

YOUNG LIBERAL CONVENTION,
CANBERRA, ACT

15 FEBRUARY 1971

Speech by the Prime Minister, Mr. John Gorton

Thank you, Mr. Chairman, for giving me the opportunity of making a short speech at the beginning of the Convention.

It is greatly heartening to a Party to see 200 delegates of Young Liberal organisations from all over Australia coming here to Canberra to discuss those matters which they feel are of importance to the Party now, and which they believe will be of importance to the Party in the future. They are matters which, in the short term - comparatively short term - they believe, as I do, will lead to a Liberal victory in 1972, and in the longer term, will be of great benefit to the people of Australia in the decade ahead.

So it is significant and important that this meeting should be taking place. But having said that, Sir, I confess to a little disappointment at some of the motions which are to be discussed by this gathering from all over Australia - perhaps more disappointment at what is not down on the Conference agenda than at what is.

There are many suggestions that taxation in one form or another should be reduced, that death duties should be abolished, that other taxes should be looked at, but there are few constructive suggestions - I hope you will forgive me for saying this - there are few constructive suggestions for really tackling the major problem which faces Australia now, and yet this is that which above all else I think should be engaging the minds of Young Liberals.

There can be no doubt that what Australia must do first is to beat the threat of inflation which now faces it. I don't think that it faces us in a stark way as yet, but as I said when speaking to the nation, the underlying rate of growth shown in the last Consumer Price Index, coupled with the large wage and salary increases we can expect as a result of Arbitration Court and State Wages Tribunal decisions and over-award payments, make it necessary to ensure that the underlying threat does not become a real threat. For if it does, then we inside Australia will be the poorer, all of us. We will not be able to build the number of schools, the number of hospitals, the number of public amenities which we otherwise would be able to build.

For if you have a school which is estimated to cost - let us say, half a million dollars - and because of direct wage costs and because of indirect costs then the same school, the same size, the same quality, turns out to cost \$700,000, we will not be able to build the same number of schools... and that is self-evident. Unless, of course, we so mulct, we so tax the private sector in Australia that it loses all incentive to produce those things on which ultimately the public sector depends. So this inside Australia is an immense threat to us; outside it threatens that export programme which is now so well under way in manufactured goods. It poses tragic choices to the primary producer and it bears down immediately and heavily on the pensioner, on the retired man who is not a pensioner and who is too often thought about too little.

So this, I believe, is one of the significant...the most significant first task which we have before us. I hope you will discuss this, and I hope you will put your views as to how this should best be attacked at the root.

There are some things which one can do which ameliorate, which take away some of the causes, some of the causes in some of the areas where the pressure of demand is growing most. But what we need is a community agreement - of those who earn wages, who earn salaries, who pay wages, who pay salaries, who consume - that while there is a need and a requirement to increase the living standards of all by increasing the true wages of all, and that while that must and will be the requirement of a Liberal Government, yet if one seeks to go too fast and raise wages at a greater rate than production, then one is self-defeating and doing no good to anybody in Australia.

Well, as you know, we are taking steps in this direction, not the least being steps - let us call them self-denying steps - in reducing the public sector expenditure that the Commonwealth is to make, And we are also taking steps to see that State expenditure also does not grow...and is reduced.

You often hear - this is by way of a parenthesis - you often hear attacks on Commonwealth spending. You read it in leading articles.....(Interjection - It is on the agenda!) Well when the matter on the agenda is being discussed, I do hope that there will be many here who realise that Commonwealth spending at least as to approximately one-third of the total is not Commonwealth spending at all but State spending, because it is reflected in the grants, the reimbursement grants made to the States and by the direct purpose grants made to the States.

Too often, and this is really the only point I wish to make, people forget when talking of the volume of Commonwealth spending, and how it has grown, that in fact a third of it is not actually Commonwealth spending at all, but the sort of spending that so many State branches so often say should be increased. The figures, no doubt, you will all have at your fingertips! But in both these areas, steps are being taken now.

And on the question of reducing the amount which the Commonwealth would otherwise have spent for its own purposes - not for State purposes - in this year, there will be an announcement very shortly showing a significant reduction in what would otherwise have been spent. I emphasise "in what would otherwise have been spent" - because while we brought in a Budget at the beginning of this year, we have since been faced with an increase of approximately \$110 million as a result of wage and salary determinations by the Arbitration Court and by the Commonwealth Public Service Board. We have been faced with the decision of one of the Houses of Parliament that during this year the money for the States Receipts Tax should be made available to the States without there being a tax, and various other costs rising as a result of increases in costs of materials.

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But that being so, there will still be a very considerable reduction in Commonwealth spending, and this has, I believe, two advantages, I hope you would agree with me. One, it does show that we are in earnest when we talk about the need to tackle this problem, and, two, it does leave for the private sector more chance to get labour and materials for the purposes of the private sector which again - and let us not forget it - is that sector from which public spending ultimately must come. So these will be matters for your concern and your recommendation and your advice. And other matters pale into some insignificance until this is done.

But I hope that we will not let ourselves be swayed by what I think is the entirely fallacious argument put forward by the ACTU. That is, that wages and salaries have no effect, or very little effect at all on rises in prices. (Laughter). The only way..... I know it is almost laughable, but it is seriously put. The only way in which that could ever be true would be if the additional cost to a manufacturer of rises in prices and salaries were entirely taken out of the profits that manufacturer was making. That is the only possible way in which this could happen.

Yet manufacturers and our big firms are not making excessive profits. We look at a newspaper and we see a profit for BHP, let us say, which is an enormous aggregate amount of money. But when you check what the returns on the funds invested are, you will find, in the form of that company, it is about $6\frac{1}{2}$ per cent. And you cannot expect people to invest in this kind of growth in this kind of company at much less than 6 per cent, If they have saved it, then we believe they should get a proper benefit from investing it. While I wouldn't undertake to say exactly what a proper benefit is, I am quite sure that if you look at the returns of our major companies on funds invested, you will not think they are excessive. And, indeed, if some organisations, some opposition were to seek to attack these further, then I believe the danger to Australia would be that people would stop investing in such companies, that they would look for an easier way to earn their money, that they would go into tertiary industries, service industries, some other way which made it easier and less destructive and less distracting.

So these are again all matters for your consideration. They will be, I have no doubt, debated at great length in the Parliament when it meets, and I hope with some benefit. But in overcoming, we will do as we have already done, one or two unpopular things. I hope that all the Liberal Party and all the Young Liberals will realise the necessity for such unpopular things and will realise that a transient unpopularity is as nothing compared ~~with~~ the popularity which would flow to a government which successfully overcame the problems now before it and, more importantly than that, is as nothing to the benefit which would flow to the country from such action by such a government.

Sir, you told me to speak for ten minutes or so, and this I have done. You did indicate that you would like me to speak on the Commonwealth Conference at Singapore, but there is little more to say on that. I think you have all read about it and heard about it, may have seen me speaking on TV about it. It would be rather a rehash, I think, if I were to spend any time on this other than to say one thing.

The Commonwealth of Nations, in my view, will only survive if all those in it accept the fact that it is not an organisation which can pass any resolutions binding on all its members, that it should not try to do this, that it should not claim a consensus binding on all its members, but should continue to be a loose voluntary organisation, spending most of its time on those areas in which it can agree, rather than seeking to become a small United Nations. This I have said before, and this I think I will not labour now.

So, Sir, having put before the Young Liberals what I think the major problem in Australia is today, I now leave them to debate. May I make this plea?

If people are to come from as far as you have come, many of you, if you are to debate motions of significance to Australia's future, then it is essential that you should debate them with knowledge and with facts and seek to arrive at a conclusion through discussion, not seek to impose a conclusion through having made up your mind before you start. I say this because, again, in this agenda, there are matters such as people saying that Australia has not attempted to raise an Army by other than National Service. This is not so. I am sure there will be people here who will know it is not so and will be able to argue about it. And, similarly, there are other matters of the kind.

But looking at the second point on the agenda -

"That his Convention calls upon the Federal Liberal Government to emulate the policies of the British Conservative Government to substantially curb public expenditure"

- I'm not sure about the social services, I will put that aside! -

"and limit expenditure to all Government Departments to stop the uncontrolled growth of bureaucracy"

- I can only say, Sir, that I must have had a little prescience before this was put on the Agenda. This was something like the prescience I apparently had when I got a telegram from Bert Kelly saying "We urge you strongly to export the rams"and they went that night!

Sir, I now declare this Conference of the Young Liberals to be open.
