

PREMIERS' CONFERENCE 14 FEBRUARY 1975

OPENING STATEMENT BY THE PRIME MINISTER

THE HON. E.G. WHITLAM, O.C., M.P.

WHEN WE MET IN JUNE AND AUGUST LAST YEAR WE WERE - AS WE HAD TO BE - PRE-OCCUPIED WITH INFLATION. AT OUR JUNE MEETING, I TOLD YOU THAT IF THE ECONOMIC SITUATION CHANGED - AND IT HAS CHANGED - WE WOULD MEET TO LOOK AT IT AGAIN. INFLATION IS, OF COURSE, STILL TO BE OVERCOME, BUT THERE IS NOW A TOTALLY UNACCEPTABLE LEVEL OF UNEMPLOYMENT - IN THE SECOND HALF OF 1974 THE ECONOMY TURNED DOWN DRAMATICALLY. FROM THE BOOM CONDITIONS OF THE FIRST HALF OF 1974, ECONOMIC ACTIVITY HAS DROPPED SHARPLY - AT A RATE NONE OF US COULD HAVE ANTICIPATED. MOST OTHER DEVELOPED COUNTRIES HAVE, OF COURSE, HAD A SIMILAR EXPERIENCE OVER THIS PERIOD. REGISTERED UNEMPLOYMENT HAS RISEN FROM A SEASONALLY ADJUSTED 1.4 PER CENT OF THE LABOUR FORCE IN JUNE 1974 TO 4.1 PER CENT IN DECEMBER, THE HIGHEST LEVEL SINCE THE 1930'S. THE INFLATION RATE AS MEASURED BY THE CHANGE IN THE CONSUMER PRICE INDEX OVER A YEAR EARLIER ROSE FROM 14.4 PER CENT IN THE JUNE QUARTER TO 16.3 PER CENT IN THE DECEMBER QUARTER OF 1974. SOME CHARTS I HAVE HAD PREPARED TO ILLUSTRATE THIS SITUATION ARE BEING HANDED AROUND.

THE CURRENT INFLATION ORIGINATED IN EXTRAORDINARY AND UNPRECEDENTED DEVELOPMENTS IN THE ECONOMY IN THE RECENT PAST. THE PREVIOUS GOVERNMENT, FOR ELECTORAL REASONS, ALLOWED A RATE OF MONETARY EXPANSION WHICH WAS TOTALLY UNJUSTIFIABLE IN ITS RAPIDITY AND WHICH WAS MAINLY RESPONSIBLE FOR THE DEMAND INFLATION OF 1972-73 AND THE INEVITABLE CONSEQUENCE OF THE CURRENT COST INFLATION. THIS IS SOMETHING WHICH SHOULD NOT BE FORGOTTEN AS WE ANALYSE OUR PRESENT

DIFFICULTIES. I ACKNOWLEDGE THAT OUR CURRENT INFLATION HAS BEEN PUSHED ALONG BY WAGE INCREASES THAT HAVE FAR OUTPACED THE ABILITY OF FIRMS TO ABSORB THROUGH PRODUCTIVITY INCREASES OR, IN THE PREVAILING ECONOMIC CLIMATE, TO PASS ON IN TERMS OF EVEN HIGHER PRICE RISES. THE RESULT HAS BEEN A SUBSTANTIAL SQUEEZE ON PROFITS WHICH HAS LED TO A CUT-BACK IN THE SCALE OF ACTIVITY AND THE POSTPONEMENT OF MANY INVESTMENT PROJECTS. THUS THE INFLATIONARY MENACE REMAINS A PRIME CONCERN NOT LEAST BECAUSE IT HAS BECOME INEXTRICABLY BOUND-UP IN THE PROBLEM OF UNEMPLOYMENT.

TO ACHIEVE A LASTING IMPROVEMENT IN THE UNEMPLOYMENT SITUATION, AS WE ARE TOTALLY COMMITTED TO DOING, WE ARE DIRECTING OUR ATTENTION TO THIS BASIC ISSUE. WE CAN, IN THE SHORTER-TERM, MAKE SOME INROADS INTO THE UNEMPLOYMENT PROBLEM AND THAT, OF COURSE, IS THE MAIN REASON WE ARE MEETING TODAY. BUT IN MAKING DECISIONS TODAY WE MUST DO SO IN A MANNER THAT WILL NOT MAKE THE PROBLEM OF INFLATION MORE UNMANAGEABLE.

GENTLEMEN, THIS WAS THE CONTEXT IN WHICH IT WAS AGREED TO PROPOSE THIS MEETING. LET ME REPEAT PART OF THE MESSAGE I SENT TO YOU:

"IT IS ENVISAGED THAT DISCUSSION WOULD CENTRE ON:

- (1) THE AMOUNT AND FORM OF ADDITIONAL FINANCIAL ASSISTANCE WHICH STATE GOVERNMENTS, STATE SEMI-GOVERNMENTAL AND LOCAL AUTHORITIES REQUIRE TO RETAIN OR RE-ENGAGE EMPLOYEES, AND

- (2) THE REPORTS OF THE WORKING PARTIES OF AUSTRALIAN AND STATE GOVERNMENT OFFICIALS ON POSSIBLE JOINT ACTION TO RESTRAIN INFLATIONARY PRESSURES...".

I PROPOSE WE CONCENTRATE FIRST ON DISCUSSION OF ITEM (1). THE WORDS WERE, I EMPHASISE, CAREFULLY CHOSEN TO INDICATE ACCURATELY THE BASIS OF OUR APPROACH. IN THIS MATTER WE ARE FOCUSING ON UNEMPLOYMENT; ACCORDINGLY OUR PRIMARY CONCERN IS TO ASSESS THE EMPLOYMENT EFFECTS OF YOUR PROPOSALS.

MY GOVERNMENT HAS, AS YOU ARE AWARE, TAKEN ACTION THROUGH MONETARY POLICY TO ENSURE THAT LIQUIDITY IS MUCH FREER AND BANK LENDING CAN BE MAINTAINED AT A LEVEL SUFFICIENT TO MEET THE IMMEDIATE NEEDS OF THE COMMUNITY FOR FINANCE.

WE HAVE ADDED SUBSTANTIALLY TO OUR DIRECT OUTLAYS IN A WAY THAT WILL ENHANCE EMPLOYMENT PROSPECTS. PERSONAL INCOME TAX RATES HAVE BEEN SUBSTANTIALLY REDUCED TO ENCOURAGE CONSUMER SPENDING AND TO HELP OFFSET THE PRESSURE FOR WAGE DEMANDS. COMPANY TAX RATES HAVE ALSO BEEN REDUCED AND SPECIAL PROVISIONS RELATING TO DEPRECIATION ALLOWANCES HAVE BEEN INTRODUCED TO IMPROVE COMPANY PROFITABILITY. SPECIFIC MEASURES HAVE BEEN TAKEN TO ALLEVIATE THE IMMEDIATE PROBLEMS OF CERTAIN INDUSTRIES INCLUDING IMPORTANTLY THE MOTOR VEHICLE INDUSTRY.

THE ACCELERATION IN COSTS THAT IS EVIDENT IN THE COMMUNITY AT LARGE HAS, OF COURSE, ALSO CREATED LARGE PROBLEMS FOR THE STATES AND THEIR AUTHORITIES WHICH IMPINGE DIRECTLY

ON THE LEVELS OF EMPLOYMENT THEY CAN SUSTAIN. I THINK YOU WILL AGREE WITH THAT, AND ACCORDINGLY I THINK YOU WILL AGREE WITH ME WHEN I EMPHASISE THAT WE SHOULD APPROACH THE IMMEDIATE PROBLEMS, AS FAR AS IS PRACTICABLE, IN A WAY THAT WILL NOT EXACERBATE THE PROBLEM OF INFLATION. WE HAVE TAKEN THAT AS AN ESSENTIAL FACTOR IN OUR CONSIDERATION.

AS TO THE UNEMPLOYMENT PROBLEM, IT IS NOT SIMPLY A MATTER OF ALLOCATING MORE FUNDS FROM THE BUDGET OR SIMPLY TRYING TO SPEND MORE MONEY. THE SITUATION IS MUCH MORE COMPLEX THAN THAT. INCREASED EXPENDITURE MUST BE AIMED AS DIRECTLY AS POSSIBLE AT UNEMPLOYMENT. AT THE SAME TIME WE WILL NOT ACHIEVE OUR EMPLOYMENT OBJECTIVES IN THE LONGER TERM IF WE CANNOT CURB INFLATION.

ON 28 JANUARY I ANNOUNCED THAT THE GOVERNMENT HAS DECIDED TO ESTABLISH A SPECIAL COMMITTEE OF MINISTERS TO REVIEW CONTINUING GOVERNMENT EXPENDITURE PROGRAMS AND TO EXAMINE ALL FUTURE EXPENDITURE PROPOSALS WHICH COME BEFORE IT. I QUOTE NOW FROM THE STATEMENT OF 28 JANUARY:

"THE GOVERNMENT HAS DECIDED THAT THERE OUGHT TO BE A GENERAL PRESUMPTION AGAINST FURTHER INCREASES OF GOVERNMENT EXPENDITURE. ANY SUCH INCREASE MUST MEET THE CRITERIA ADOPTED BY CABINET" AND FURTHER:

"THE COMMITTEE WILL GIVE CAREFUL CONSIDERATION TO THE RELATIONSHIP BETWEEN EMPLOYMENT AND INFLATION. IT WILL ENSURE THAT GOVERNMENT EXPENDITURES ARE DIRECTED TO THE EMPLOYMENT OR RE-EMPLOYMENT OF PEOPLE WITHOUT AGGRAVATING INFLATIONARY FORCES.

PROPOSALS AIMED DIRECTLY AT PREVENTING SIGNIFICANT RETRENCHMENTS WOULD HAVE A HIGH PRIORITY AND BECAUSE MOST JOBS THREATENED ARE IN THE PRIVATE SECTOR, THIS APPLIED PARTICULARLY TO THAT SPHERE IN THE ECONOMY."

THE STATEMENT CONCLUDED AS FOLLOWS:

"SUPPORT FOR STATE AND LOCAL GOVERNMENT EXPENDITURE WILL BE EXAMINED WITH CARE TO ENSURE THE CAPACITY AND WILLINGNESS OF THE STATE OR LOCAL GOVERNMENT AUTHORITIES TO USE FUNDS PROVIDED BY THE AUSTRALIAN GOVERNMENT, WITHIN THE APPROPRIATE TIME SPAN."

THAT STATEMENT OF 28 JANUARY WAS NOT MADE LIGHTLY. IT WILL ESTABLISH THE POINT IF I TELL YOU THAT ON THE BASIS OF OUR LATEST ESTIMATES WE FACE A VERY HEAVY DEFICIT IN OUR BUDGET FOR 1974-75. IT WOULD CLEARLY BE A COMPLETELY WRONG ASSUMPTION FOR ANYONE TO MAKE, THAT THERE IS MUCH LEFT TO BE SQUEEZED OUT OF OUR BUDGET THIS YEAR - ANY "ONS", AS THEY SAY, WILL NEED TO BE MATCHED BY "OFFS" - THAT WILL BE PART OF THE ROLE OF THE NEW EXPENDITURE COMMITTEE. THE POINT IS THAT ANY ASSISTANCE WHICH MY GOVERNMENT PROVIDES TO THE STATES WILL HAVE TO BE ADDED TO OUR BUDGET DEFICIT. IN THESE CIRCUMSTANCES WE ARE ENTITLED TO HAVE THE CLEAREST JUSTIFICATION FOR ADDING TO OUR DEFICIT.

THE NEXT DAY, ON 29 JANUARY, I ASKED IN MY MESSAGE "...IF YOU COULD PROVIDE URGENTLY SUCH INFORMATION NOT ALREADY AVAILABLE TO US AS WOULD ASSIST IN AN ASSESSMENT OF YOUR STATE'S NEEDS FOR FINANCIAL ASSISTANCE INCLUDING ASSISTANCE FOR ROADS IN ACCORDANCE WITH THE CRITERION OUTLINED" EARLIER IN THE MESSAGE.

OUR ASSESSMENT OF WHAT ASSISTANCE SEEMS APPROPRIATE TO ENABLE YOUR GOVERNMENTS AND SEMI-GOVERNMENTAL AND LOCAL AUTHORITIES TO RETAIN OR RE-ENGAGE EMPLOYEES, HAS BEEN MADE - AS IT PROPERLY HAD TO BE MADE - ON THE BASIS OF THE INFORMATION YOU HAVE PROVIDED TO US IN YOUR LETTERS AND YOUR DISCUSSIONS WITH THE TREASURER. WE DO READ THE NEWSPAPERS, OF COURSE, AND THEY HAVE WRITTEN MUCH IN RECENT DAYS ABOUT WHAT THE STATES NEED OR SAY THEY NEED. BUT I THINK YOU WILL ALLOW THAT SUCH REPORTS AS THEY PURVEY COULD SCARCELY BE A BASIS FOR SERIOUS CONSIDERATION BY US ALONGSIDE THE INFORMATION YOU HAVE PROVIDED TO US DIRECTLY.

THE INFORMATION YOU HAVE ALREADY FURNISHED REGARDING THE PROBLEMS YOU FACE IN THE MAINTENANCE OR RESTORATION OF EMPLOYMENT MAKE IT CLEAR THAT ALL THE STATES' BUDGETS HAVE SUFFERED FROM THE EFFECT OF INCREASES IN WAGE AND SALARY RATES, AND OTHER COSTS. IN ALL STATES, THE SEMI-GOVERNMENT AUTHORITIES HAVE FACED THE SAME DIFFICULTIES ON THIS SCORE AS HAVE THE STATES THEMSELVES; CLEARLY THEIR COSTS HAVE RISEN MUCH MORE THAN THE 12 PER CENT INCREASE IN THEIR BORROWING PROGRAMS WHICH THE LOAN COUNCIL AGREED LAST JUNE. IN ALL STATES ALSO SPENDING ON ROADS HAS BEEN AFFECTED BY RAPIDLY RISING COSTS.

OUR PROPOSALS WHICH I SHALL PUT TO YOU ARE IN THEIR PARTICULAR FORM AND MAGNITUDE, A RESPONSE TO THESE PARTICULAR CIRCUMSTANCES. THEY DO NOT REPRESENT ON-GOING ARRANGEMENTS, THE PROPOSALS RELATE TO THE PRESENT - THEY ARE TAILORED TO THE PRESENT UNEMPLOYMENT DIFFICULTIES.

THE PREMIERS OF NEW SOUTH WALES, VICTORIA, QUEENSLAND AND WESTERN AUSTRALIA HAVE PROPOSED THAT \$300 MILLION BE ALLOCATED TO THE STATES FOR REDUCING CHARGES WHICH BEAR DIRECTLY ON THE COST-OF-LIVING. THIS PROPOSAL, WHICH IS REALLY A REPETITION OF ONE DISCUSSED LAST AUGUST, HAS BEEN CONVEYED TO ME IN A LETTER FORWARDED TO ME BY THE PREMIER OF VICTORIA. I DO NOT THINK PREMIERS WILL BE SURPRISED, PARTICULARLY IN THE LIGHT OF OUR EARLIER DISCUSSION, WHEN I SAY THAT THIS PROPOSAL IS NOT ONE THAT APPEALS TO US.

I RE-EMPHASISE THE POINT I MADE THAT WE ARE PREPARED TO PROVIDE ADDITIONAL FINANCIAL ASSISTANCE TO THE STATES WHICH WILL HELP WITH THE IMMEDIATE PROBLEM OF UNEMPLOYMENT; AND WE ARE PREPARED TO ADD TO OUR ALREADY LARGE DEFICIT FOR THIS FINANCIAL YEAR TO THAT END. WE DO NOT SEE IN THE PROPOSED ALLOCATION OF \$300 MILLION FOR REDUCTION OF CHARGES, A POTENTIAL CONTRIBUTION TO THE SHORT-TERM UNEMPLOYMENT PROBLEM WHICH WOULD JUSTIFY SUCH AN ADDITION TO OUR DEFICIT.

AGAINST THAT BACKGROUND AND SUBJECT TO MY GOVERNMENT'S CONSIDERATION OF THE ADDITIONAL INFORMATION REQUESTED IN MY MESSAGE OF 12 FEBRUARY, THE AUSTRALIAN GOVERNMENT IS PREPARED TO PROVIDE SUBSTANTIAL AMOUNTS OF

ADDITIONAL FUNDS TO THE STATES IN 1974-75 FOR EMPLOYMENT PURPOSES. A DOCUMENT DETAILING OUR PROPOSALS WILL BE CIRCULATED. VERY BRIEFLY, THE AUSTRALIAN GOVERNMENT IS PREPARED TO SUPPORT THE PROVISION OF ADDITIONAL FUNDS FOR THE STATES AND THEIR AUTHORITIES IN 1974-75 TALLING \$210 MILLION. THIS IS MADE UP AS FOLLOWS:-

- ADDITIONAL GENERAL REVENUE GRANTS OF \$60 MILLION;
- ADDITIONAL STATE GOVERNMENT LOAN COUNCIL PROGRAMS OF \$60 MILLION;
- ADDITIONAL BORROWING ALLOCATIONS FOR LARGER STATE AUTHORITIES OF \$40 MILLION;
- ADDITIONAL EMPLOYMENT GRANTS OF
  - \$30 MILLION FOR ROADS
  - \$20 MILLION FOR GENERAL EMPLOYMENT PURPOSES.

THE PRECISE BASES ON WHICH THE ASSISTANCE WILL BE MADE AVAILABLE ARE SET OUT IN THE DOCUMENT TO BE CIRCULATED.

THERE IS ONE OTHER STATISTIC I MIGHT MENTION HERE. TAKING INTO ACCOUNT THE ADDITIONAL FUNDS TO WHICH I HAVE REFERRED, AGGREGATE AUSTRALIAN GOVERNMENT PAYMENTS TO THE STATES IN 1974-75 ARE NOW ESTIMATED AT ABOUT \$6,420 MILLION - AN INCREASE OF NO LESS THAN 47 PER CENT OVER LAST YEAR. I SHOULD POINT OUT THAT THIS TOTAL INCLUDES A FURTHER ADJUSTMENT OF \$23 MILLION TO THE FINANCIAL ASSISTANCE GRANTS, ARISING FROM REVISED ASSUMPTIONS FOR POPULATION AND AVERAGE WAGES.

I CAN ASSURE YOU, HOWEVER, THAT IN IT WE HAVE ENDEAVOURED AS EFFECTIVELY AS POSSIBLE TO MEET THE VARIOUS NEEDS AND OBJECTIVES WITH THE MOST APPROPRIATE AMOUNTS AND FORMS OF ASSISTANCE, TAKING FULLY INTO ACCOUNT THE COMPREHENSIVE



DATA YOU HAVE SUPPLIED. WE HAVE ALSO KEPT IN MIND OUR OVER-RIDING OBJECTIVE OF COMBATING EXCESSIVE INFLATION AND EXCESSIVE UNEMPLOYMENT.

REPORT OF THE WORKING PARTIES ON INFLATION

I TURN NOW TO THE SECOND ITEM ON OUR AGENDA - THE REPORTS OF THE WORKING PARTIES OF AUSTRALIAN AND STATE GOVERNMENT OFFICIALS ON POSSIBLE JOINT ACTION TO RESTRAIN INFLATIONARY PRESSURES. THIS SECOND AGENDA ITEM BRINGS US TO THE OTHER MAJOR PROBLEM AREA FACING AUSTRALIA TODAY, THAT IS INFLATION - A PROBLEM WHICH MAY IN THE LONG TERM BE MORE PERMANENTLY DAMAGING TO OUR WAY OF LIFE THAN THE UNEMPLOYMENT LEVELS WHICH ARE TROUBLING US SO MUCH TO-DAY.

TO SUCCESSFULLY TACKLE INFLATION WE NEED A NATIONAL ALL-AUSTRALIAN EFFORT BASED ON THE CO-OPERATION OF ALL THE PARTIES IN OUR FEDERAL UNION.

AT OUR CONFERENCE, HERE, ON 13 AUGUST LAST YEAR, ALMOST EXACTLY SIX MONTHS AGO, AS PART OF OUR OVERALL STRATEGY TO THIS END, WE ESTABLISHED FIVE WORKING PARTIES OF AUSTRALIAN AND STATE GOVERNMENT OFFICIALS TO EXAMINE AREAS WHERE JOINT ACTION BY ALL OUR GOVERNMENTS MIGHT BE TAKEN TO RESTRAIN INFLATIONARY PRESSURES.

THE WORKING PARTIES EXAMINED AREAS OF:

- . STATE LEGISLATION TO SUPPORT THE JURISDICTION OF THE PRICES JUSTIFICATION TRIBUNAL.
- . TENDERING PROCEDURES FOR GOVERNMENT CONTRACTS.
- . THE POSSIBILITY OF INTRODUCING TAXATION PENALTIES ON EXCESSIVE WAGE INCREASES.

- . JOINT ACTION BEFORE WAGE FIXING TRIBUNALS TO LIMIT WAGE INCREASES.
- . MEASURES TO REDUCE THE MULTIPLICITY OF WAGE FIXING TRIBUNALS.

IN THE MAIN, THESE REPORTS WHICH WERE DISTRIBUTED TO YOU BY 18 SEPTEMBER, REFLECT IN VARYING DEGREES AGREEMENT BETWEEN OUR OFFICERS ON WAYS AND MEANS OF ACHIEVING CONCERTED ACTION ON IMPORTANT NATIONAL PROBLEMS. THEY ARE, THEREFORE, WORTHY OF OUR SERIOUS CONSIDERATION AS A POSSIBLE BASIS FOR CO-OPERATION BETWEEN US IN THE FIELDS CONCERNED.

I HAVE RECEIVED COMMENTS FROM MOST OF YOU (YOUR RESPONSES ARE SUMMARISED IN A TABLE I AM CIRCULATING). IN SOME CASES, YOU HAVE HAD LITTLE COMMENT TO MAKE ON THESE REPORTS OR HAVE INDICATED THAT YOU WISHED TO DISCUSS THE FINDINGS OF THESE COMMITTEES AT A PREMIERS' CONFERENCE. I VERY MUCH APPRECIATE THE DETAILED CONSIDERATION THAT MANY OF YOU HAVE GIVEN TO THE REPORTS.

ON THE BASIS OF YOUR VIEWS, I AM HOPEFUL THAT WE WILL BE ABLE TO REACH AGREEMENT TODAY ON THE MORE IMPORTANT CONCLUSIONS REACHED IN SOME OF THESE REPORTS.

ADDITIONALLY, ON 21 AUGUST THE PREMIER OF VICTORIA WROTE TO ME SUGGESTING, INTER ALIA, THAT A WORKING PARTY SHOULD BE ESTABLISHED TO EXAMINE THE PRACTICABILITY OF LEGISLATION BY THE STATES TO EXTEND THE SCOPE OF THE LEGISLATION OF THE AUSTRALIAN PARLIAMENT FOR THE CONTROL OF RESTRICTIVE TRADE PRACTICES. I SUPPORTED THIS SUGGESTION AND IN TURN SUGGESTED TO ALL OF YOU ON 16 SEPTEMBER 1974 THAT WE SHOULD ESTABLISH SUCH A WORKING PARTY. THE PREMIERS OF SOUTH AUSTRALIA, WESTERN AUSTRALIA AND TASMANIA HAVE ALREADY AGREED TO THIS PROPOSAL AND

THE OTHER PREMIERS HAVE THIS MATTER STILL UNDER CONSIDERATION. SOME WORK ARISING OUT OF THE PREMIERS' CONFERENCE OF 10 MAY 1973 HAS ALREADY BEEN DONE IN THIS REGARD AND SUBJECT TO YOUR AGREEMENT I PROPOSE THAT WE NOW ESTABLISH A WORKING PARTY TO EXAMINE THIS QUESTION.

I REFER FIRST TO THE REPORT ON THE QUESTION OF STATE LEGISLATION TO SUPPORT THE JURISDICTION OF THE PRICES JUSTIFICATION TRIBUNAL. SINCE THIS REPORT WAS COMPLETED, THERE HAD, OF COURSE, BEEN A MARKED, AND LARGELY UNANTICIPATED, CHANGE IN ECONOMIC CONDITIONS - AS IS ILLUSTRATED IN THE CHARTS I HAVE CIRCULATED. UNEMPLOYMENT HAS JUMPED TO A HIGH LEVEL MAINLY AS A RESULT OF A SEVERE SQUEEZE ON PROFITS. THIS IN TURN HAS ARISEN FROM THE RELATIVE SUCCESS OF THE MEASURES WE HAVE TAKEN TO RESTRAIN THE GROWTH IN PRICES, IN THE FACE OF A CONTINUED ACCELERATION IN WAGES.

AS YOU WILL BE AWARE, LAST NOVEMBER I MADE A SUBMISSION IN WRITING TO THE CHAIRMAN OF THE PRICES JUSTIFICATION TRIBUNAL TO INDICATE THE AUSTRALIAN GOVERNMENT'S VIEW THAT, IN PRESENT ECONOMIC CIRCUMSTANCES, THE TRIBUNAL SHOULD GIVE PARTICULAR ATTENTION TO THE PROBLEMS OF SUSTAINING AND STIMULATING AN ADEQUATE LEVEL OF PRIVATE INVESTMENT. I BELIEVE THAT THE TRIBUNAL HAS BEEN DOING THIS AND, INDEED, THAT IT HAD ALREADY TAKEN SOME STEPS IN THIS DIRECTION PRIOR TO MY SUBMISSION.

I CONSIDER THAT THE ADOPTION AT THIS STAGE OF PROPOSALS TO STRENGTHEN THE TRIBUNAL'S ROLE COULD EASILY BE MISUNDERSTOOD AND COUNTERPRODUCTIVE FOR OUR PRIME AIM OF RESTORING FULL EMPLOYMENT. RATHER THAN PROCEEDING WITH THEM NOW, I SUGGEST WE LEAVE THEM FOR FUTURE CONSIDERATION IF CIRCUMSTANCES SHOULD SO

WARRANT.

I WISH, HOWEVER, TO TAKE THIS OPPORTUNITY TO RAISE AGAIN WITH YOU THE SUBJECT OF LAND PRICES, WHICH IS OF GREAT CONCERN TO MY GOVERNMENT. AS EARLY AS 27 DECEMBER 1972 I WROTE TO ALL STATE PREMIERS SEEKING THEIR CO-OPERATION ON THIS IMPORTANT ISSUE, WHICH IS AN AREA IN WHICH THE STATES HAVE THE PREDOMINANT POWERS. YOU WILL RECALL THAT I RAISED IT AGAIN AT THE FIRST PREMIERS' CONFERENCE I CHAIRED ON 10 MAY 1973 AND SOUGHT THE CO-OPERATION OF ALL STATES TOWARDS THE ESTABLISHMENT OF STATE LAND COMMISSIONS TO PARTICIPATE ACTIVELY IN THE LAND MARKET AND TO INCREASE THE FLOW OF RESIDENTIAL LAND AT REASONABLE PRICES. I CONTINUE TO BE CONCERNED THAT ALL POSSIBLE ACTION SHOULD BE TAKEN BY THE STATES TO INCREASE THE SUPPLY OF LAND AND LIMIT THE RATE OF INCREASE IN RESIDENTIAL LAND PRICES.

THE WORKING PARTY WHICH EXAMINED TENDERING PROCEDURES FOR GOVERNMENT CONTRACTS NOMINATED SEVERAL AREAS WHERE EFFECTIVE ACTION COULD REDUCE THE LEVEL OR RATE OF INCREASE IN BUILDING AND CONSTRUCTION COSTS FOR GOVERNMENT WORKS. MY GOVERNMENT STRONGLY SUPPORTS THE WORKING PARTY RECOMMENDATION THAT INCREASED CO-ORDINATION AND CO-OPERATION AT THE GOVERNMENTAL, DEPARTMENT AND INDUSTRY/TRADE UNION LEVEL CAN ACHIEVE INTER ALIA:

- . AN AVOIDANCE OF INDUSTRY RESOURCE UTILIZATION EXTREMES AND THE STIMULATION AND RATIONALISATION OF COMPETITION IN THE FIELD BY REGULATING THE VOLUME AND TYPE OF CONSTRUCTION WORK.

- . THIS, I SUGGEST HAS PARTICULAR IMPACT WHEN CONSIDERED ON A REGIONAL BASIS.
- . A REDUCTION IN INFLATIONARY EXPECTATION ELEMENTS OF CONTRACT TENDERS FOR GOVERNMENT WORKS.
- . REDUCED OVERHEAD AND HOLDING CHARGES FOR GOVERNMENT CONTRACTORS.

I SUGGEST THAT WE NOW ASK THE WORKING PARTY TO FRAME PRACTICAL PROPOSALS WITH A VIEW TO AN EARLY MEETING OF RELEVANT MINISTERS.

WITH REGARD TO THE WORKING PARTY ON TAX PENALTIES ON COMPANIES THAT GRANT EXCESSIVE WAGE INCREASES I SOUGHT YOUR COMMENTS ON THE REPORT PREPARED BY OUR OFFICIALS IN SEPTEMBER 1974. NOT ALL THE PREMIERS HAVE PROVIDED COMMENTS. THOSE WHO HAVE, HAVE EXPRESSED DIFFERING VIEWS. SOME OF YOU HAVE RECOGNISED THE ADMINISTRATIVE DIFFICULTIES AND ANOMALIES BOUND UP IN ANY SCHEME OF TAX PENALTIES.

THE AUSTRALIAN GOVERNMENT HAS ITSELF HAD THIS COMPLEX ISSUE EXAMINED BY A COMMITTEE UNDER THE CHAIRMANSHIP OF DR COOMBS.

THE COMMITTEE'S REPORT, WHICH I MADE PUBLIC ON 21 OCTOBER 1974, UNANIMOUSLY EXPRESSED THE VIEW THAT A PENAL TAX OF THE KIND ENVISAGED COULD BE ADMINISTERED AT CONSIDERABLE COST, BUT ONLY IF THE SCHEME WERE CONFINED TO A FEW THOUSAND LARGE FIRMS. THE COMMITTEE WENT ON TO SAY THAT EVEN THEN THE SCHEME WOULD INEVITABLY CREATE SERIOUS ANOMALIES AND INEQUITIES AND WOULD CREATE DIFFICULTIES IN RELATIONS BETWEEN BUSINESS AND THE TAX AUTHORITIES AND ALSO BETWEEN EMPLOYERS AND EMPLOYEES AND THAT IT COULD LEAD TO SOME BUSINESS FAILURES.

THE GOVERNMENT'S VIEW IS THAT THE INTRODUCTION OF A PENALTY TAX SCHEME WOULD BE INAPPROPRIATE IN PRESENT CIRCUMSTANCES WHEN ECONOMIC ACTIVITY IS AT A LOW LEVEL. THE AUSTRALIAN GOVERNMENT DOES NOT WISH TO TAKE ANY ACTION WHICH WOULD DISCOURAGE THE EXPANSION OF EMPLOYMENT OPPORTUNITIES.

THERE WERE ALSO TWO WORKING PARTIES ON WAGES MATTERS. ONE WAS ON ACTION TO LIMIT INFLATIONARY WAGE INCREASES; SOME OF YOU HAVE ALREADY COMMENTED ON ITS REPORT. THE OTHER, ON PRACTICAL STEPS TO REDUCE THE MULTIPLICITY OF WAGE FIXING TRIBUNALS, IS STILL AT WORK, ALTHOUGH A SECOND INTERIM REPORT HAS NOW BEEN PRODUCED. I SUGGEST THAT OUR LABOR MINISTERS MEET TO CONSIDER THE REPORT AND I CONSIDER THAT WE SHOULD TAKE THIS OPPORTUNITY TO AGREE TO URGE THEM TO EXPEDITE THEIR WORK IN THIS FIELD.

AS I SAID EARLIER, THE PRESENT SEVERE SQUEEZE ON PROFITS AND THE RESULTANT UNEMPLOYMENT HAS ARISEN PARTLY FROM THE RELATIVE SUCCESS OF THE MEASURES WE HAVE TAKEN TO RESTRAIN THE GROWTH IN PRICES, IN THE FACE OF A CONTINUED ACCELERATION IN WAGES.

IN MAKING THAT STATEMENT - WHICH I BELIEVE HAS WIDESPREAD ACCEPTANCE - I DO NOT SEEK TO APPORTION BLAME. THE PRESENT SITUATION HAS ARISEN OUT OF OUR EXISTING INSTITUTIONAL ARRANGEMENTS AND THE BREAKDOWN OF ESTABLISHED METHODS OF WAGE FIXATION. IT HAS OCCURRED WILLY NILLY OF THE GOOD INTENTIONS OF THOSE - ARBITRATORS AND EMPLOYERS, AS WELL AS UNIONS AND INDIVIDUAL WAGE EARNERS - WHO HAVE BEEN DIRECTLY INVOLVED. THE PROBLEM HAS BEEN TOO LARGE FOR INDIVIDUALS TO DEAL WITH. OUR ROLE, AS GOVERNMENTS, IS TO DO WHAT WE CAN TO RESTORE A FRAMEWORK IN WHICH ORDER CAN BE RE-ESTABLISHED IN THE WAGES AREA.

IN ACCORDANCE WITH ITS TERMS OF REFERENCE, THE WORKING PARTY WE ESTABLISHED ON ACTION TO LIMIT INFLATIONARY WAGE INCREASES

TOOK THE INTRODUCTION OF WAGE INDEXATION AS ITS STARTING POINT. WHETHER OR NOT WAGE INDEXATION WILL BE INTRODUCED IS OF COURSE A MATTER WHICH IS BEING FULLY DEBATED IN THE PROPER ARENA BEFORE THE ARBITRATION COMMISSION BY ALL THE INTERESTED PARTIES, AND THE COMMISSION WILL IN DUE COURSE ANNOUNCE ITS DECISION.

NEVERTHELESS, WHATEVER THE NATURE OF THE COMMISSION'S DECISION, WE MUST ALL RECOGNISE THAT WE WILL STILL BE CONFRONTED WITH A SERIOUS SITUATION ON THE WAGES FRONT. IF THE COMMISSION DECIDES TO INTRODUCE AUTOMATIC INDEXATION OR ADOPTS SOME INTERMEDIATE COURSE, UNDER WHICH ADJUSTMENTS FOR PRICES WOULD BE REGULAR BUT NOT NECESSARILY AUTOMATIC, THEN OUR PRIME CONCERN MUST BE TO ENSURE THAT THIS DOES NOT JUST BECOME AN ADDITIONAL TIER TO WAGE FIXATION. WE CANNOT AFFORD A FURTHER NEW ROUND OF WAGE INCREASES ON TOP OF WAGE INDEXATION. ON THE OTHER HAND, IF THE COMMISSION DECIDES TO MAKE NO CHANGE TO THE EXISTING SYSTEM OF WAGE FIXATION, OUR CONCERN WILL BE TO ENSURE THAT THE EXPERIENCE OF 1974 IS NOT REPEATED AND THAT WAGE INCREASES ARE KEPT WITHIN BOUNDS THAT WILL NOT FURTHER EXACERBATE UNEMPLOYMENT AND INFLATION.

#### REVIEW OF GENERAL REVENUE GRANTS

BEFORE CONCLUDING, THERE ARE SOME POINTS I SHOULD MAKE ABOUT THE REVIEW OF GENERAL REVENUE ASSISTANCE ARRANGEMENTS TO WHICH WE ARE COMMITTED BEFORE THE END OF THIS FINANCIAL YEAR.

PREMIERS WILL RECALL THAT I WROTE TO THEM ON 20 NOVEMBER LAST INVITING THEIR VIEWS. WE HAVE NOT YET HAD ANY SUBSTANTIVE

SUBMISSIONS AND WE LOOK FORWARD TO SEEING THESE AS SOON AS POSSIBLE SO THAT WE HAVE TIME TO CONSIDER THEM IN DEPTH.

IN FACT, I WANT TO MAKE IT CLEAR TO PREMIERS THAT WE ARE REGARDING THIS REVIEW, AT THE AUSTRALIAN GOVERNMENT END, AS A MATTER OF IMPORTANCE; THAT WE WANT TO CANVASS ALL OPTIONS OPEN TO US, AND THAT WE ARE AIMING TO CONDUCT THE REVIEW IN A FULLY CO-OPERATIVE FASHION WITH THE STATES AND IN THE HOPE THAT THE REVIEW WILL RESULT IN AN IMPROVEMENT IN RELATIONSHIPS FROM ALL POINTS OF VIEW.

YOU WILL PROBABLY HAVE READ OF THE RECENT ESTABLISHMENT OF A SMALL MINISTERIAL COMMITTEE TO WORK ON THIS. I EXPECT THAT COMMITTEE WILL BE MEETING FREQUENTLY OVER THE NEXT FEW WEEKS. WHAT WE WOULD THEN LIKE TO SEE HAPPEN IS A PROCESS OF FULL AND FRANK DISCUSSIONS BETWEEN OUR TREASURY OFFICIALS. SPEAKING FOR THE AUSTRALIAN GOVERNMENT, I CAN SAY THAT WE WOULD WANT ALL THE OPTIONS TO BE DISCUSSED BETWEEN THE OFFICIALS WITHOUT COMMITMENT, AND WE WOULD AUTHORISE OUR OFFICIALS TO ENGAGE IN SUCH DISCUSSIONS AGAINST THE BACKGROUND OF GUIDANCE WHICH WE WOULD BE GIVING THEM. OUR AIM WOULD BE THAT OUR OFFICIALS BEGIN SUCH DISCUSSIONS EARLY IN APRIL. IF THE STATES ARE PREPARED TO CO-OPERATE IN THIS NEW APPROACH, I WOULD HOPE THE RESULT WOULD BE THAT WHEN WE MEET TOGETHER TO REVIEW THE GENERAL REVENUE ASSISTANCE ARRANGEMENTS LATER IN THE FINANCIAL YEAR WE WILL DO SO ON THE BASIS OF MUCH GREATER KNOWLEDGE, ON BOTH SIDES, OF THE OPTIONS AVAILABLE AND OF ATTITUDES TO THOSE OPTIONS. OUR DISCUSSIONS WOULD THEREFORE BE (AS THEY OUGHT TO BE FOR SUCH AN IMPORTANT MATTER) ON A MUCH MORE PREPARED AND RESEARCHED BASIS THAN HAS GENERALLY BEEN THE CASE IN THE PAST.

YOU MAY HAVE NOTICED ALSO THAT IN ANNOUNCING THE



ESTABLISHMENT OF THE MINISTERIAL COMMITTEE I MADE SPECIAL REFERENCE TO OUR POLICIES TOWARDS REGIONS, LOCAL AUTHORITIES AND COMMUNITY PARTICIPATION. I WOULD EXPECT THAT AS A RESULT OF THE WORK OF THIS COMMITTEE THERE WOULD BE DISCUSSIONS WITH THE STATES AT THE OFFICIAL LEVEL.

THE GENERAL MATTER OF FINANCIAL ARRANGEMENTS BETWEEN THE AUSTRALIAN GOVERNMENT AND STATE GOVERNMENTS WILL BE DISCUSSED WITHIN THE CONTEXT OF THE REVIEW OF GENERAL REVENUE ASSISTANCE. THE PURPOSE OF TODAY'S MEETING IS MORE SPECIFIC. AS YOU WILL ALL BE AWARE, THE GOVERNMENT HAS TAKEN A NUMBER OF SPECIAL MEASURES TO RESTORE FULL EMPLOYMENT. FOR EXAMPLE, THE GOVERNMENT MADE A SERIES OF DECISIONS TO PREVENT RETRENCHMENTS IN THE MOTOR INDUSTRY. SIMILARLY, TODAY WE ARE SEEKING TO ENSURE THAT STATE GOVERNMENTS AND THEIR INSTRUMENTALITIES ARE ABLE TO MAKE THEIR CONTRIBUTION TO THE RESTORATION OF FULL EMPLOYMENT BY RE-ENGAGEMENT, BY THE PREVENTION OF FURTHER RETRENCHMENT AND TO SOME EXTENT, BY THE CREATION OF ADDITIONAL EMPLOYMENT OPPORTUNITIES. I TRUST THEREFORE THAT BOTH DURING AND AFTER THE MEETING, THE SPIRIT OF OUR DISCUSSIONS AND STATEMENTS WILL REFLECT A GREATER CO-OPERATIVE SPIRIT THAN HAS BEEN TRUE OF MANY OTHER PREMIERS' CONFERENCES.

OUR OFFER OF FINANCIAL ASSISTANCE IS, I ASSURE YOU, CAREFULLY AND OBJECTIVELY TAILORED TAKING FULL ACCOUNT OF YOUR SUBMISSIONS AND GIVING DUE WEIGHT TO THE TOTAL ECONOMIC AND SOCIAL CONTEXT. IT IS OFFERED IN A SPIRIT OF CO-OPERATION AND UNDERSTANDING. I HOPE YOU WILL READILY ACCEPT THAT, ALONG WITH THE SPECIFIC PROPOSALS I HAVE PUT TO YOU.

IF, AS I TRUST, WE CAN REACH AGREEMENT QUICKLY AT THIS STAGE, I PROPOSE THAT WE ADJOURN THE PREMIERS' CONFERENCE SO THAT A BRIEF FORMAL MEETING OF THE LOAN COUNCIL MAY BE CONVENED TO DEAL WITH OUR DECISIONS HAVING LOAN COUNCIL IMPLICATIONS.