



PRIME MINISTER

FOR PRESS

17 May 1976

Address to the Nation

There are some important matters that I want to discuss with you tonight.

I think we all know that when we came of office late last year, there were some major problems in front of Australia - problems of rising costs, rising prices and a very great level of inflation running much higher than that in our major trading partners. This had led to a high and unacceptable level of unemployment. Much of this had been caused by Government spending that was much too great and put real pressure, unreasonable pressure, on the economy.

My Government was, and is, pledged to overcome these problems. After the election last year, we immediately began a review of Government activity. As a result of that we were able to achieve savings in the last part of this financial year that would run at an annual rate of \$1,000 million. And one of the things we have got to understand is that when politicians promise things, they are not promising anything of their own because they have nothing of their own to give. They are promising something of yours and the more politicians promise, the less there is for you to meet your own needs or your family's needs, and the less there is for industry, for investment and to create the jobs that are needed to improve the real wealth of Australia and to provide the opportunities that are wanted right around the country.

We need to understand that there cannot be a real increase in your income, your standard of living, in Australia's standard of living, unless there is a real increase in production throughout Australia. In recent times Australia's total production has in fact been falling.

Over the past year or two the view had begun to develop that we could have it all without really having to pay for it. Now people are coming to understand that that is not so; that there is a cost and the cost has been in terms of inflation that has often hit the weaker sections of the community much harder than others. It has hit those who are unable to defend themselves. It has resulted in unemployment. This has hit the unskilled and migrants who have recently come to our shore, more than other sections of the Australian community.

There has been a great cost - a cost in terms of human hardship - and this now is understood.

Despite the savings that we were able to achieve running at the rate of \$1,000 million a year, when we looked at the forward estimates for next financial year, we found there was another prospective deficit approaching \$5,000 million. That is nearly \$1,000 for every taxpayer. This was not basically as a result of any programmes of ours but as a result of the continuation of programmes of the previous administration. Quite plainly, it was an unacceptable situation, so as a result, with the Treasurer, I commissioned an exhaustive examination of all programmes of the Government. This has involved senior public servants, senior Ministers, the Cabinet and the full Ministry, over recent days and weeks. As a result of all this work we have been able to make decisions that will involve much more substantial savings in the next financial year than anything that was achieved in the last six months of this financial year.

Many of the decisions that we have had to make have been hard ones. They have been difficult ones. Programmes will be reduced. That is not always pleasant because there is often an intrinsic worth in a particular programme. But the plain fact is that the programmes in which the Commonwealth Government had been involved were beyond the capacity of Australia's taxpayers to afford at the present time. We have to learn to live within our means. We know we have got to do this as individuals. We have to learn to do it as a nation.

This does not mean to say that we have not been able to protect the weak and the poorer sections of the community. It does not mean that we are not able to protect pensions because we have and we will. In the measures we are undertaking special concern is being shown to disadvantaged in the Australian community and in other important areas where opportunity needs to be provided by Australians we will be able to manage some real growth and expenditures. Education is such an area.

Another important element of the decisions we have taken in recent times concerns the nature of programmes and benefits and the way they ought to be financed.

Medibank is such a programme. There has been a Medibank Review Committee looking at every aspect of this scheme. Now it is not a question of whether Medibank will be retained or not because it certainly will - we are committed to that. The question before us is how should Medibank be paid for? High quality health care for all Australians is plainly very expensive. It is our belief that it should be paid for to a significant degree separately, and in a way that can be seen. This is important because of its great expense and because it is a universal scheme that covers everyone. But in paying for Medibank we will make sure that the poorest people in the community do not have to make any additional payment. Those further up the income scale will still have very heavily subsidised cover under Medibank. Those who are better off still will be paying much more nearly the full cost of what Medibank provides.

We are also seeking to introduce an element of choice for as many people as possible and the details of this will be announced on Thursday by the Treasurer and by the Minister concerned. I want to emphasise very plainly that the essential elements of Medibank are being retained. The cover is universal and no means test is involved.

As a result of the changes we will be announcing, as a result of the very substantial savings in expenditures, we are able to introduce other important reforms. We are able to do this in a way which is completely compatible with a responsible budget in August because that has been quite constantly in our minds.

The first of the reforms I would like to mention is tax indexation. We are involved in this for two reasons. Through the process of inflation, people have been pushed into higher and higher tax paying brackets. This has generated further pressure for more wages. So it has been a merry go round. It has been part of the inflationary process, the way the tax system has interacted with wages over recent times. With tax indexation this will cease. It will give us an opportunity to relieve the pressure on wages. Secondly, tax indexation will keep Governments honest, because it means that if they want more of your income - if we want more of your income - we will have to legislate quite specifically for it. Under those circumstances we will have to argue the case and say what programmes we want to finance, and you will be able to make a judgement between that and the way you would have used the money had it been left in your hands. So there are two strong and powerful reasons for our decisions relating to tax indexation. I believe that these particular matters will be very much welcomed by the total Australian community. I would also like to add that the decisions that will be announced by the Treasurer on Thursday relating to tax indexation will be much more substantial I believe, than any observers had in fact predicted.

The second major reform concerns a revised system of family allowances and support for families.

There are about 300,000 families in the Australian community which pay little or no tax. Over 800,000 children are involved with these families. They are amongst the poor and the very poor in the Australian community. Australia does not do enough for families in these categories at the present time. Therefore we are going to revise the means of support for families and we are going to make substantial changes in this area. I would like to emphasise that the changes we will be making will not involve any means test. It will involve direct help to the families concerned.

The approaches we are adopting to tax indexation and to revise the system of family allowances will make it possible for us to achieve a much better approach to wages - a vital and vexed question that affects us all.

We now all understand that if wages go up too much, that does add to inflation, and leads to unemployment. Surely this is a hard and harsh lesson that we have learnt over the last two or three years.

Indexation and family allowances taken together, with other policies of the Government give us as a nation, an unparalleled opportunity to overcome inflation, to ease inflationary pressures and to ease the extravagant demands for more and more wages. I believe it achieves this because these two proposals protect the real incomes of people and at the same time do much to help the poor in the Australian community!

As a result of these two policy measures I have asked the Minister for Employment and Industrial Relations, Mr Street, to hold discussions with the Australian Council of Trade Unions and leading employer organisations. The purpose of those discussions will be to see if the Australian Council of Trade Unions would be prepared in the light of our policy announcements to modify its attitude towards wages policy. But whatever the outcome of that, we will be pressing forward because we believe these changes give Australia the chance to break inflation. They certainly give us an opportunity to support the Arbitration Commission in the high responsibilities placed upon it.

We also believe that the decisions that will be outlined in detail this week will give great confidence to all Australians. Confidence to consumers - they will be able to plan ahead, plan their future - and know that Governments won't make irrational, unreasoned decisions that will upset their own individuals plans. Confidence amongst investors - and I firmly believe, the Government believes - that those who make investment decisions now, will be the ones to reap the reward that will come from a revitalised and expanding Australia. This is certainly necessary to create the jobs and opportunities that Australians want.

The measures that are being announced and which I have outlined make it plain that the Government acts for all Australians - no matter where they live, who they are and what they do. My Government is a Government for all Australia.

The Government accepts the great responsibility which it must bear in overcoming the problems that now confront us as a nation.

But in addition, I want to say there is a responsibility on all of us for what happens to Australia. There is a responsibility on employers to exercise restraint. There is a responsibility on employees to exercise restraint. There is a responsibility on both to act with good will towards each other. The Government as I have indicated, acts for all Australians and the measures that are being introduced demonstrate that. Now let each person, each group, organisation, company and union resolve to work together for each other and for Australia.

Let us all now resolve to make Australia an example of what a free people can achieve.