

(about 9:00pm)



PRIME MINISTER

FOR MEDIAFRIDAY, 21 AUGUST, 1981

ADDRESS TO THE TASMANIAN STATE COUNCIL
OF THE LIBERAL PARTY
HOBART

I am delighted to be in Tasmania at this time. There is no doubt that the future progress and prosperity of Tasmania and the whole of Australia depends enormously upon the Liberal Party. It depends upon what we do, upon the soundness of the policies we pursue, and upon our capacity to encourage the spirit and responsibilities which puts the interests of all Australians and all Australian States above the sectional interests of groups who seek only their own advantage at the expense of the well-being of others.

The Liberal Party has this responsibility because it is the only Party with a national outlook, with a realistic philosophy which reflects the values of most Australians, and with the capacity to put forward the kind of policies and provide the kind of government which Australia needs through the 1980's and beyond.

First and foremost these are policies geared to providing a better life for individual Australians and their families. Let me say right at the start that this central objective of ours is fully reflected in the Budget we have just brought down. There is no doubt that Australians are deeply concerned about the level of interest rates, and that they want to see Australia continue to move forward strongly so that the living standards of all Australians can improve. The Budget is a major instrument for achieving these objectives, and what is most important about the Budget is its overall impact on the economy, on interest rates, on inflation, on employment, on growth.

The Budget is a part of the same strategy for strengthening the economy that we have pursued consistently since 1975. It has been a strategy based on cutting back on spending, on bureaucracy, and pursuing policies to bear down strongly on taxes. It is this strategy which has made Australia now the most strongly growing economy in the industrialised world, with stronger employment growth than any of the major Western economies.

In this Budget we have almost completely eliminated the deficit we inherited from Labor and by budgetting for a large domestic surplus we will be easing tremendously the claims for capital funds, and the pressures on interest rates. The Budget is therefore a quite major step in making room for the private enterprise growth essential to growing employment opportunities and a strong and prosperous Australia. In the two years to May, as a result of the Government's policies, some 300,000 new jobs were provided by private enterprise, and real wages increased over last year by some four per cent, so there has been a substantial increase in real living standards. That increase in real wages represents some \$3,000 million more going to Australian families. Those increased wages and salaries can only be paid if our factories, farms and mines are profitable, and if more Australian goods are being sold overseas. The ability of Australian industry to pay higher wages does not come about by accident. It comes about because sound policy creates the conditions for business profitability. Maybe people too often look at Budgets to see what they have been given directly, whereas what they should be looking for is a Budget which gives them a prosperous and secure Australia.

The main test of a Budget is whether it contributes to an economic environment that provides a sound basis for rising living standards and a secure future, as this Budget does. The Budget is designed to make sure that the foundations of the great economic progress now occurring in Australia are strengthened further and there is nothing more important than this in showing the genuine concern of this Government with the condition of life of the Australian family. The point that it is the overall impact of the Budget on the economy that must be considered first is fundamental and it is a message we all need to get across to the community. If the fundamental policy approach is not right, no other policies can be effectively implemented.

There has been a lot of comment on the sales tax decisions announced in the Budget. Let me take a moment to make quite plain the Government's policy on taxation. The whole objective and thrust of our policies is to reduce the overall burden of taxation on individuals and families. Tax cuts for this financial year, which will leave some \$500 million more in taxpayers' pockets, were announced and in operation prior to the Budget. In addition, there will be a tax rebate of 32 cents in the dollar for basic health insurance, returning a further \$600 million, to taxpayers. A lower overall tax burden can come about in one way - and in one way only - by holding down Government spending. The Liberal Party is the only Party which can justifiably claim it is the Party of lower taxation, because it is the only Party committed to reversing the growth of Government.

Statements that the overall burden of taxation on Australians has increased since 1975 are totally misleading. Labor in power lifted Commonwealth spending from less than 24 cents in every dollar produced in Australia to over 30 cents. We have cut it back to under 28 cents and our objective is to cut it back still further. These are the central factors in determining the real burden which Government spending imposes on the community.

By 1975 Government spending was rising so fast that tax collections could not keep up, and there was a huge deficit as a result. In considering the real burden imposed by Government on the community the deficit is as important as taxation, for the deficit must ultimately be paid for in one way or another - just as households must repay their debts. In 1975, when we take into account both income tax and the burden of the deficit, the total burden from Government spending on individuals was almost 18 cents in every dollar produced. We have reduced that to about 14 cents.

What is crucial in the end is the proportion of the nation's incomes spent by Government, and under this Government that proportion is falling. That is the only way the overall burden of taxes can come down.

The Budget also has made a valuable step towards shifting the balance of taxes away from direct on to indirect taxes, and as the Treasurer stated on Budget night, one of the valuable consequences of this is that it increases the potential for desirable reductions in direct taxes, and particularly personal income tax, as economic and budgetary conditions permit. I emphasise again that only policies which restrain Government spending - as ours do - can pave the way for responsible reductions in taxation, and for a strong economy with rising living standards for all.

Throughout our period of office one of our principle concerns has been to protect those who are disadvantaged and most in need in our community. Spending on social security and welfare is the largest single item in the Budget and now takes up about 28 per cent of the whole Budget. This year our spending on social security and welfare will rise by 14.5 per cent, a substantial increase in real terms.

One of our first major steps in this area in 1976 was to introduce the automatic indexation of pensions and benefits and the annual cost of this indexation element alone will be over \$700 million this year. Beyond this our aim has been to increasingly direct assistance to those most in need, to concentrate spending where it can do most good for those who need help most. This is why, in expanding assistance to families this year, we decided to increase benefits for larger families for some of the areas of greatest hardship in our community are among large families. This measure will help over half a million families - including many of the poorest.

Other groups in special need have also received special assistance from this Budget. In recognition of the particular hardship suffered by many needy pensioners in rented accommodation, we have re-directed and increased the programme of rental assistance to pensioners and long-term sickness beneficiaries so as to provide more support to those paying higher rents. A crisis accommodation programme is being developed with special emphasis on the needs of families. Our support for the handicapped and disabled has risen very substantially in real terms over the period of the Government and has been increased again in the Budget. Let me also mention here that the new health arrangements have also been designed to help those on lowest incomes, and provides for free health care for about three million Australians.

The Government believes that the determination we have to protect those most in need in our community is not only a primary obligation, but reflects the values of Australians generally. We have also had in mind in this Budget particularly the need to help our young people find good jobs. The most important action here again is to pursue responsible economic policies which increase the ability of private enterprise to provide jobs. Let me say that the merit of this approach has been clearly shown this year. As unemployment generally has fallen, so young people especially have been more successful in finding jobs. In fact the number of school leavers seeking their first job in June this year is the lowest for three years - and has fallen by over 13,000 in the last 12 months, a twenty per cent decline over the year (down from 46,400 in June 1980 to 33,000 in June 1981).

Our programmes to help young people equip themselves for jobs have been very greatly expanded. We are now spending over \$200 million on programmes to expand the supply of skilled labour and to assist young people in search of employment - an increase of 22 per cent over last year. Some 100,000 apprentices, 5,000 more than last year, will be assisted through the Craft and Special Apprentice Training Schemes. In 1982 we will be allocating up to \$75.4 million on school to work transition programmes - within a one per cent overall real increase in the education budget. We are giving special attention to the needs of secondary students from low income families. We announced in the Budget increases in secondary allowances to help poorer families keep their children at school, and obtain the benefits of additional schooling.

Our decision to terminate the Community Youth Support Scheme simply reflects our wish that the increased level of funding in the area of youth assistance should be concentrated on programmes with stronger prospects of leading to jobs. Since we believe other programmes are doing much more good our view was that it did not make sense to maintain a programme concerning the effectiveness of which there were many doubts.

The Budget is not just a very sound and responsible economic document - it is fundamentally a Budget designed to express the Liberal Party's concern for individuals and for families. With realistic policies to express that concern I have no doubt that the Liberal Party will continue to have the support of the people - throughout Australia, and here in Tasmania.

The Tasmanian Party is obviously facing up to the task of coming into Government 1983. Let me say that if the kind of package which Geoff Pearsall and Robin Gray put forward as an alternative to the Lowe Government's so-called cutting exercise is any indication - and I am sure it is - then the State Parliamentary Party is surely moving in the right direction.

Tasmania has special needs and special problems which the Liberal Party - at both State and Federal levels - is far more able than the Labor Party to handle. Obviously, Tasmania's dependence on the air transport links with the rest of Australia makes it tremendously vulnerable both to strikes and to excessive cost increases.

I am well aware of how real the threat of isolation, the threat of being almost completely cut off from the rest of Australia, can be. I want to repeat something that I said in answer to Ian Chalk's question at the Federal Council Meeting this year, namely that the Commonwealth Government has an on-going commitment to use the resources it has to maintain air links to Tasmania. The Government would never tolerate a situation in which that link was cut.

During the recess there have obviously been significant problems in industrial relations and in the wage fixing area. Obviously these problems can be particularly damaging to States such as Tasmania but I believe that one tremendously valuable thing that has come out of these difficulties is that there has been established a strong basis for on-going discussion between the Government and the ACTU, a basis which it was never possible to establish during the time when Bob Hawke was President of the ACTU. The potential value of such discussions must be obvious to all. I believe that we shall all experience its benefits in the months and years ahead.

Turning to wages, when the Arbitration Commission indicated the abandonment of wage indexation, instead of a lot of people saying there was a vacuum, that the sky was the limit, I would have thought many people would realise that the decision would reinforce the authority of the Commission and establish through industry and National Wage decisions a stable environment. What indexation did was to establish a higher limit from which people could then set out to negotiate for more. We all know that that is what occurred. There was a 4% or 5% real increase in wages last year. Without indexation there is no vacuum. The Commission is there. All State Governments tell me that they support the centralised wage fixation system, and the ACTU also says the same thing. There will be industry cases that will establish guidelines. There will be a National Wage Case in February that will establish guidelines. People will have to argue their cases with a sense of reason and firmness and strength if they want a result. With indexation, of course, everything automatically jacked up on to a higher plateau every year or every six months.

The fact that the circumstances have changed is now being much better understood. We had a meeting last week again, with the ACTU, with employers and with Premiers in relation to it. I think that the decisions that were made then should help people to understand that there is a system and it is up to all the parties to make that system work. It is worth noting that all Premiers of all political persuasions agreed that they would lend their efforts and energies to achieving that.

Let me also mention briefly the problem of transport costs to Tasmania which are well recognised by the Commonwealth. Beyond our anti-inflationary economic policies, the Commonwealth Government has for some years maintained a freight equalisation scheme, which is of vital benefit to Tasmania, and it is here to stay.

In addition to that, the airbridge formula, which subsidises air fares to the tune of 10% at a cost of over \$5 million, is designed to encourage travel to and from Tasmania and I believe it provides the appropriate response from the Commonwealth to the very considerable costs of travel and also of course in relation to the tourist industry. These are just two examples of the Commonwealth Government's concern for the needs and well-being of Tasmania.

The Government cares about the well-being and prosperity of all States and all people in Australia, not just about the wealthy, powerful States and not only about the marginal electorates as Labor so often does. But of course, the greatest contribution that the Commonwealth Government can make to the well-being of Tasmania is to make certain of prosperity across Australia as a whole.

Provided that we can maintain the stable economic environment which has been achieved over the last few years, provided that our economic recovery and growth can be strengthened, provided we can avoid the kind of excessive disruption and selfish demands which have been all too apparent in recent months, we will increasingly bring about the situation in which people, on the basis of their judgments and with the use of their initiatives will be able to build prosperity right across this country.