

14 August 1997

6

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
ADDRESS TO THE QLD DIVISION OF THE LIBERAL PARTY
THE HILTON HOTEL, BRISBANE**

E&OE.....

Thank you very much Bob Carroll, to your wife Marleen; to John and Jacqui Moore; to Warwick and Kathy Parer, my other Ministerial, State Ministerial and other State and Federal Parliamentary colleagues, ladies and gentlemen.

I am delighted as always to be here in Brisbane. Con Galtos welcomed me to my beloved Brisbane, as he called it. I always love the place but, of course, I got a special tug in the heart for Brisbane and for Queensland on the night of the 2nd of March last year when it delivered such magnificent results.

And, of course, in recent weeks and months those of us who follow rugby would acknowledge that Brisbane has delivered a slightly better strike rate for the Australian Wallabies than some other cities in Australia.

But, ladies and gentlemen, I want to say at the outset of my remarks tonight how much I appreciate the tremendous support that my Government and I personally have received from the Queensland Division of the Liberal Party since we were elected in March of last year.

We are, as you would know, fast approaching the half-way point of our first term in government. And it is appropriate, because we are reflecting on the future as well as looking back a little on the immediate past, to look at what has happened over that last 18 months and to put in perspective what we, as a new government, have endeavoured to do and what our plans are and our goals are for the future of our government and for the future of our nation.

I could really divide the first term of my Government into two phases. The first phase was, of course, the repair phase and that has really occupied the first 18 months. We had, as Bob said, an obligation to repair the budget deficit.

I know budget deficits sound dull and dreary. And people think they are only important to economists and bean counters and that they are irrelevant to the rest of the community. Well, let me tell you that we would now have the lowest housing interest rates since 1969 if we had not taken the steps we did in our first and second budgets to reduce the budget deficit.

We inherited an underlying budget deficit and I don't want any Liberal or any Liberal supporter ever to forget it. We inherited an underlying budget deficit of \$10.5 billion and by year three of the first term of the Howard Government we will have converted that into a surplus of \$1.6 billion.

And in case you think that is sort of an academic arcane proposition, I was immensely proud when I was overseas a few weeks ago to be able to say that if you apply the criteria for admission to the European Monetary Union to Australia you would find that only Australia and Luxemburg were currently in a fit economic state to join the European Monetary Union. Because our budget deficit achievements; the fact that in 1995 we owed something like 20 per cent of our annual wealth generation in national debt and that by the year 2000 on present projections we will have cut that in

half; the fact that our projected growth rate in 1997 and 1998 is above the average of the G7 industrialised countries and the fact that we have business investment levels running at 30-year highs in Australia; all of those things contribute to the fact that we have done a very praiseworthy job in repairing the foundations of the Australian economy.

And if we as Liberals and as I as head of the Government and as the members of my Government don't tell the Australian public of those achievements, we know in politics that no one else will. And it is very important, when we're looking at the perspective of the first 18 months of the Government, to record those achievements.

And it's also very important to record the achievement of the *Workplace Relations Act*. That legislation has turned industrial relations in Australia profoundly for the better. We have totally abolished compulsory unionism. We have restored the effectiveness of the secondary boycott laws. We have significantly reformed the unfair dismissal laws and propose to go even further if we can get the legislation through the Senate. We have introduced a system of direct workplace bargaining which, over time, will bring about a change in the capacity of businesses to manage their business and will alter the relationship between employers and employees profoundly for the better. And collectively the *Workplace Relations Act* has laid the foundations of more productive businesses and a more productive Australian economy.

And if you are looking for some kind of independent, critical judgement on what has been achieved over the last 18 months - and although his speech was not directly addressed to what the Government has done, but it would never have been made if the Government had not done what it has done over the last 18 months - I'd invite your attention to the speech that was made in Perth two nights ago by Mr Ian Macfarlane, the Governor of the Reserve Bank of Australia.

In the 23 years that I've been in politics I have never heard Reserve Bank Governors say that in the short term, at least, the speed limits on economic growth have been lifted in Australia. Reserve Bank Governors normally tell you why you can't grow rather than tell you that you are in a position to grow at a much faster rate. And he is the first Reserve Bank Governor I have heard in 23 years use language of that kind. And what essentially Ian Macfarlane was saying the other night was that the fundamentals of the Australian economy are such that we can now afford to grow at a faster rate without getting into the danger zone of reigniting inflation or the danger zone of threatening our external account.

Now, it's a long time since the Reserve Bank Governor has felt able to say that. And I think it represents a tacit endorsement of what has been achieved over the last 18 months. But more importantly, it is a sign of great confidence from a person who ought to know the fundamental strength of the Australian economy.

It's a declaration of optimism about the future of the Australian economy. It is a declaration that we ought to have the courage and we ought to have the capacity to grow at a much faster rate.

And very importantly, given the human dimension that is involved, it is very good news for the unemployed of Australia. Because the only way that we will reduce unemployment in a lasting fashion in Australia is to do two things. We have to grow the economy at a faster rate, at least four per cent or more a year and we have to remove those things that make it unattractive to employed people in this country. And if we can really get the economy growing at a faster rate and have the Reserve Bank Governor saying that the fundamental constraints that have existed in the past, at least in the short

term, don't exist now, that is very good news. If we can get the economy growing at a much faster rate then I believe that that does represent extremely good news for the unemployed of Australia. So as I look back over the last 18 months, I see it very much as involving a process of repairing the foundations of the Australian economy; of fixing the budget deficit; of bringing down interest rates; of strengthening our external account; of implementing our commitments in the election campaign to families and in the area of private health insurance and in the area of small business. And in the collective way, very much repairing the foundations and the fundamentals of the Australian economy.

And having passed through that first stage I think it is appropriate now that we turn our gaze to the second stage. That we look forward and that we are in a position as a government to do many things that collectively will help to realise the potential of this nation as we move into the 21st Century. And realising the potential of Australia, realising the capacities of Australia and delivering in full on those capacities and that potential is, of course, the central goal and the central aim of my Government, not only over the next 18 months, but in the years after that.

And there is no one single thing that will realise the potential of Australia into the 21st Century. There are many things that will make a contribution to that. There is our involvement with the Asia Pacific region. It's not our only trade involvement. It's not our only foreign policy involvement. But it's a very important strategic economic political and social involvement. It is the fastest growing region in the world.

We are a major player in the Asia Pacific region. And to those unthinking people in the Australian community who, in a rather cheap and populist way, have condemned the currency swap that Australia undertook to assist the Thai economy, can I invite them to contemplate just for a moment what a poor participant in the Asia Pacific region Australia would have looked if Japan was in, China was in, Hong Kong was in, Malaysia was in, Indonesia was in, the Philippines was in, but no, Australia wasn't in. So, in other words, we're a nation that's quite prepared to say that when there's something good we'll be part of the region, we'll share the bounty of the region, we'll get the economic growth of the region, but don't ask to do anything to help. And after all it's not a gift, it's not a loan, it's a currency swap. And those that have run around in this rather cheap and populist way of saying: oh look, you know, why don't give to help your own? - this is a currency swap, an intelligent arrangement between the central banks of the region and if Australia had not participated in that we would, for years into the future, have been seen as people who are just fairweather friends and people who are not prepared to make a contribution to the stability of economies in the region. And I wanted to say that and I wanted to say that very strongly.

But there are also many other things that will help us realise our potential and we move into the 21st century and I have something to say about one of those things yesterday and that is taxation reform. Many of you will know that taxation reform has been quite close to my heart and quite close to my political being for a very long time, stretching back to the time when I was Treasurer in the Fraser Government.

I believe that the Australian national interest requires a new, a better, a reformed and a modernised taxation system. I believe that the great majority of the Australian community shares that conviction. I don't underestimate the challenge that is involved in promoting taxation reform in Australia. As a veteran of 23 years in national politics, I know something about political scare campaigns. I know that they can be readily mounted. But I also know that deep down there is an enormous reservoir of commonsense and a great affection for the future of Australia and for the Australian national interest in the hearts of most Australians.

I also know that over the years people are increasingly disenchanted with a taxation system that, let us go back quite a long way to the 1950s. In the 1950s you paid the top marginal rate of income tax on your personal income if you were earning 14 times average weekly earnings. Now, I think most of us would agree in today's language that if you earn 14 times average weekly earnings you're not doing too badly. And there aren't too many of you. And that was in the 1950s and over the years that fell. It fell in the 1970s to something like 11 times average weekly earnings and in the 1980s it fell even further. And you now have the ludicrous situation in Australia, and it is ludicrous and it does sap incentive and it does frustrate the ordinary wage and salary earner in this country. You have the ludicrous situation where you pay the top marginal rate of tax when your income is a little over one and a half times of average weekly earnings. In other words a progressive taxation system that was once trumpeted as applying the top marginal rate of tax at a point where undeniably the person was a high income earner is now a taxation system that applies that top rate of marginal tax when undeniably people are not high income earners.

There are many other foibles and weaknesses of the system. And fundamental to the reforms that I have in mind is the utter conviction that what we need is to alter the mix of the Australian taxation system so that the individual taxpayer, particularly in the middle income bracket, is paying a significantly lower rate of personal income tax. And in order to do that you do need to have the commitment to a root-and-branch re-examination of the taxation system. And that must involve, obviously, the consideration of the introduction of a broad-based, indirect tax. It must involve an examination of that tax replacing some or all of the existing indirect taxes. Any reform must pass the basic test of fairness, we're not in the business of reforming the Australian taxation system to accommodate a narrow, privileged section of the Australian community. But equally we're not in the business of creating a new system that doesn't provide incentive for the entrepreneurs and the risk takers of the Australian community. We recognise very, very much the need that when we do change the Australian taxation system that there is proper compensation for those in the community who are deserving of special consideration. And I use those words deliberately and I couch that description quite advisedly.

And we also need to address the fragile state of Commonwealth/State financial relations. Over the years there has grown an imbalance between what the States collect in tax and what their spending responsibilities are. The recent decision of the High Court of Australia has, I suppose, exposed for the entire Australian community to see the soft underbelly, and that's being polite, of the existing financial arrangements between the Commonwealth and the States. So taking a look at those things together there is an overwhelming case to embrace fundamental taxation reform and that is why after its two day meeting earlier this week, the Cabinet authorised me to make the announcement that I did. And I did it, I must say, with a great deal of enthusiasm and a very strong personal commitment because of the many things on the economic front that Australia must do to realise its potential for the 21st Century is to give itself a chance with a new contemporary and modern taxation system.

We have tackled the challenge of industrial relations reform. We have tackled the challenge of repairing the budget. By commitment to reform and repair in those areas we have laid the foundation stones of stronger economic growth, which over time will deliver improvements on the employment front. We have embarked on the most progressive and bold privatisation programme of any national government in Australia. And very soon the average wage and salary earners of Australia, all Australians will be able to share in acquisitions of an interest in Australia's great public utility, Telstra. And I'm very proud to say that we will be making very, very particular and special arrangements for the employees of that company and delivering on the commitment to ensure that whenever a Liberal-National Party government privatises a government asset we pay particular care to the faithful employees of the public utility.

So taking all of those things together my friends, I think we do have a picture of a government that has set about in a very purposeful way in first of all, to use the vernacular, cleaning up the budget mess and cleaning up some of the other messes that have been left behind, but more importantly fixing its gaze on the future.

I am, as is Bob Carroll, an unfounded optimist about the future of our country. It's a great Australian cliché, of course, to say that whenever you go overseas you come back convinced that this remains the best country in the world. And can I say that is not an experience which is confined to retired people who go overseas, perhaps for the first time. It's not an experience which is confined to young people who go on working holidays around the world. It's not an experience which is confined to business men and women who go overseas. But it's also an experience which the Prime Minister of this country is very happy to confess that he has whenever he goes overseas.

And despite the enormous strength, and it's a strength that I admire of the United States economy, which I witnessed a few weeks ago, and the evident strength amongst European economies, of the British economy and all the other strengths of the developing and emerging nations of the Asia Pacific region, this country does have a combination of social stability, egalitarianism, economic hope and an overall attitude to life which provides a national mix without parallel anywhere in the world. And that, of course, places an enormous responsibility on all of us as Australians. It places a particular responsibility on the Government that I lead as the representatives of the Australian nation. And it also places a responsibility on you as supporters of that government.

And that responsibility is to preserve the remarkable national harmony of Australia. A national harmony that has been contributed to by people from all around the world, especially since the end of World War II. A national harmony which has grown out of the innate decency of the Australian people. And a national harmony that rightly marks us out as a very special nation. We not only have the responsibility of preserving that national harmony but we also have the responsibility of realising the great potential that Australia has as we move into the 21st Century.

We do have a special place in this part of the world. We are lucky that we live cheek by jowl with the fastest growing region in the world. And we bring to that association the advantages of being a projection of western civilisation in this part of the world.

I don't see our historical associations as an encumbrance in our relations with the region. Rather I see those associations as an enormous advantage. It gives to this country a special opportunity and a special capacity to realise its very great potential.

So can I say to all of you, virtually half way through the first term of office of the Coalition Government, can I first of all thank you for the support that you've given us over the last 18 months. The support that the Queensland Division of the Party gave us in the lead up to the last election. The lovely number of seats you gave us on the night of the election. I want to thank my colleagues for help and support and loyalty that they've demonstrated towards me.

I also want to say that over the last 18 months I'm very proud of what we have achieved. Like all Liberals we tend, on occasions, not to blow our trumpets as loudly as we might. We somehow or other often get caught up with that problem. And I think sometimes we ought to understand that and do a little more about it. But when you look at it, the score card over that 18-month period has really been quite remarkable. But more importantly is what lies ahead of us.

And I am really quite excited about the challenge of the tax debate. There's nothing in life, there's nothing in politics quite like having particular goals and particular challenges. And the idea that we can give to this nation a fairer, more incentive-based, better, more contemporary, more modern taxation system, one that will greatly improve the competitiveness of the Australian economy, one that will greatly improve its capacity to compete effectively, not only in our region but around the world, that is a challenge which I rise to with enormous enthusiasm.

I saw just before I came here tonight - I should share this concluding thought with you - I saw the Deputy Leader of the Opposition, Gareth Evans, on television. Yes I did. The interviewer said: Mr Evans, do you believe in tax reform? He said: yes, I do. What form should the tax reform take? He said: oh, there should...you reform the tax system, he said, by generating much more economic growth, and the extra money you get from the growth you use to do all the things that you want to do, and that maybe you do one or two other things, little things at the margin. But, he said, that's tax reform. That's what Mr Evans' said.

Well, I've got two comments on it. The first is that they had 13 years to generate that extra economic growth and use the proceeds to repair the taxation system and abysmally failed to do it.

And the second observation I make is that Gareth Evans has got form on the GST. And over the months ahead you're going to be hearing a lot more about that form.

You may all remember after the 1993 election there was a programme on the ABC called 'Labor In Power' and it contained a lot of very frank interviews with members of the then government. And they were very frank because most of them thought they were going to lose the 1993 election and they were a little more forthcoming than might otherwise have been the case. And there was an interview with a former senior Treasury official, David Morgan, in which he said that the - when they were having this debate in 1985 about whether they'd have a consumption tax - he said that the turning point - he was in the Cabinet room - he said the turning point in the debate, he said, came about one o'clock, he said when Gareth Evans threw down his papers - that sounds about right - threw down his papers and said: well, I've heard enough, he said, I have sat here for two hours, he said, and nobody has been able to punch a whole in the idea of a consumption tax.

And it's a very, very interesting thing that I think one of the difficulties that both Mr Evans and Mr Beazley are going to have over the months ahead is that deep down they both believe that fundamental taxation reform is unavoidable and must be embraced. And both of them were, in fact, enthusiastic supporters of Option 'C' that was taken to the Tax Summit by my predecessor in 1985.

But, ladies and gentlemen, that was a political aside which you'll understand my making and I hope all of you make it in the months ahead.

But, again, thank you very, very much for your support. I feel a great sense of enthusiasm and excitement half way through our first term in government. I think we have ahead of us an enormous opportunity to be remembered as a government that led the way in realising the great potential of this country into the 21st Century and I'm very privileged to have the opportunity of leading that government.

Thank you.