

PREMIERS' CONFERENCE ON PRICES AND  
INCOMES MATTERS AND ALL OTHER ASPECTS  
OF INFLATION

OPENING STATEMENT BY PRIME MINISTER

10.5.73

There can be today no more important reason for the Australian Government and the State Governments to come together than for the purpose of addressing ourselves jointly to action against inflation.

The ready response of all Premiers to the proposal for this meeting is a measure of your concern about the problem of inflation. That concern is fully shared by the Australian Government and - I am convinced - by the Australian people.

It is, I may say, a concern which is not peculiar to Australia. In all the advanced economies of the world, people are expressing similar concern. Our own position is no worse than many and a good deal better than some. But that, as I shall have reason to point out, is in itself cold comfort.

As you all know, the initiative for this meeting came from the Premier of Victoria. Mr. Hamer wrote to me on 9 April suggesting that what was necessary to achieve effective action against inflation was the development and implementation of a comprehensive national prices and incomes policy. He pointed to the division of relevant constitutional powers between the Australian Government and the State Governments and suggested that a Premiers' conference should be convened in an effort to achieve close understanding and co-operation between all of us in this matter. We moved quickly to welcome that initiative; and you have responded promptly to my invitation to meet here today "to discuss prices and income matters and all other aspects of inflation".

Let there be no doubt as to the seriousness with which the Australian government views inflation. We have been elected on a platform of social change. We have promised the Australian people a program of wide-ranging and overdue reforms in the social structure of this country. To carry out that program is the primary objective of this government.

But we now find the possibilities for desirable social change threatened by a potential resurgence of inflationary pressures. We are fully alert to the distortions inflation wreaks on the distribution of incomes; its insidious effect in reducing the real value of savings; its unfair impact upon those in greatest need; its adverse longer-term consequences for growth; and, above all, the danger that if no action is taken inflation will develop into accelerating inflation.

To the extent that inflationary pressures re-emerged it would reduce our capacity, both in the Budget and more generally, to bring about the social changes which are our foremost aim. Because we have a responsibility to pursue our program - to carry out our mandate - we must find effective means of tackling inflation. We are determined that the realisation of our program will not be thwarted by any lack of resolution in coping with inflation.

I fully recognize that political views around this table differ. But in this matter all of us have a common interest. Inflation adds to the problems of us all. Most certainly, inflation runs counter to all that my Government stands for - and seeks to achieve. Now that the worst manifestations of last year's

unemployment situation are behind us, we rank inflation as the number one economic problem. We will do all we can to bring rising prices under control.

But inflation is an evil which permeates the economy and, more, the society. It is widely recognised that there is no simple solution to it - it has to be tackled across a broad front, and by every means at the command of governments. I hardly need to add that, in the Australian context, that means that the State governments have a vital role to play. Mr Hamer's message and the presence of every Premier acknowledges this fact.

I turn now to the measures which the Australian Government has already taken, and the further measures which we propose, to bear down against rising prices:-

- . Revaluation: On 23 December - within three weeks of taking office - the Australian Government revalued the Australian dollar. The primary purpose of that measure was not to curb rising prices but to correct a fundamental disequilibrium in Australia's balance of payments. But a secondary purpose was to exert a downward influence on our domestic price level. In this respect our decision to revalue is having, and for some time ahead, will continue to have beneficial effects on prices in wide areas of the economy.
- . Reaction to Devaluation of the U.S. Dollar: It was with these same joint considerations in mind that we determined what reaction should be given to the announcement on 12 February that the United States dollar was to be devalued. Our decision to sit pat - and thereby appreciate further against the U.S. dollar and any

other currencies which followed it, wholly or in part - was in line with our decision of 23 December. As a result of these twin decisions, import prices are now stable - they may even be falling moderately. That in itself is testimony to the beneficial effects of the decisions in providing a countervailing influence against rising prices. Similarly, those firms which had previously undertaken borrowings in foreign currency should now be enjoying actual or prospective windfall gains as a result of the recent changes in relative exchange rates. It is our feeling that the sense of corporate well-being that must bring should also find some reflection in the market-place for prices.

- Inquiry into Proposed B.H.P. Price Rises: At the request of the nation's largest industrial enterprise we set up an inquiry into steel price rises proposed by the company. In the result rises averaging 3 per cent occurred instead of the rises of 7 per cent proposed. Steel prices have wide repercussions throughout the economy. There can be no doubt that, had steel prices risen by 7 per cent, prices generally would be rising even faster than they now are.
- Joint Parliamentary Committee on Prices: Other things being equal, importers should now be seeing reductions in the landed prices of their goods. We are concerned to ensure that such reductions are passed on. They were intended to accrue, and should accrue, not to a particular group but to the Australian people as a whole. We look for appropriate action in that field from the price-setters involved. And to encourage them in that action we have referred the question to the Joint Parliamentary Committee on Prices, as one of its first major areas of investigation.

We have, similarly, referred to that Committee for investigation the question of meat prices - the recent

sharp rise in which has so greatly contributed to the large rise in the Consumer Price Index recorded in the March quarter.

Our attention has been drawn more recently to the marked disparity which now exists between retail prices of petrol in Sydney and Melbourne. My colleague, the Minister for Minerals and Energy, has now received a report on this matter which has been prepared for the Australian Automobile Association. As he has said yesterday in the House, this matter will be pursued with vigour and to the full limit of the Government's powers.

- . Liquidity Measures: As I said in my statement announcing the revaluation of the Australian dollar, the flood of foreign capital into Australia had resulted, by the time we took office, in "a build-up of domestic liquidity to a dangerously excessive level". With the economy picking up pace there was here a tinder-box ready for the match. It was, clearly, imperative that action be taken to dampen any such prospective conflagration. Simultaneously therefore with revaluation we moved to check any further build-up of liquidity from this source by imposing the 25 per cent deposit requirement scheme on new borrowings abroad. Such borrowings have, to all intents and purposes, largely ceased.

Again, by way of follow-up to this the Treasurer on 1 February last announced measures to broaden the coverage of restrictions on overseas borrowing and associated measures. The coverage of the controls was extended to include not only formal contracts to borrow but also indirect forms of borrowing and transactions having a similar effect on capital inflow.

. Monetary Policy: The measures I have just referred to were of course taken within the context of our policies towards the balance of payments and the inflow of capital from abroad. But, as I have made clear, they were also taken having in mind the contribution they could make towards diminishing a major problem - the state of domestic liquidity. This brings me to the subject of monetary policy generally.

It is I think agreed on all sides that, whatever other steps may be necessary to check inflation, all are likely to prove futile unless fiscal and monetary policies in the broad are sensibly and responsibly geared to the productive capacity of the economy. Such policies are not, in themselves, enough: but we believe - and we are supported by all competent opinion both within Australia and overseas - that they are the essential basis, the sine qua non, for an effective anti-inflationary strategy.

On the monetary front, with economic activity continuing to expand strongly, continuation of the unduly easy stance of monetary policy would have been fraught with dangers for the period ahead. We have, accordingly, seen as appropriate the decision by the Reserve Bank to make a call of one per cent to the Statutory Reserve Deposits of the major trading banks in April.

Similarly, in approaching the difficult decisions involved in setting terms for the May loan recently announced - decisions in which of course you in your capacities as members of the Loan Council have so responsibly participated - we have had to set aside what we would have liked to do in favour of what it was clearly necessary to do. We have, in short, met the yields which, since the February loan, had emerged in the market. To have attempted to maintain a lower yield structure would have meant continuing large-scale purchases of bonds by the Reserve Bank with consequent expansionary effects upon the liquidity of the private sector. In present and prospective circumstances we were not prepared to countenance such an outcome.

In these connections I should also say that the Treasury and the Reserve Bank have been asked to make a detailed study of the various aspects of the regulation of the financing activities of non-bank financial intermediaries.

. Task Force to Review the Programs of the

Previous Government: The Government is, of course, aware that in approaching questions of overall economic management it will be necessary for it to give considerable attention to fiscal as well as to monetary policy. As a first step in that regard I announced on 3 April last the constitution of a special "task force", under the Chairmanship of Dr. Coombs, to examine the programs carried over from the previous government.

Its efforts should assist us in seeing what scope there may be for pruning expenditures. Clearly, it will be necessary in that or other ways to "make room", within the totality of the public and private demands upon the economy, for the carrying through of our own priority programs.

- . Prices Justification Machinery: My colleague the Treasurer has, only yesterday, introduced into the Parliament a Prices Justification Bill. I shall not seek to detail its provisions here. However, companies will be required to give prior indication of price rises so that they can be examined, their effects assessed and their justification determined by the Tribunal set up for the purpose. The Tribunal may also investigate cases where circumstances suggest price reductions should have occurred, but have not. It will also be able to inquire into and report on price increases which companies made prior to the measures coming into force in the hope of beating the gun.



We shall be appointing to the Tribunal persons of the standing and quality of those who have constituted the Trade Practices Tribunal. In that case, of course, the members were appointed by our predecessors. They have our respect and confidence.

- . Restrictive Trade Practices Legislation: As an important aspect of its attitude towards competition policy - with the bearing that has upon the ability of price-setters to push up prices - the Government proposes to introduce more effective legislation to deal with restrictive trade practices. The proposed legislation will deal with contracts in restraint of trade, monopolization, resale price maintenance, price discrimination, anti-competitive mergers, exclusive dealing that substantially lessens competition or leads to a monopoly position and unfair and deceptive practices affecting consumers. It will deal with these provisions by directly prohibiting them instead of, as at present, leaving them to be restrained separately after time-consuming enquiries. By this means the legislation will have an early impact on the economy.
- . Protection Policy: Another aspect of what I have called competition policy is to be found, of course, in the area of protection against competition from overseas. The Government has confirmed its support for the progressive review of the tariff by the Tariff Board which is now in progress. We will ensure that the further references required to enable the Board to complete its review will go forward.

The Government proposes to establish a Protection Commission to advise on assistance for both primary and secondary industry. Some two months ago I asked Sir John Crawford to advise on the functions, structure,

membership and procedures of the proposed Commission.

Sir John's report will be available about the middle of the year and the Government will act promptly when the report has been received.

- Action in the A.C.T.: The Minister for the Capital Territory, who is present with us here today, has approved the preparation of legislation to set up a Business Leases Review Board to examine harsh, unconscionable or unfair rentals of commercial premises which are producing unnecessary inflationary repercussions in the Territory. The Minister has also approved the establishment of a comprehensive A.C.T. Homes Insurance Scheme similar to the successful low premium War Service Homes Insurance Scheme. The Minister is examining proposals for a public conveyancing service, controls over excessive advertising and similar ways of reducing ultimate costs to the consumer. By way of buttressing, within the Capital Territory, the actions possible under the ambit of the Prices Justification Tribunal, the Minister has also approved the re-activation of the Prices Regulation Ordinance which was introduced by the Chifley Government but which has lain dormant for some years.
- Consumer Protection: The Australian Government has been concerned about the need for improved means of protecting consumers against unfair trading practices. To that end we are moving to exploit the capacities of our own scientific and technical experts in the formulation and implementation of a framework of standards for consumer products.

- . The Cities: We believe that inefficient cities are one source of inflationary pressures. Present-day inefficiencies in our major cities increase the costs borne by city dwellers in their capacities as home-buyers, as commuters, as rate-payers and as taxpayers more generally. In the longer-term, the policies of the Australian Government, designed as they will be progressively to improve the efficiency of city living in Australia and the welfare of our city dwellers, will contribute to removing the inflationary pressures which these present inefficiencies help to generate.
- . Proposed Establishment of Housing Standards Committee: As a contribution to improving efficiency and reducing costs in the housing construction industry, the Australian Government is contemplating a forum in which housing standards and guidelines based upon proper technical analysis rather than upon traditional notions will be worked out. It would involve an expert technical unit in the Australian Department of Housing to undertake the necessary research, development and co-ordination, this work to be undertaken in close association with all interested parties. We would establish an "Australian Housing Standards Committee" for this purpose.

. Consultations with Management and Trade Unions:

Economic management is largely the responsibility of the Australian Government. We accept that responsibility, and our actions have already gone far to reflect that.

However, one group or one Government alone cannot grapple fully with the problem. To do so requires a wider effort.

In a real sense, that is why we are here today.

I shall come shortly to the ways in which the States can support our own efforts. But there is also the private sector. We are planning this year to have economic consultations, as our predecessors did, with representatives of important areas of the economy - manufacturing, commerce, the trade unions and so on.

We will be putting it to them - to employers and unionists alike - that we look to them to support by the exercise of restraint in their price and wage proposals the policies which this government already has initiated or has in hand.

Just as we will be seeking the support of the non-government sector to these ends, we would hope that you, the political leaders in your States, will take opportunities to do the same.

What the Commonwealth Seeks of the States

I spoke earlier of Mr. Hamer's reference to the division of relevant constitutional powers between the Australian government and the State governments. There is certainly scope for complementary action by our several governments which will

bear on particular aspects of the inflationary problem. Five months ago when we came into office we sought and obtained the co-operation of the States in immediate measures to relieve the unemployment situation that was concerning us all. I hope that we can look to the State Governments for the same willing co-operation as we address ourselves to the rather different problems of today.

Specifically, I would now like to suggest the following areas which appear to be promising in this respect.

- (1) Action to Complement the Australian Government's Prices Justification Legislation. The legislation introduced yesterday by my colleague the Treasurer will apply only to companies whose receipts exceeded \$20 million in the preceding financial year. That limit has been struck to ensure that the scheme is administratively manageable. The Australian Government's legislation will bring under scrutiny prices charged by the larger companies which are the "price leaders" in respect of many products. But there are large areas of economic activity which will not be brought under scrutiny. That is to say, there is ample scope for complementary action by the State Governments to support and reinforce the impact of the Australian Government's initiative.
- (2) Land Prices. The Australian and State Governments need to consider, together, whether something can be done about soaring land prices. In the longer-

term, new cities will help to take pressure off living space in and around our existing cities. But action with a more immediate impact is also needed.

I wrote to all Premiers on 27 December 1972, seeking co-operation on this important matter. My colleague, the Minister for Urban and Regional Development, is actively pursuing it. Your Governments have been invited to introduce legislation to stabilise land prices so that land needed later for growth and development can be acquired at prices free from speculation. The Australian Government is discussing with your Governments the establishment of State Land Commissions, to participate actively in the land market and to increase the flow of residential land at reasonable prices.

I know that some States are more advanced, and more willing to advance, in these directions than are other States. I know too that the problems vary in intensity and nature as between States. We hope that all States will be prepared to make their contribution to the prime objective of giving Australian families access to land at fair prices.

- (3) Building Costs. There are various possible ways in which State Governments might act to check the serious upward spiral in building costs - and particularly, of course, the costs of housing construction.

As the Treasury said yesterday in its published Round-up of Economic Statistics, the demands being made upon the housing sector are now clearly excessive. As a result, house-building is under severe strain from lack of men and materials. Office-building is also going on apace - especially in the central business districts of the big cities - and there is some evidence of a prospective glut in this sector. Some reduction in activity in office-building would of course release resources and this could marginally ease the problems in the housing sector. We recognise, of course, that the scope for transferring the particular resources concerned is limited and it would in any case no doubt take some time before any significant relief could be hoped for. But the Government believes that the State Governments - particularly those in whose States most of the large office projects are going forward - should at least examine the possibilities. Is there a glut? Will there be a glut? What could be gained for housing if office building were restrained? And what means of restraint are available? Surely these are matters which are worthy of some examination by State Governments in co-operation with us.

As a separate matter, I have been personally disappointed in the slow and reluctant acceptance by some of the States of the Australian Model Uniform Building Code which you yourselves have worked out and I sincerely hope that those States which have not so far adopted it will do so. I would propose to invite each Premier to nominate

a representative or representatives to engage in the work of the contemplated Australian Housing Standards Committee. We shall provide more details in direct ministerial contacts.

- (4) Restrictive Trade Practices. I referred earlier to the Australian Government's proposal to introduce more effective legislation to deal with restrictive trade practices. These practices are rife in Australia and their very purpose is usually to keep prices up. They serve to aggravate inflationary trends and the need for effective legislation to control them is pressing. The Australian Government recognizes that the existing Restrictive Trade Practices Act is not effective for this purpose. More effective legislation is being prepared and it will be introduced into the Australian Parliament as soon as possible. But there will not be sufficient constitutional power to permit the legislation to cover the whole field of restrictive trade practices. The legislation will depend, in the main, on the corporations power as that power was construed by the High Court in the Concrete Pipes case. There are still many uncertainties as to the scope of this power and it is plainly limited in a number of respects. For example, many trade practices, particularly those relating to services, do not involve corporations.
- This is, I believe, an area where a co-operative effort by the Australian and the State Governments can and should be made. Some states have already indicated



a willingness to co-operate by enacting legislation referring to the Australian Parliament the necessary power to deal with those trade practices that are at present beyond its reach. We are grateful for their indications of willingness to co-operate and propose to take the matter up with them very soon - now that the nature of our own proposed legislation is almost settled. I hope that other States will follow suit and make it possible for the Australian Parliament to deal effectively with the whole range of these undesirable practices. The best method of co-operation in regard to this matter would be a reference of power - similar to the one that was effected by Tasmania in 1966. A State that was not prepared to refer power could assist by enacting legislation complementing that of the Australian Parliament. I would hope that this course would also be seriously considered.

- (5) Consumer Protection. I have already referred to our own intentions in this field. But if effective action is to be taken Australia-wide it will need the active support and co-operation of the States. In that context, I suggest that the Premiers might ask their appropriate Ministers to meet with the Australian Minister of Science to discuss ways of arriving at uniform standards for consumer products and ensuring that those standards are observed.

Measures of this kind make a direct contribution to community welfare; but in the present context we also see them as assisting competitive market forces

to reduce the scope for irresponsible pricing.

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Finally, a word on incomes. Some take the position that the be-all and end-all of anti-inflationary policies is to fulminate against wage rises. That is not our position. On the contrary, we have moved to correct, in the areas under our own control, some evident anomalies and injustices. We have acted to increase social service payments to those who have been most cruelly harmed by inflation. We make no apology for acting quickly to honour our election pledges in these fields.

We are happy that in Tuesday's decision the Arbitration Commission has recognized the particular needs of low wage earners in giving them a substantial rise from the unrealistically low levels of the recent past. The Government does not take any rigid and doctrinaire position on these matters and our attitude to future wage claims, in National Wage Cases and elsewhere, will pay full regard to all of the circumstances, social and economic, which prevail at the time.

Tuesday's award was, of course, a large one, and it will add substantially to costs. With productivity rising as the output of the economy picks up, the greater part of industry should be well-placed at present largely to absorb these increased costs.

I now invite the Premiers, in turn, to put forward their own proposals and their views on the suggestions I have made. We will not solve everything in one day. But we can make progress in identifying areas where the national and State Governments can act together against a problem which, as I began by saying, confronts us all.