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FOR MEDIA

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ADDRESS TO FEDERAL COUNCIL - PERTH

Australia is moving ahead again. Recovery is underway. \$9.5 billion of investment projects are ready to go, or are in their final feasibility stages around Australia.

Private investment grew by 24 percent in 1978. Investment in mining grew by 56 percent and the mining industry expects an increase of 32 percent in 1979.

There is a major surge in investment in aluminium projects: in New South Wales the \$500 million Alumax aluminium smelter, in Victoria the \$350 million Alcoa smelter, here in Western Australia the \$200 million Alcoa aluminium refinery at Wagerup; and in Queensland the \$540 million Comalco aluminium smelter at Galdstone. As well, Alcan has announced that it will expand its smelter at Kurri Kurri. All this is the best part of a \$2,000 million investment expansion in this single area. We have the power, the bauxite, the political stability and the economic policies that adds up to an immense aluminium industry for Australia.

Oil exploration is taking off. Between 83 and 143 exploration wells will be drilled this year. Even the lower end of this scale would be the best result for seven years. The North West Shelf project is being proved up by a \$50 million feasibility study. This has the potential to be Australia's greatest single resource development. Exploration is going ahead in the Exmouth Plateau, one of the most intensive deep water undertakings anywhere in the world, in an area often regarded as offering our best chance of a further major oil discovery.

Resource projects are only part of the story. Last year inflation came down to less than 8 percent, the lowest annual figure since 1972. Our renewed competitiveness is the catalyst for a revival of manufacturing investment. In 1978 manufacturing investment increased by 21 percent. Since the beginning of this year ICI has announced a \$500 million petrochemical plant in Victoria. GMH will go ahead with a \$210 million engine complex in Victoria.

It is not just the big companies. Small and medium-sized firms are playing their part in the new investment projects in Australia. One Western Australian company has orders to sell fishing trawlers to Burma, against competition from Korea, Singapore and Taiwan. Who says Australian workmen cannot do it? The firm has written to me in plain terms saying that it has been able to get these sales because of our reduced rate of inflation, our stable work force, and the Government's substantial export initiatives and export incentives.

Exports are up dramatically. In the three months to the end of March, our exports, seasonally adjusted, rose by 9 percent. Rural industries are having their best season for many years. The value of the 1978-79 wheat crop will be more than double that for 1977-78.

The wool industry is doing much better. Beef, of course, is having an excellent year with rising exports to our major markets. Australian industry is busier than it has been for a long while, and it is starting to employ more people. Civilian wage and salary earner employment, seasonally adjusted, has risen for each of the last seven months, for the first time for five years. Real economic growth in 1978-79 should comfortably exceed the Budget forecast of "something over four percent". An enormous amount has been achieved. Businesses are selling more at home and abroad. Profits have shown real improvement and more job opportunities are opening up for Australians. Economic recovery is with us.

Confidence is much stronger than it has been for a very long time. This revival is not due to luck, not caused by accident. This recovery has come because we have taken the necessary decisions. This recovery has come because we have worked to get the economic basics right. This recovery has come because we reined in Government expenditures, reduced the deficit and curtailed the growth in the Public Service. Commonwealth Public Servants subject to staff ceilings are now 56,000 less than they would have been had Labor's bureaucratic splurge continued. This recovery has come because our lower taxes give incentive to all Australians. This recovery has come because incentives for our industries, such as the investment allowance and export incentives, have opened opportunities for Australian firms. This recovery has come because the Government's trade offensive over the last three years has given us better access to the U.S., Japan and other markets. I believe these results will be secured and safeguarded when the results of the Multilateral Trade Negotiations are finally unfolded.

We all know none of this could have happened under Labor. Labor stopped Australia dead in its tracks. Our policies have gone a long way towards repairing Labor's damage and recovery is with us. That does not mean to say that the Government can relax. By its very nature, Government will be always faced with problems. It is the way in which Governments respond to those problems that distinguish good government.

With the recovery moving forward some of the problems that we face are different from those encountered over the last three years, when the economy was slowly and with pain adjusting itself so that it could move into the recovery stage. Some of the problems occurring today are the result of recovery itself, the inevitable consequence of the fact that we are doing so much better. The recovery is good news for all Australians, but some elements also carry a warning of problems of a different character for the economy.

The better returns for beef and wheat, which are reviving large parts of rural Australia, are good news for farmers, for rural communities, for industries supplying the farming community, and for our balance of payments. But the increase in beef prices which was essential for an industry which had been depressed for so long has obvious consequences for the C.P.I. Similarly, the financing of payments for the bumper wheat harvest has an effect on the money supply.

The rise in oil prices had to happen. Australia had to have a rational energy policy. We had to make sure that people make proper economic judgements about the kind of energy they use. New oil discoveries were essential. As a result of our policies it is estimated by 1985 that about 30 percent of Australia's crude oil production will be derived from oil fields which have become viable as a consequence of our oil and gas policies. The only way to achieve these objectives was by pricing oil at world parity. It is worth noting that at long last the United States has announced it is moving to the same policy. But obviously higher oil prices have consequences for the C.P.I.

Marked increases have occurred on world metal markets, particularly for aluminium, copper, lead, zinc and rutile. High prices have been sustained for tin, gold and tungsten. Prospects for nickel are better than they have been for many years. This is good news for the nation. It benefits the balance of payments and the international strength of the Australian dollar. But at the same time it adds to problems in maintaining restraint over the growth of the money supply.

The Australian money supply is now growing faster than projected. This is partly because of greater activity, higher wheat payments and our better export receipts. But the Government has been concerned about the rate of growth in the money supply. We have taken action to modify this growth. The Government has determined that up to a further \$300 million of commercial bills should be sold by the Australian Wheat Board to private holders. This is in addition to the \$155 million already financed in this way. The trading banks statutory reserve deposit ratio has been increased to 5.5 percent to help soak up excessive liquidity in the banking system.

The Government has also announced increases in the rates applying to new issues of Treasury notes. The Commonwealth has obtained agreement in principle to a "tap and tender" system which will enable interest rates on Commonwealth securities to be tailored more readily to market conditions. The Reserve Bank has been asked to sell Commonwealth bonds and Treasury notes out of its own portfolio in a way that is consistent with the proposed new arrangements. The tap and tender decision will increase the Reserve Bank's ability to keep in touch with market forces, which have raised yields on Government securities significantly over recent weeks.

One of the false assumptions current amongst people used to interest rates for new issues of Commonwealth bonds being announced three or four times a year is that interest rate policy is reflected solely in new issue rates. In fact people ought to look at the rates the Reserve Bank uses in its own market operations. Had they done this over recent weeks, they would have seen that the Bank has been moving on interest rates, and has been trading at rates significantly higher than those prevailing six months ago. The Government has made it plain that it is determined to maintain an effective monetary stance, and the Treasurer will be making a statement on monetary policy later today.

Greater activity in Australia, higher beef and oil prices and wage decisions that were too lenient have led to a pause in the downwards thrust in the C.P.I. Since November there has also been a rise in inflation in a number of overseas countries. In the two months to February 1979 consumer prices rose in the U.S.A by 2.1 percent, in the U.K. by 2.3 percent, and in Germany by 1.7 percent. These rises were all well above the rises in the same two months of 1978. Many economists predict that in 1979 inflation will rise in most Common Market countries. One estimate is for inflation rates of 12 percent for the United Kingdom, 11 percent for France, and 15 percent for Italy.

Because there are inflationary pressures both overseas and in Australia, because inflation is getting worse in other countries, we must reinforce the fight against inflation. We must consolidate the gains we have made. We must not blow the recovery. Australia could blow recovery by irresponsible monetary and fiscal policies. This will not happen. Australia could also blow the recovery by irresponsible wage demands, by a rash of strikes and disputes. The Government is determined to use all its powers to prevent this.

With any recovery there is the danger of the resurgence of inflation especially when wage claims are pressed too hard and especially if manufacturers believe that they can take advantage of a better trading position to put up their prices unreasonably. The Government will be vigilant on both fronts. We will support the PJT and the Arbitration Commission. The Prices Justification Tribunal is currently examining the food processing industry. Mr. Fife has stated that the PJT, under its revised Act, will inquire into industries whose prices have a major impact on the Consumer Price Index, or which have a significant impact upon the level of prices in other industries.

Excessive wage demands are a serious threat to Australia's future. They could abort the recovery. The great majority of wage earners understand this. They know that excessive wage demands lead to more inflation and would undermine the competitive base we have built up over the last three years and destroy jobs for Australians. We have no intention of allowing that to happen.

But the problem is not just one of wage claims. A number of unions use strikes, bans, go-slows and disruptions with total irresponsibility and total disregard for other people. These actions seem designed to sabotage the recovery. The political philosophy of some trade union leaders thrives on recession, stagnation, disruption and instability in Australia. Strikes, and bans and industrial disruption harm the striker and his firm. They harm the community.

There have been too many disruptions in recent weeks. None of these actions was necessary. They were totally disruptive. They were selfish because they disregarded the hurt done to other people. But it is not only selfish - so often strikes are fruitless and stupid. One of the most pointless things about so many industrial disputes is that people go out on strike and do not realise how much they are hurting themselves. If people, before going on strike, did their sums they would see that the sensible thing to do is to let the issue go to the Arbitration Commission. The strikers themselves lose pay - a loss they may not be able to recover for years even if they succeed in forcing their demands through.

Do the union leaders lose their wages? So often the answer is no. Nobody wins in strikes and it is precisely because nobody wins that we have an arbitration system - the impartial umpire - to enable us to resolve disputes without harming anyone. We need to give that umpire a fair go. This Government will not sit back and see this nation held to ransom by irresponsible union leaders.

If people go on strike, put on bans and limitations instead of going to the Arbitration Commission--in the area of Government employment we are already rigorously applying the "no work as directed, no pay" principle, and where there is no work for other people as a result of a strike we are already applying stand down provisions. The Government's view is that the Commission should not proceed to hear a union's wage claim while direct industrial action is continuing. In the case of two recent industrial disputes - the paint industry strike and the Australia Post dispute - once this view was made known, the unionists went back to work and said that they would let the Arbitration Commission decide.

We reiterate our expectation that employers will support a policy of wage restraint and not give in to industrial blackmail. If companies do give in to pressure outside the arbitration system, they will be inviting a Prices Justification Tribunal inquiry into their pricing policies. If essential supplies for other industries are held up, running the risk of further stand downs, those industries will be allowed to import under by-law. We have strengthened the cause of responsible unionism. We have established the Industrial Relations Bureau, secret postal ballots for union elections, annual reports to union members and protection of conscientious objectors. We have amended the Trade Practices Act and Section 45D has been effective against secondary boycotts.

Industrial disputes are still too high but there has been a major improvement compared with the Labor years. In 1974 there were 6.3 million working days lost, through disputes costing \$128 million in wages; in 1978, 2.1 million working days lost through disputes, costing \$78 million in lost wages. The arbitration system is the umpire. We have all got to back the umpire. Most Australian working men and women are in trade unions. They have a major role to play in keeping the recovery going by making their voices heard in their unions, by making clear their view that the arbitration system must be allowed to work without threats, without bans and without strikes.

Given the problems that confronted Australia when we took office it was obvious that getting the economy right was going to be a major task for the Government. It is clear that we have had a significant success in this area, but our concern with economic matters has not been at the expense of other Liberal goals. We have moved along the path of enlightened and liberal reform which is central to our identity as a Liberal Government. We have provided effective help for those in need while encouraging self-reliance. We have introduced the family allowance, one of the most significant social welfare reforms since Federation. We have reformed the outdated means test for old age pensions and extended the supporting parents benefit for sole fathers. A new deal for the handicapped has been introduced. We have acted to protect the rights of individuals against large and distant bureaucracies. We have appointed the Ombudsman. The Administrative Appeals Tribunal has been established.

We have made a number of reforms to strengthen the role and effectiveness of the Parliament. The Galbally Report has achieved a new era for our ethnic communities. We are maintaining the proud Liberal tradition which throughout Australia's history has led the way in social reform.

The Liberal Party is uniquely situated to lead Australia into the eighties. Our policies are directed towards people, towards the needs and aspirations of all Australians. We have a commitment to sound economic management and forward-looking policies. We have a record of economic achievement. We are a Government of reform in social welfare, in law, and in government. We are committed to individual freedom, to working for a caring and tolerant society. Australia is a great country with vast resources and a great people. With a Liberal Government, we can realise Australia's enormous potential. With a Liberal Government, Australia can go into the eighties with confidence.

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