESSARY IF THE UPWARD THRUST TO THE GENERAL LEVEL OF WAGE COSTS IS TO BE BLUNTED AND IF ANY REAL PROGRESS IS TO BE MADE IN THE BATTLE AGAINST COST-INFLATION.

IT IS CLEAR, HOWEVER, THAT THE PROSPECT OF ACHIEVING THOSE OBJECTIVES WILL BE VERY MUCH ENHANCED IF A UNITED FRONT IS TAKEN TOWARDS THEM BY THE PUBLIC SECTOR AS A WHOLE. TO ACHIEVE THIS OBJECTIVE, I INVITE THE PREMIERS TO JOIN WITH THE COMMONWEALTH HERE TODAY IN EXPRESSING THEIR DETERMINATION ALSO TO RESIST THESE "NEW ROUND" CLAIMS WITHIN THE AREAS OF THEIR OWN PUBLIC SERVICES AND STATUTORY BODIES.

WE REGARD THIS AS A MATTER OF HIGH NATIONAL IMPORTANCE.

WE SIMPLY CANNOT STAND ASIDE AND PASSIVELY ALLOW THE EVENTS THAT HAVE ALREADY OCCURRED IN VICTORIA (AND WHICH OF COURSE CANNOT NOW BE UNDONE) TO BE MULTIPLIED ELSEWHERE WITHIN THE ECONOMY.

THIS, GENTLEMEN, IS THE PROGRAMME WHICH WE PUT TO YOU TODAY FOR DISCUSSION AND ON WHICH WE INVITE YOUR VIEWS.

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