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# PRIME MINISTER

FOR MEDIATHURSDAY, 24 SEPTEMBER 1981PRIME MINISTER'S SPEECH IN THE HOUSE ON THE BUDGET

Central to every Budget brought down by this Government, to every action with significant economic implications, has been our recognition of the critical role of economic policy in creating a favourable environment, for individual initiative and a growing private sector, for effective humanitarian concern and greater assistance for the needy, for balanced economic development throughout Australia and sustained confidence in our future. This Budget highlights the gulf between the Australian economy as it was in 1975 and the Australian economy as it is today, with our international reputation restored, with well-founded projections for growth, higher employment and better wages, and with the enhanced potential for personal income tax reductions which even the Opposition has not failed to perceive within this Budget.

When this Government came to office in 1975 inflation was high, it was above world levels, and it was uncontrolled, unemployment was growing and private sector employment actually shrinking and confidence was shot to pieces. How different is the picture today, with inflation below world levels, with nearly 300,000 new private sector jobs created in the two years to May, and with very great confidence indeed in this country, as evidenced particularly by the widespread investment in the manufacturing and mining industries that is now taking place. All of this comes from the steady application of responsible economic policies by this Government and it comes particularly, as it will continue to come, from the successive Budgets of this Government.

I want first to say something about this particular Budget's strategy in the context of the Government's overall economic objectives, and I shall put it to the House that the virtual elimination of the deficit in this Budget will be seen in years ahead as a landmark in Australia's development, that any claim that this Government is a high spending or a high taxing Government does not stand up, and that expenditure restraint must continue to be a matter of fundamental priority.

Secondly, I want to explain to the House the success of the Government's commitment to combining expenditure restraint and economic responsibility, with effective care and concern for the legitimate expectations, the real needs, and the authentic aspirations of the Australian community. And I will

put it to the House, that our programmes are effective and progressive, that they identify priorities and balance the total range of human concerns, and that any suggestion that the Government does not care, does not understand, simply flies in the face of the record.

Mr Speaker, the strategy of this year's Budget is unmistakable in the virtual elimination of the deficit which has been achieved. The three and a half billion dollar Budget deficit which the Government inherited from Labor, which would have been even higher without the expenditure reductions made by this Government when it came to office, would now be almost seven and a half billion dollars if we had persisted with deficit financing at the Labor rate of almost five per cent of GDP. The Government consistently rejected deficit financing as totally inappropriate for Australia's circumstances through the 1970's and into the 1980's, for these circumstances are quite different from those which existed in the 1930's, as Keynes himself would unquestionably have recognised.

Australia is still paying the price for Labor's irresponsible deficits, for those deficits are still distorting Australia's capital market, and still contributing to excessive interest rates as the loans that had to be raised at the time to fund the deficit are still having to be rolled over and renewed. The Labor deficit was nothing more than a way of making the future pay for the spending schemes of the past, either through inflation, or through higher taxes, or both. Deficit financing encourages expectations that are unreal and it means dishonesty about the real level of taxation.

With the virtual elimination of the deficit in this Budget, we can plan next year's Budget no longer hostage to this element of the Labor Government's mismanagement and with the enhanced potential for tax cuts which I have already referred to. The Government has got rid of the massive Labor deficit partly by an honest approach to taxation and partly by rigorous restraint on its spending. We have worked at the problem from both ends. Our more honest approach to taxation, which has involved lifting Commonwealth revenue by 2.4 percentage points as a proportion of GDP has gone into getting rid of the deficit. The Government's view has been that our children should not have to pay the costs of the Government programmes of today.

The Opposition calls this a high tax approach which only shows again that the Opposition simply does not care about the long-term development or future of this country. The claim that this Government is a high tax Government simply does not stand up. And if we look at the sales tax increases and the Government's objectives in connection with them, objectives of deficit elimination, of reduced pressure on interest rates, of a better balance in the tax mix, and of enhanced potential for personal income tax reductions; the Government's overriding concern with reducing the burden on the community of taxation and of the high costs of Government is again apparent.

The proportion of G.D.P. which the Government spends is not only vital to the number of dollars in actual pay packets, it determines whether there is enough room for expansion and growth in the private sector.

In 1975/76, the Commonwealth Government spent 30.1 cents of every dollar of G.D.P. In 1981/82, the Commonwealth Government will be spending 2½ cents less than in 1975/76 of every dollar produced in Australia and this reduction, which would be nearly 3 cents but for the extra payday which only comes at twelve year intervals means that the Government will be spending 3.7 billion dollars less than if the 1975/76 proportion had continued.

This Government's reduction in Budget outlays as a proportion of G.D.P. stands in stark contrast to the increase under Labor from less than 24% to more than 30%. Everybody knows how much easier it is to spend more rather than less, and the steady progress which this Government has sustained in reducing its expenditure requirements has come about only as a result of the Government's resolute commitment to the cause of expenditure restraint and more limited Government.

This Government will continue to maintain expenditure restraint and will continue the task of bringing down its outlays as a proportion of G.D.P. towards the more moderate levels which prevailed before the Whitlam Government came to power.

Let me turn from the Government's expenditure restraint to its borrowing restraint because in the end, borrowing is a form of expenditure. This year's Budget makes a substantial contribution, over and above the reductions already achieved in the Loan Council, towards reducing Government borrowing requirements and a central objective of this is to ease the pressure on interest rates.

The interest rates which currently prevail are produced by three main factors; inflation, the pressure of demand within Australia, and the impact of overseas factors. A prospering Australia, where business investment and business borrowing are surging ahead, cannot hope to cut itself off entirely from overseas trends in interest rates, and overseas trends have been upwards in recent years.

This overseas pressure, together with the demand that is arising out of growth in the Australian economy, explains why it is imperative that all Governments should pull back their borrowing demands. Between 1975/76 and 1980/81, the Commonwealth Government has achieved a reduction of over \$2 billion in its own and its authorities borrowing requirements, and there will be a further reduction of about \$1 billion this year.

While substantial public sector borrowing is needed to provide infrastructure for the private sector economic developments now taking place, that borrowing must not be so high that it squeezes out these developments. For all loans are ultimately drawn from the one pool of funds, and larger borrowings by Governments reduce the availability of funds, not only for large investment projects, but also for home owners, farmers and small businesses and tend to push up interest rates at the same time.

All Governments need to be aware that the dollars which they borrow could be used for other purposes - that the money which goes into a \$10 million Government loan might have been used to provide three or four hundred housing loans.

While interest rates are obviously too high at their present levels, it must also be recognised that the people who provide the funds for borrowing will need an adequate return if they are to continue to invest their capital in this way, and the fact that the present housing interest rates are little different from the average rates through the 1960s when inflation is taken into account serves again to demonstrate the insidious nature of inflation, and the continuing need to get it down in the cause of lower interest rates.

Bringing down inflation has of course been a vital target in the Government's expenditure restraint and the continued containment of inflation obviously remains a primary economic objective of the Government.

The restraint of this Government, both in terms of spending and borrowing, has been remarkable by any standards - as other countries recognise - and it is even more remarkable in view of the fact that the priority areas of social security, welfare and defence, which have required real increases over the period in question, encompass such a high proportion of Budget outlays - more than 37% in fact this year.

I have been speaking of what this Government has achieved over almost six years through its consistently applied Budget strategy. But while the Budget is the major economic vehicle through which the Government's philosophy and priorities are given concrete expression, many other activities of Government have a significant impact indeed in their own right on the well-being of Australians and the prospects for increasing prosperity.

The Review of Commonwealth Functions provides a particular example. The results of the Review contributed significantly to restraining expenditure in 1981/82, but to assess the R.C.F. exercise only in this perspective is to miss its main point. For out of that review have come decisions which will strengthen the role of the private sector, reduce Government interference in private sector decision-making and restore to State Governments responsibility and ultimate control over areas of activity which are rightly theirs.

The impact of these outcomes is not to be measured merely in dollars and cents: indeed in some cases their monetary value would be virtually impossible to estimate, but they will offer huge long-term benefits in increasing the strength of Australian federalism and the vitality of the Australian economy.

Another area of Commonwealth Government decision-making, which has significant implications for long term prosperity is that of tariffs and protection. This is an area of decision-making fraught with difficulties, for we all agree that the long-term benefits of a more competitive and efficient Australian economy need to be balanced against the costs to those whose employment prospects may be put at risk and the consequences for those who have made substantial investments under existing protection policies.

On many occasions the Government has stated its view that Australia should move progressively towards lower levels of protection in order to promote the development of a manufacturing industry which will be more internationally competitive. In the last three years in particular, as the I.A.C. has moved through its progressive series of reviews of assistance to all sectors, we have taken many decisions which over a period of time, will phase down protection in a wide range of industries including iron and steel, rubber products, chemicals, sporting equipment and, starting in 1982, textiles, clothing and footwear.

We have also recently acted to eliminate, except in the case of certain defence-strategic industries, an additional element of protection to Australian industry afforded through a margin of preference in Commonwealth Government purchasing. And now that the I.A.C. has almost completed its series of tariff reviews, we have asked the Commission to report by early 1982 on what options are available to achieve further general reductions in protection, and I want to emphasise that gradualism and the avoidance of disruption are indispensable elements in the Government's approach and policies in this area.

In these and other ways, the Government has sought to promote the necessary conditions for a dynamic economy and a prosperous society. In doing so, however, we have not forgotten that change and progress - even prosperity itself - inevitably confront people with pressures and problems, that sound and responsible economic management must be integrated with care and concern for the needs of people.

Let me turn to this wider issue, bearing in mind that a Budget does not demonstrate genuine concern about people or their well-being unless it faces up to economic reality with firmness, with conviction, with balance, and with that proper caution which does not place hard won gains at risk. It also needs to be understood that Budgetary policy is not just a matter of cutting up this year's national cake - which is what the Leader of the Opposition boils it down to in the end - and that while Budget allocations have an immediate and critical bearing on the well-being of a significant proportion indeed of Australians, Australians overall should obviously be looking to a healthy economy rather than few dollars and cents in the Budget for their economic well-being.

What better illustration of this could there be than the increase of \$2.7 billion, after tax, in real household disposable income that was achieved last year as a result of the economic growth and activity which this Government's policies have generated.

In considering this Government's policies on the great issues of human concern and the real needs of people, the starting point must be our programmes for young people because it is this Government which has concentrated on equipping those who are not academically inclined with useful work skills, and this Government which has based its policies on the premise that young people who are not at work ought where possible to be in education or training.

The Government has sustained its original commitment to the development of a skilled workforce, with particular emphasis on youth, and prominent among our major initiatives are the C.R.A.F.T. (Commonwealth Rebate for Apprenticeship Full-Time Training) Scheme, the S.Y.E.T.P. Scheme, and the School to Work Transition Programme. Under these initiatives, a record 95,000 apprentices will receive assistance in 1981/82 compared with only 21,000 assisted in 1975/76 by the old apprenticeship scheme; 90,000 young people will be able to obtain work experience including longer-term experience for 12,000 of those who have had the greatest difficulty in finding jobs; and 23,000 young people will receive training under the transition programmes in T.A.F.E. institutions alone.

The Government has also introduced a variety of smaller scale schemes because the Government's initiatives cater for the real problems in this area.

The programmes implemented by the Government are appreciated throughout the community and nobody in the community would want to deny the importance of the Government's concern in relation to this matter.

The total allocation in the 1981/82 Budget directed towards training schemes and transitional programmes is more than \$240 million, almost 40% up on last year's allocation, and upwards of 225,000 young people will be receiving assistance.

And the fact that youth unemployment has come down by over nineteen and a half thousand in the year to August shows the effectiveness of our policies.

I turn to the Government's initiatives and support for disabled and handicapped persons, where assistance is being provided in 1981/82 involving an overall expenditure of over \$1.1 billion. This figure might possibly be doubled or trebled without the real needs that exist being fully met, but the real increase of 39% on the 1975/76 figure shows the very considerable and sympathetic commitment of this Government to the well-being of handicapped and disabled persons. The Government's view is that a wide range of programmes and forms of assistance are required to meet the needs that exist. About two hundred and eighty projects have been approved to date for the 1980/83 triennium in the handicapped persons welfare programme.

A new programme of aids for disabled people who were not covered by existing programmes was established last June and the national employment strategy for the handicapped is improving services and increasing assistance under the training programmes at a cost of \$4 million in 1981/82. Three new initiatives in the Budget, which will have a significant impact on the lifestyles of handicapped and disabled people, are a new permanent scheme for assistance in the production of audio books in addition to Braille books, a new scheme of support for the establishment of radio services to supply spoken word services, and the new Australian caption centre, which will provide access to television programmes for people with impaired hearing.

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The Government is acutely aware of the difficulty of allocating priorities in relation to the needs of disabled persons and a fundamental principle of government policy is to assist disabled persons to live normal lives wherever and so far as this is possible and our commitment to making real gains in meeting the needs of disabled persons in our community will be maintained.

I turn to Aboriginal affairs, where health care, employment opportunities and self-management initiatives are among the most central concerns and objectives of government policy. In the 1981/82 budget health grants to Aboriginal medical services, at almost \$5½ million, have more than doubled in real terms since 1975/76, and are up 22% on last year's allocation; \$50 million is to be provided over 5 years for the Aboriginal public health improvement programme, \$8 million of it this year; \$47 million will be provided in 1981/82 for Aboriginal education and training, and a further \$25 million has been allocated specifically for employment and related programmes for Aboriginals. Some \$78 million will be provided through various programmes for Aboriginal housing. Grants to Aboriginal legal services will increase by almost 20% on last year; to Aboriginal cultural and recreational organisations by 18%; and funds for social support schemes will increase by 24%.

The well-being of the Aboriginal people concerns the Government as it concerns the vast majority of Australians and while a great many of the initiatives which need to be developed require a financial commitment, initiatives of a different order are equally required.

In relation to the profoundly important objective of self-management, the Aboriginal Development Commission is an exciting initiative, which is attracting overseas interest. It was established only after detailed consultations with Aboriginal organisations and communities, including with the National Aboriginal Conference. It already has over 60% of its positions occupied by Aboriginals. In 1981/82 it has available over \$50 million for spending on Aboriginal advancement programmes.

This Government also promoted the establishment of the National Aboriginal Conference - a body elected by Aboriginals to give independent advice to the government on matters affecting the Aboriginal people and with which successive Ministers for Aboriginal Affairs have developed strong ties.

The Government continues to seek co-operative progress in meeting the special claims and the particular needs of Aboriginals and while there is much that may be said about the treatment of the Aboriginal people in earlier times, I believe that the record of achievement over the last decade or two - a record to which both sides of this House have made significant and impressive contributions - provides a basis for confidence that progress will continue as a matter of urgency and of the highest priority.



I turn to the Budget allocation for assistance to aged persons. This is an area which raises issues and dilemmas of profound significance for the community especially in the situation in which there is not only an increase in the aged population but also in which the legitimacy of established expectations and the policy of directing government assistance to the needy cannot be reconciled completely in practice.

Assistance for the aged is directed to three major areas of need - pensions and other income support; services which enable aged persons to remain in their own homes; and assistance for people who require either sheltered accommodation or nursing care.

The 1981/82 allocations illustrate the degree of this Government's commitment to its policy of protecting basic pensions against inflation - a policy which we regard as crucial in ensuring social justice especially for those whose only source of income support is their pension and the Government has, through indexation, maintained the real value of pensions with the cost of the 1981/82 increases amounting to about \$430 million in a full year.

The upper limit at which an aged couple can receive some pension payment will be \$256 per week after November 1981, compared with \$163 per week when the Government came to office. The Government is continuing to provide assistance for home care, meals-on-wheels, and senior citizens centres, at a cost of over \$23 million in 1981/82.

Support is also being provided towards the capital costs of nursing homes, hostels and self-contained accommodation, and the personal care subsidy.

In all, at \$4.6 billion for 1981/82, assistance for the aged has more than doubled since this Government came to office - a real increase of 20% since 1975/76.

I turn to multicultural affairs and services to migrants where this Government's achievements are again meeting the needs, the concerns and the aspirations of so many members of the Australian community.

The Galbally report, which was designed as a review of services to migrants has become a symbol of a transforming vision of Australian society. It recommended that \$50 million be spent on new or expanded programmes over three years, and we have more than met our commitment to this expenditure through expanded settlement and migrant education programmes, establishment of migrant resource courses, the development of multicultural television and ethnic radio, establishment of the Institute of Multicultural Affairs, the funding of ethnic schools, and the on-going teaching of ethnic languages and culture. The Galbally vision is increasingly becoming a reality.

There has obviously been major expenditure on a very large number of programmes and services for immigrants and for ethnic communities. But the truly significant aspect of all this is not so much the financial commitment involved but rather that multicultural Australia has been made a reality under the auspices of this Government, and to a significant extent as a result of its initiatives and encouragement.

The 1981/82 Budget combines responsible economic management with effective care for people and their concerns and the list of initiatives and achievements which I have presented is by no means exhaustive.

The same picture of effective achievement of progressive Liberal objectives would emerge in an examination of grants for local government, of grants for overseas aid, of increases in family allowances, and in attention to veterans' affairs.

Any suggestion that this government has concentrated on economic management to the exclusion of broader concerns and issues is wholly groundless. Any suggestion that the Government has lost sight of its own Liberal objectives, or its commitment to the way of life which Australians want, is wholly groundless.

Of course, the Government recognises the importance of a strong economy as a pre-condition for the realisation of wider social and cultural objectives. That recognition has been written large in the balance which has been maintained in our pursuit of social and humanitarian objectives and in the rigorous way that we have always given first place to the highest priorities. It is this concentration on priorities which has allowed the Government to make significant increases in allocations to areas of need while maintaining expenditure restraint and building up the Australian economy.

Above all, the Government's policies reflect its fundamental philosophy that individual Australians, and Australian families, have the right, and must have the freedom, to decide for themselves their own needs, their own way of life. Our policies - unlike the Opposition's - are designed to give a constructive a positive and a properly limited role for government to make room for private enterprise, to make Australia strong by moving in a responsible and balanced way to a more competitive economy, to give people greater control over their own incomes by firmly setting this country on the only course leading to lower taxation, to develop opportunity, choice and power over their own lives for all Australians by appropriate government programmes - for Aborigines, for migrants, for the elderly and for the young, to make government strong to protect the weak and open doors for the disadvantaged, and individuals strong to defend their rights and build the kind of life they want for themselves.

In six years, Australia has been brought from the chaos of the Labor disaster to a condition of strength and prosperity with unrivalled prospects and a magnificent future.