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# PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

**SPEECH BY THE PRIME MINISTER  
HOUSING INDUSTRY ASSOCIATION CONFERENCE  
BROADBEACH - 23 APRIL 1988**

It has been three years since I have had the pleasure of addressing the HIA Conference. They have been momentous years for the Australian economy and for all Australians.

They have been a testing time for our community - a time which has required a degree of sustained restraint unprecedented in peace time.

And it is pleasing to be able to say that the hard work is beginning to pay off.

Three years ago the headlines were trumpeting the falling dollar, falling terms of trade, a blow out of the balance of payments and rising inflation.

Today each of those indicators is moving the other way.

Our current account deficit has fallen by one-third, relative to GDP.

Our currency has stabilised.

Our terms of trade stopped falling in 1987 and actually increased.

Inflation is trending down from a post-depreciation peak of almost ten per cent to an expected 6 per cent or so by June with a prospect of getting down to around 5 per cent a year or so later.

Moreover:

- . The economy continues to grow strongly;
- . Investment is picking up;
- . The Budget is in surplus;

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- . We have created over one million jobs since April 1983, over 80 per cent of which were created in the private sector - and we have halted and reversed the growth of Commonwealth employment;
- . The unemployment rate has fallen further and now stands at 7.4 per cent compared with 10.1 per cent in April 1983. But if the massive explosion in workforce participation since then had not occurred, the unemployment rate would now be 4.3 per cent; and
- . Most importantly for this group, the housing industry is expanding rapidly.

That is an enviable record of achievement - one that we can all take pride in.

It would be tempting to say that, having achieved so much, we can now afford to sit back and relax because there is nothing more to do.

But the fact is that it will be some years yet before we reach so comfortable a position.

It now takes four times the export effort to service our international debt than it did in the early eighties.

And our current account deficit is still high enough to ensure that our international indebtedness continues to grow each year as a proportion of GDP.

The reality is that we need to stabilise our indebtedness so that we can maximise the extent to which our productive effort can be used to increase our living standards rather than those of our creditors. To do that we need to reduce the current account deficit further.

What does that require of us at present?

Let me outline for you today the essential tasks required of Government and the community to achieve that goal. While these are tasks that involve all Australians, these are some particular ways in which the housing industry is contributing, and can continue to contribute, to the overall effort.

First it requires that Government fiscal policy remain appropriate to the task.

This Government's record of fiscal management needs no recounting in detail here.

Having turned a prospective \$10 billion deficit to a surplus and having turned back the real growth of Budget outlays, our fiscal achievements are second to none.

The May Statement, which Paul Keating will deliver on May 25, will continue the task.

The current indicators suggest that domestic demand has been running a little faster than we would have desired. Government policy - notably our fiscal policy - is already set to tighten progressively, which will help moderate demand growth.

Nevertheless, we recognise that more needs to be done to contain public sector demand and the associated drain on domestic saving.

Accordingly the May Statement will have to include some new cuts in Government spending.

And when we convene the Premiers Conference and Loan Council earlier in May we will be looking to a further contribution to restraint by the States.

However let me make it clear that, because we in the Commonwealth have achieved so much in recent years - and because of the improvement under way in our current account and revenue positions - the massive spending cuts of recent years are not required on this occasion.

Our objective is to ensure that real outlays growth in the Commonwealth Budget remains negative.

The States must recognise that the overall mix of borrowing and spending by the public sector as a whole must also be kept consistent with modest growth in public sector demand and with a further reduction in the Public Sector Borrowing Requirement.

Such an approach will moderate demand without recourse to excessively high interest rates.

It is an approach therefore which will help to sustain the pick up in investment - and, not least, investment in housing.

The second component of what we as a community need to do now is to continue the overhaul of our industrial structure to enable it to meet the needs of the world economy - today and tomorrow.

As we promised in the last Federal election campaign, this task is providing the focus of much of the activity of the Government - in particular, through the work of the Structural Adjustment Committee of Cabinet.

It will also provide a major theme of the May Statement.

In particular, the Statement will initiate further reform of the business tax system and further progress in the gradual winding back of protection, which is sapping our export potential.

We seek a leaner, more efficient, more flexible, more outward looking economy.

The Government's record of reform in this area is unsurpassed.

Our major achievements include deregulation of the financial sector, the foreshadowed ending of the two airlines agreement, reform of public administration, progressive reduction of protection in the context of industry plans, a start to reform of education and training systems, reduced regulation of business wherever possible and - not least of all - substantial tax reform.

Reflecting the importance which we attach to this sector, the housing industry has had a special place in this process.

Deregulation of the financial sector, coupled with our decision in March 1986 to let interest rates on new mortgages follow market trends, unlocked a large reservoir of loan funds for home buyers.

Demand for loans has accelerated markedly in recent months, in line with the sharp decline in mortgage rates.

So much so, indeed, that the Indicative Planning Council expects 1988-89 to see nearly 148,000 starts, which compares with the annual record of 153,000 we set in 1984-85.

However the task of reforming our economy is far from over.

We still have work to do towards minimising our domestic cost structures, maximising the incentives for improved efficiency and encouraging Australian suppliers to seek out and win markets against the best of our foreign competitors.

Last week Senator Button announced substantial, immediate reductions in protection for passenger motor vehicles. Further reductions are to be phased in between now and 1992.

The benefits of greater efficiency - and ultimately, lower vehicle prices - are widespread and accrue to industry and individuals alike.

These reforms are a substantial first instalment on the package of measures which the Treasurer will be announcing in the May Statement.

Its thrust will be clear: to build a better Australia.

- one which has the verve and flexibility to cope with a rapidly changing, highly competitive world.
- one which is less reliant on raw materials exports and thus more reliant on value added processing, manufactures and services.

There is always a risk when programs of major reform are implemented that individuals or groups will seek to champion those elements which favour them and disparage the remainder. Such a narrow, sectional approach in this case would be shamefully short-sighted - because it would impede the task of reconstruction which ultimately is essential if we are to rebuild our living standards.

Our policies have produced an economy which is competitive and which is experiencing rapid employment growth and falling unemployment.

This provides the context in which we can undertake the kind of phased fundamental restructuring which we now require without the massive dislocations which attended the attempt of less far-sighted Governments.

While we are so heavily in hock to our creditors we simply cannot afford to let this golden opportunity pass.

Ladies and gentlemen,

Our third task as a nation is to remain competitive.

Through the continuing cooperation of the union movement, real unit labour costs have declined by more than 10 per cent since 1983.

Sustained wage restraint, coupled with massive depreciation of our currency, has dramatically improved the competitiveness of our manufacturing and service industries. This is particularly so compared with suppliers from Japan, the United States and Europe.

The pleasing thing is that so many manufacturers and service industries are taking advantage of it.

The volume of manufacturing exports has risen by more than 20 per cent over the past two years.

The volume of exports by the services sector has also recorded a strong increase, so much so that our services deficit has fallen by around 25 per cent over the last two years.

Our tourism sector has of course made a major contribution to this but the efforts of large numbers of other entrepreneurs have also been rewarded with a niche overseas.

And I am pleased to be able to say that the housing industry has made an important contribution to this trend.

Clearly the key to maintaining the competitiveness which has allowed those successes is firm control of costs.

Appropriate wages outcomes and the conscientious pursuit of higher productivity remain crucial to our fight to retain competitiveness so we can regain lost living standards.

But as Prime Minister I am also aware of the more immediate human implications of an economic strategy which has meant real wage declines.

The increases in our economic competitiveness have been won at the expense of increased hardship for many Australian workers.

That is a fact which we have attempted over the years to compensate through a series of measures aimed at increasing social justice within our society - within the responsibilities of our steadily reducing budget deficit.

These have included an unprecedented assault on child poverty through the new Family Allowance Supplement, real increases in pensions, the introduction of Medicare and the creation of a fairer taxation system.

We have also, through the First Home Owners Scheme and through real increases in public housing spending, helped put a roof over many families' heads - a fact which the HIA readily acknowledges.

Perhaps most significantly, we have created nearly one million new jobs since we came to office - a rate of jobs growth twice that of the industrial world.

However it is true that many Australian families are still finding the going tough.

In particular, there are families who, while not being wealthy, are earning more than would entitle them to Government assistance, such as the Family Allowance Supplement, which is aimed at low income earners.

They are the families who are putting their financial effort into buying their own home and thus are not entitled to rental assistance.

They are families who are working hard, including doing a lot of overtime work, to win security for themselves and the best possible chance for their kids.

We recognise these middle-income earners have made their sacrifices over the years of essential restraint and now deserve Government efforts to seek to repay those sacrifices.

I'm not saying we can or should lift the lid on wages.

That would be self-defeating because it would postpone the day when we can reduce our national dependence on international creditors.

What I am saying is that the Government recognises that now is not the time for further massive cuts in real wages.

Barring unforeseen calamities, those days are behind us.

In current circumstances of gradual improvement in our underlying economic condition, including falling inflation and a shrinking current account deficit, we can expect that over the next year or two real disposable incomes will be maintained and gradually increased.

That will provide the basis for the Government's approach to the Conciliation and Arbitration Commission at the time of the next National Wage Case.

However, nominal wage gains are only part of the living standards story. We will deliver significant personal tax cuts in the life of this Parliament

The combination of wages increases consistent with falling inflation and personal tax cuts consistent with responsible fiscal outcomes can provide the relief which wage earners - particularly the middle income earner - seek and deserve at a pace which the economy can afford.

Of course ultimately the only sure way to sustained rapid growth in living standards is through rapid productivity growth. This is a task for both employers and employees. In this industry, like all others, we need a firm resolve to use the available mechanisms to achieve genuine and on-going improvements in productivity.

Ladies and Gentlemen,

Government policy has a major - in some cases the major - role to play in each of the three areas for community action that I have identified so far: fiscal restraint, economic restructuring and international competitiveness through wages policy and mechanisms to encourage productivity increases.

The principal responsibility for the last element that I wish to address today, however, lies elsewhere.

Without forward looking business attitudes we cannot hope to meet and conquer the challenges of today's highly competitive world market.

There is much we in Government can do to facilitate change - and we will do whatever we can. But in the end it is up to individuals and business planners like you to identify opportunities and seize them.

As a community we need the preparedness to take risks and to search for new investment opportunities.

We need a willingness to innovate, to develop new products and markets and to explore new opportunities both at home and abroad.

We need a greater commitment - from workers and entrepreneurs alike - to training and skills formation.

As this industry knows well, myopic approaches to apprenticeship and other forms of training may save cash flow in a downturn but only at the subsequent cost of labour shortages and inflexibilities.

We need a hard look at our collective attitudes to quality, design and reliability of supply.

It is heartening to see that so many employers and workers - both in this industry and elsewhere - appreciate both the gravity of these tasks and the rewards which come to the brave.

Indeed many of the firms represented here today are spearheading our national drive to diversify our export effort by selling housing and construction services abroad.

In particular, the Australian housing industry has "on tap" the professional people and the products to contribute to the housing development of our neighbouring countries.

I urge all of those involved in this industry to seek out opportunities in this area. There can be no doubt that whether the Australian industry regains the status of a world champion performer hinges on its ability to take up this challenge.

In the end it is up to you, the manufacturers, suppliers and builders to recognise long term advantages and seize the opportunities.

For our part, we in Government will continue to do our best to nurture and foster this outward-looking approach.

Ladies and gentlemen,

I have been asked before concluding my keynote address to perform one small task.

Your National Executive has invited me to launch the inaugural issue of your Association's monthly national newsletter, "National Housing Update".

The newsletter promises to be a valuable, and probably from time to time controversial, new means of communication within your industry and so I have much pleasure in launching it.

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