

8

OPENING SPEECH BY THE PRIME MINISTER,
THE HON. E.G. WHITLAM, O.C., M.P.,
AT THE PREMIERS' CONFERENCE, CANBERRA,
ON 7 JUNE 1974

IT IS NEARLY TWELVE MONTHS SINCE WE LAST MET IN THIS CHAMBER. IT HAS BEEN A MOMENTOUS PERIOD. OVERSHADOWING THE PAST TWO MONTHS HAS BEEN THE ELECTION. BUT THAT IS NOW BEHIND US. THE PEOPLE HAVE RETURNED MY PARTY TO OFFICE AND WE ARE NOW GETTING ON WITH THE BUSINESS OF GOVERNMENT.

THE GOVERNMENT IS COMMITTED TO THE PROGRAMS OF SOCIAL PROGRESS WHICH IT HAS GOT UNDER WAY SINCE DECEMBER 1972. THOSE PROGRAMS HAVE GREATLY EXPANDED THE OPPORTUNITIES AVAILABLE TO AUSTRALIANS, BOTH AS INDIVIDUALS AND AS MEMBERS OF COMMUNITIES. MANY OF THEM, OF COURSE, INVOLVE THE CO-OPERATION OF THE STATES AND THEIR INSTRUMENTALITIES.

IN MY OPENING SPEECH AT THIS CONFERENCE LAST YEAR I SET DOWN CLEARLY AND UNEQUIVOCALLY THE BROAD LINES WE WOULD FOLLOW IN OUR RELATIONS WITH THE STATES.

THE STARTING POINT WAS SIMPLY THIS: WE BELIEVE THAT THE TOTAL AMOUNTS OF ASSISTANCE PROVIDED TO THE STATES IN THE PAST HAVE, IN TERMS OF THE TASKS LAID UPON THEM, BEEN INADEQUATE. THE RESULT HAS BEEN AN ACCUMULATION OF SERIOUS DEFICIENCIES ACROSS A WIDE RANGE OF FUNCTIONS OF CRUCIAL IMPORTANCE IN THE WELL-BEING OF OUR COMMUNITY: OVERCROWDED AND INSUFFICIENTLY STAFFED SCHOOLS, AN INEQUITABLE DISTRIBUTION OF HEALTH SERVICES, HOPELESSLY INADEQUATE AND UNCO-ORDINATED SYSTEMS OF URBAN PUBLIC TRANSPORT, A HUGE BACKLOG OF UNSEWERED HOUSING, AN OVERCROWDING OF POPULATION IN OUR MAIN CITIES, AND SO ON.

THE AUSTRALIAN GOVERNMENT HAS TAKEN A LARGE NUMBER OF IMPORTANT INITIATIVES DESIGNED TO TACKLE THESE DEFICIENCIES'. BROADLY, IT HAS MOVED ON TWO FRONTS. FIRST, IT HAS ESTABLISHED NEW INSTITUTIONS AND NEW MECHANISMS FOR ASSESSING, ON A NATIONAL BASIS BUT IN FULL CO-OPERATION WITH THE STATES AND THEIR AUTHORITIES, NEEDS AND PRIORITIES IN EACH OF THE MAIN AREAS OF CONCERN. THE SCHOOLS COMMISSION, THE HOSPITALS AND HEALTH SERVICES COMMISSION, THE DEPARTMENT OF URBAN AND REGIONAL DEVELOPMENT AND THE EXPANDED GRANTS COMMISSION ARE SOME OF THE MAIN EXAMPLES OF MANY THAT COULD BE CITED.

SECONDLY, THE GOVERNMENT HAS, ON THE BASIS OF THESE EXPERT ASSESSMENTS, BEGUN TO PROVIDE LARGE AMOUNTS OF FUNDS TO THE STATES. IN RESPECT OF TWO AREAS - TERTIARY EDUCATION AND PUBLIC HOUSING - WE ASSUMED FULL FINANCIAL RESPONSIBILITY AND MADE APPROPRIATE ADJUSTMENTS TO THE LEVELS OF GENERAL PURPOSE FUNDS MADE AVAILABLE TO THE STATES. IN OTHER AREAS, WE UNDERTOOK NEW OR EXPANDED PROGRAMS OF SPECIFIC PURPOSE ASSISTANCE DESIGNED TO ADD TO EXISTING STATE PROVISIONS IN THE AREAS CONCERNED AND SO TO ACCELERATE IMPROVEMENTS IN STANDARDS.

THE OPPORTUNITIES FOR A BETTER AND FULLER LIFE WHICH THESE PROGRAMS PROMISE ARE BECOMING INCREASINGLY EVIDENT AS TIME GOES BY. WE WILL GO ON WITH THEM. THERE IS, HOWEVER, A NEED FOR ALL OF US NOT TO TRY TO PUSH AHEAD SO FAST THAT THE ECONOMY IS UNABLE TO MEET OUR DEMANDS.

I SAY THAT BECAUSE THE ECONOMY IS CURRENTLY THREATENED BY A SERIOUS INFLATION. THAT INFLATION MUST BE CURBED. THE GOVERNMENT IS DETERMINED TO CURB IT.

WE HAVE, IN THE PAST EIGHTEEN MONTHS, TAKEN MAJOR STEPS TO CHECK INFLATION. WE HAVE SET AN EXCHANGE RATE FOR THE AUSTRALIAN DOLLAR APPROPRIATE TO OUR CIRCUMSTANCES'. WE PUT A STOP TO THE EXCESSIVE INFLOW OF MONEY FROM OVERSEAS'. WE CUT TARIFFS SHARPLY ACROSS-THE-BOARD. WE INCREASED TAXES BY OVER \$600 MILLION, ON A FULL-YEAR BASIS, IN OUR FIRST BUDGET. THROUGH THESE AND OTHER MEANS WE STEADILY DRAINED OFF THE EXCESSIVE LIQUIDITY PRESENT IN THE ECONOMY WHEN WE FIRST TOOK OFFICE. IN DOING SO, WE HAD TO ACCEPT MUCH HIGHER INTEREST RATES THAN MY PARTY FINDS PALATABLE. MANY OF THESE STEPS HAVE BEEN CRITICISED BY THE VERY PEOPLE WHO COMPLAIN MOST LOUDLY ABOUT INFLATION. I NOTICE, HOWEVER, THAT NEARLY ALL THE PROFESSIONAL ECONOMISTS WHO HAVE COMMENTED ON OUR POLICIES HAVE SAID THEY WERE RIGHT AND COURAGEOUS.

IN MY PRESS CONFERENCE ON 7 MAY IN SYDNEY I SAID :-

"WE ARE PREPARED TO STRENGTHEN ALL THE STEPS WE HAVE ALREADY TAKEN AND TO TAKE ANY OTHER STEPS WHICH OUR ECONOMIC ADVISERS BELIEVE NECESSARY TO DEFEAT INFLATION."

I MEANT THAT. AND I TRUST THAT NOW, IN THE LIGHT OF THE ELECTION CAMPAIGN, IT IS COMMON GROUND THAT INFLATION MUST BE DEFEATED. IF THERE IS ONE THING THE CAMPAIGN HAS MADE CLEAR, IT IS THAT.

THERE ARE NO EASY WAYS OF CURBING INFLATION. NOR CAN IT BE CURBED BY PUSHING ALL OF THE BURDEN OF DOING SO ONTO A PARTICULAR GROUP. A DOLLAR SPENT BY THE PRIVATE SECTOR ADDS AS MUCH TO INFLATIONARY PRESSURES AS A DOLLAR SPENT BY THE PUBLIC SECTOR. A DOLLAR SPENT BY A STATE GOVERNMENT ADDS AS MUCH TO INFLATIONARY PRESSURES AS A DOLLAR SPENT BY THE AUSTRALIAN GOVERNMENT'.

THE AUSTRALIAN GOVERNMENT IS CURRENTLY SEEKING TO RESTRAIN PRIVATE SECTOR SPENDING BY KEEPING MONEY TIGHT. IT IS SEEKING TO ENCOURAGE SAVING AND DISCOURAGE SPENDING BY INCREASING THE ATTRACTIVENESS OF FINANCIAL ASSETS. HENCE THE RISE IN YIELDS ON GOVERNMENT SECURITIES THAT IS OCCURRING IN THE MARKET. WE ARE FOLLOWING SUCH A MONETARY POLICY, NOT BECAUSE WE LIKE ITS CONSEQUENCES IN TERMS OF FINANCIAL STRINGENCY AND HIGHER INTEREST RATES, BUT BECAUSE WE HAVE TO IF THERE IS TO BE A CURB ON EXCESSIVE PRIVATE SPENDING.

THIS MEETING, OF COURSE, IS CONCERNED WITH GOVERNMENT SPENDING. THAT TOO MUST PLAY ITS PART IN ANY POLICY OF RESTRAINT.

IT GOES AGAINST THE GRAIN FOR ME TO SAY THAT BUT ALL OF US HERE MUST ACCEPT THE REALITIES. INFLATION MUST BE CHECKED, AND IT MUST BE CHECKED DECISIVELY.

I KNOW I AM PREACHING TO THE CONVERTED BUT LET ME SAY A LITTLE ABOUT THE ECONOMIC SITUATION AND OUTLOOK.

THE CONSUMER PRICE INDEX ROSE BY 13.6 PER CENT IN THE YEAR TO THE MARCH QUARTER. ITS RATE OF INCREASE WAS REDUCED IN THE MARCH QUARTER BUT THE FUTURE FOR PRICES REMAINS OMINOUS.

PRICES ARE BEING PUSHED ALONG BY A COMBINATION OF EXCESSIVE DEMAND AND EXCESSIVE COST INCREASE. INCREASINGLY, PEOPLE ARE ADJUSTING THEIR SPENDING BEHAVIOUR TO INFLATION, MAKING THE PROBLEM SELF-PERPETUATING.

OVER THE PAST YEAR TOTAL SPENDING, IN REAL TERMS, ROSE BY 10 PER CENT. MUCH OF THAT INCREASE WAS SATISFIED, NOT FROM OUR OWN PRODUCTION, BUT BY A VERY LARGE RISE IN IMPORTS. WE WANTED THAT TO HAPPEN, AND IT HAS. EVEN SO, DEMAND HAS OUTSTRIPPED SUPPLIES - SHORTAGES OF BASIC MATERIALS AND EVEN OF SOME CONSUMER GOODS ARE WIDESPREAD. INDUSTRY IS OPERATING AT FULL CAPACITY, SUBJECT ONLY TO CONSTRAINTS IMPOSED BY LABOUR AND MATERIAL SHORTAGES AND, IN SOME CASES, INDUSTRIAL DISPUTES.

CREDIT AVAILABILITY HAS NOT SO FAR BEEN A MAJOR CONSTRAINT - MONETARY TIGHTNESS IS AT PRESENT CHIEFLY SERVING TO LIMIT THE DEGREE TO WHICH PEOPLE AND FIRMS BID AGAINST ONE ANOTHER FOR ALREADY SCARCE RESOURCES'.

CONSUMER SPENDING IS BOOMING. "PRIVATE INVESTMENT ALSO IS MOVING UP STRONGLY. ALTHOUGH THE SUPPLY OF HOUSING FINANCE HAS COME DOWN FROM THE EXTRAORDINARY HEIGHTS OF A YEAR AGO, THE HOUSING INDUSTRY IS STILL VERY MUCH UNDER STRAIN'. IN THE RECENT MARCH QUARTER, FOR EXAMPLE, THE INDUSTRY COMMENCED MORE DWELLINGS, IN SEASONALLY ADJUSTED TERMS, THAN IT HAS EVER BEEN ABLE TO COMPLETE IN A QUARTER'. AT THE END OF MARCH, THERE WERE 100,000 DWELLINGS UNDER CONSTRUCTION', SOME 30 PER CENT MORE THAN A YEAR EARLIER. IT IS THESE PRESSURES THAT HAVE CAUSED HOUSE PRICES TO RISE SO EXORBITANTLY - AND PREVENTED MONEYS APPROPRIATED FOR WELFARE HOUSING FROM BEING PUT TO EFFECTIVE USE. ALTHOUGH, IN THE YEAR TO THE MARCH QUARTER, MORE DWELLINGS IN TOTAL WERE COMPLETED THAN IN ANY PREVIOUS COMPARABLE PERIOD, THERE WERE FEWER COMPLETED IN THE PUBLIC SECTOR THAN IN ANY OF THE PAST 15 YEARS'.

THE PUBLIC SECTOR TOO IS TRYING TO INCREASE ITS SPENDING FASTER THAN THE AVAILABILITY OF RESOURCES WILL PERMIT'. THIS IS ESPECIALLY TRUE OF CAPITAL EXPENDITURES, WHERE SUPPLY CONSTRAINTS ARE PREVENTING BUDGETED FUNDS FROM BEING SPENT AND TENDER PRICES - WHERE TENDERS CAN BE OBTAINED - ARE BEING DRIVEN UP EVEN MORE THAN COST MOVEMENTS WOULD NECESSITATE'.

OUR POLICIES WILL BE DIRECTED TO BRINGING DEMAND BACK TO AN APPROPRIATE LEVEL. WITHOUT THAT THERE CAN BE NO HOPE OF CHECKING THE ACCELERATING TREND IN MONEY INCOMES. INFLATIONARY EXPECTATIONS, SPURRED ON BY THE RAPID CLIMB IN PRICES, ARE LEADING TO PRESSURE FOR VERY LARGE WAGE INCREASES AND TO EMPLOYERS PAYING THEM IN THE EXPECTATION THAT INFLATION WILL

CONTINUE AND THAT THEY CAN THEREFORE BE PASSED ON AGAIN IN PRICES. WE - ALL OF US - MUST BREAK THOSE INFLATIONARY EXPECTATIONS. WE MUST SHOW THAT THOSE WHO BANK ON DOUBLE-FIGURE INFLATION CONTINUING WILL BE PROVED WRONG AND SEE THAT THEY FIND THE LESSON AN EXPENSIVE ONE. IT HAS FOR SOME TIME BEEN EASY TO BORROW MONEY, INVEST IN REAL ASSETS SUCH AS PROPERTY, AND EMERGE WITH A HANDSOME PROFIT ARISING NOT FROM PRODUCTIVE EFFORT BUT FROM INFLATION. WHEN, AS WE WILL, WE HEAR OF SOME SUCH VENTURES GOING BADLY WRONG IN THE PERIOD AHEAD, WE WILL KNOW THAT THE RISK ELEMENT HAS BEEN RE-INTRODUCED INTO SUCH FORMS OF INVESTMENT.

OF COURSE, THE GOVERNMENT'S PRESENT POLICIES WILL STEADILY BRING DEMAND BACK INTO LINE. THEY WILL GRADUALLY SLOW THE INCREASE IN PRIVATE SPENDING AS TIME GOES BY. BUT THAT WILL NOT BREAK THE PRESENT SPIRAL. AVERAGE EARNINGS SEEM TO HAVE RISEN 16-17 PER CENT IN 1973-74 AND IF PRESENT TRENDS WERE TO CONTINUE THEY WOULD BE LIKELY TO RISE BY MORE THAN 20 PER CENT IN 1974-75. MOREOVER, WITH PRICES RISING AT THE RATE THEY ARE, DEMANDS FOR NEW WAGE INCREASES ARE BEING MADE LITERALLY WITHIN MONTHS OF THE LAST DEMAND. THE SPIRAL MUST BE BROKEN. THE PRICES JUSTIFICATION TRIBUNAL, WHICH WE PROPOSE TO STRENGTHEN, CAN ONLY DO SO MUCH.

IF THE SITUATION IS ALLOWED TO DRIFT, WE ARE LIKELY TO END WITH THE WORST OF ALL WORLDS - OUTPUT WILL SLOW, BUT COST AND PRICE LEVELS WILL GO ON RISING. THE GROWTH OF IMPORTS WILL EXERT A DAMPENING INFLUENCE: BUT THAT FACTOR CANNOT BE CALLED UPON FOR EVER.

I HAVE ON SEVERAL OCCASIONS ADVOCATED A REFERENCE OF POWER OVER PRICES FROM THE STATES TO THE AUSTRALIAN GOVERNMENT. SOME OF YOU, I REALISE, HAVE EXPRESSED DOUBTS OR MISGIVINGS ABOUT THE IMPLICATIONS OF ANY TEMPORARY REFERENCE OF SUCH A POWER.

I DO FEEL, HOWEVER, THAT THERE ARE ASPECTS OF THIS POWER CURRENTLY VESTED IN THE STATES WHICH ARE NOT BEING EFFECTIVELY USED IN MOST STATES IN THE FIGHT AGAINST INFLATION. THE MOST OBVIOUS EXAMPLE IS THE RAPID ESCALATION OF LAND PRICES WHICH IN 1973 WERE OF THE ORDER OF 30 PER CENT AND 40 PER CENT IN THE MAJOR STATE CAPITALS.

OUR CONCLUSION THEREFORE IS THAT VIGOROUS AND DECISIVE ACTION IS NEEDED NOW AND IN THE MONTHS AHEAD, INCLUDING IN THE BUDGET, TO TURN BACK INFLATION.

IN THIS, EVERYONE WILL HAVE TO PLAY A PART. THAT INCLUDES GOVERNMENTS. THE AUSTRALIAN GOVERNMENT WILL DO WHAT IT HAS TO DO, BOTH IN THE AREAS OF SPENDING AND COST-PUSH INFLATION. I MENTION HERE IN RELATION TO THE LATTER THAT I HAVE ALREADY SET UP AN INTERDEPARTMENTAL COMMITTEE, UNDER THE CHAIRMANSHIP OF MY OWN DEPARTMENT, AND INCLUDING THE DEPARTMENTS OF THE TREASURY AND LABOUR, TO PREPARE A REPORT FOR THE CONSIDERATION OF MINISTERS ON THE VERY IMPORTANT CONFERENCE CALLED BY MR JUSTICE MOORE TO CONSIDER METHODS OF WAGE FIXATION.

TODAY, HOWEVER, WE ARE CONSIDERING ISSUES RELATING TO GOVERNMENT SPENDING. AS I HAVE SAID, GOVERNMENT SPENDING IS NOT MORE INFLATIONARY THAN PRIVATE SPENDING, AS SOME OF OUR WILDER CRITICS SEEM TO ALLEGE. BUT NEITHER IS IT LESS INFLATIONARY. IN ORDER TO HELP BREAK INFLATIONARY EXPECTATIONS, WE MUST NOW SLOW THE RATE OF INCREASE IN GOVERNMENT SPENDING. SOME PHASING DOWN OR DEFERMENT OF SOME EXPENDITURE PLANS MUST OCCUR.

AS REGARDS EXPENDITURE PROGRAMS WHICH ARE WHOLLY OUR OWN RESPONSIBILITY, THE GOVERNMENT WILL BE LOOKING CLOSELY AT ALL SUCH PROGRAMS AS IT PROCEEDS WITH PREPARATION FOR ITS 1974-75 BUDGET. WE ARE ANXIOUS TO SEE THAT THERE IS CONTINUED SUBSTANTIAL PROGRESS WITH THE PROGRAMS WE HAVE BEEN IMPLEMENTING, ESPECIALLY IN SUCH VITALLY IMPORTANT FIELDS AS EDUCATION AND HEALTH. AT THE SAME TIME, WE RECOGNISE THAT IT WILL NOT BE FEASIBLE, IN THE CIRCUMSTANCES, TO ACHIEVE IN THE COMING FINANCIAL YEAR THE RATES OF PROGRESS WITH ALL THESE PROGRAMS TO WHICH EARLIER PLANNING AND EXPECTATIONS HAVE BEEN PITCHED. WITH A NUMBER OF THEM, WE WILL HAVE TO ACCEPT A SLOWER RATE OF IMPLEMENTATION THAN WE HAD BEEN HOPING FOR. AS PART OF THE BATTLE TO CONTAIN INFLATION WE WILL BE FOLLOWING A POLICY OF RESTRAINT IN OUR OWN SPENDING. WE WILL ALSO BE LOOKING TO THOSE OF OUR BUSINESS ENTERPRISES WHICH ARE NOT PAYING THEIR OWN WAY - THAT IS, WHOSE LOSSES ARE BEING IMPOSED ON THE TAXPAYER - TO LIFT THEIR CHARGES. USERS MUST PAY MORE OF THE COSTS INVOLVED.

FOR THE MOST PART, THE AUSTRALIAN GOVERNMENT'S DECISIONS REGARDING EXPENDITURE IN THE COMING YEAR ON PROGRAMS WHICH ARE WHOLLY ITS RESPONSIBILITY MUST NECESSARILY AWAIT THE 1974-75 BUDGET. BUT I ANNOUNCE NOW CERTAIN DECISIONS WHICH ILLUSTRATE, BY WAY OF EXAMPLE, WHAT OUR APPROACH WILL BE.

THE POST OFFICE :

WE INTEND TO KEEP THE BUDGET ALLOCATION FOR THE POST OFFICE IN 1974/75 TO NOT MORE THAN THE ACTUAL AMOUNT ALLOCATED IN 1973/74. THIS WILL MEAN TWO THINGS. FIRST, THE POST OFFICE'S CAPITAL PROGRAM WILL HAVE TO BE REDUCED BELOW THE LEVEL THAT HAD BEEN INDICATED BY THE POST OFFICE'S FORWARD PLANNING.

SECOND, EVEN TO FINANCE SUCH A REDUCED PROGRAM IT WILL BE NECESSARY FOR THE POST OFFICE TO RAISE SUBSTANTIAL ADDITIONAL REVENUE BY WAY OF INCREASED CHARGES. THE TELECOMMUNICATIONS SERVICE IS AT PRESENT OPERATING AT VERY MARGINAL RATES OF PROFITABILITY, AND THE POSTAL SERVICE IS PRESENTLY RUNNING AT A LOSS WHICH WOULD BE OVER \$70 MILLION IN 1974/75. POSTAL AND TELECOMMUNICATIONS CHARGES WILL HAVE TO BE INCREASED SO THAT AS A GENERAL RULE THE PRICES PAID BY USERS OF THE SERVICES WILL MORE TRULY REFLECT COMMERCIAL COSTS. ONE EFFECT OF THIS WILL BE TO REDUCE DEMAND FOR NEW TELEPHONE SERVICES, WHICH IS AT PRESENT INFLATED BY THE LOW PRICES BEING CHARGED RELATIVE TO THE COST OF PROVIDING THE SERVICES.

TO ILLUSTRATE THE SIGNIFICANCE OF WHAT I HAVE SAID, I POINT OUT THAT ADVANCES TO THE POST OFFICE REPRESENT THE LARGEST SINGLE ITEM OF AUSTRALIAN GOVERNMENT EXPENDITURE ON ECONOMIC SERVICES. ADVANCES TO THE POST OFFICE IN 1973/74 WILL AMOUNT TO \$385 MILLION OUT OF A TOTAL EXPENDITURE ON ALL FORMS OF TRANSPORT AND COMMUNICATIONS OF ABOUT \$860 MILLION.

AS I HAVE INDICATED, IT WILL BE NECESSARY FOR THE POST OFFICE TO RAISE SUBSTANTIAL ADDITIONAL REVENUE BY WAY OF INCREASED CHARGES. THIS IS ENTIRELY CONSISTENT WITH ONE OF THE FINDINGS OF THE COMMISSION OF INQUIRY INTO THE AUSTRALIAN POST OFFICE (THE VERNON COMMISSION) - NAMELY, THAT AN OBJECTIVE IN SETTING CHARGES FOR POSTAL AND TELECOMMUNICATIONS SERVICES SHOULD BE TO RECOUP FROM USERS THE COST OF THE SERVICES AND ALSO TO PROVIDE, TOGETHER WITH OTHER FUNDS GENERATED INTERNALLY SUCH AS DEPRECIATION AND PROVISIONS, AMOUNTS EQUAL TO 50 PERCENT OF CAPITAL EXPENDITURE IN EACH YEAR.

CAPITAL WORKS AND OTHER CAPITAL EXPENDITURE:

WE INTEND TO APPLY MOST STRINGENT RESTRAINTS ON CAPITAL WORKS AND OTHER CAPITAL EXPENDITURE IN 1974-75 BY AUSTRALIAN GOVERNMENT DEPARTMENTS AND AUTHORITIES. THE APPLICATION OF THESE RESTRAINTS WILL EXTEND TO PROJECTS IN THE AUSTRALIAN CAPITAL TERRITORY AND THE NORTHERN TERRITORY, WITH DUE RECOGNITION TO THE GOVERNMENT'S PRIORITIES IN THE HEALTH AND EDUCATION AREAS. THE FIELD IS A COMPLEX ONE AND WE SHALL HAVE TO SORT OUT OUR PRIORITIES IN THE TIME AHEAD. AS ONE SPECIFIC EXAMPLE, HOWEVER, I MENTION THAT IN THE CASE OF CIVIL AVIATION CAPITAL WORKS WE SHALL IN 1974-75 HOLD ACTUAL EXPENDITURE TO NOT MORE THAN THE LEVEL OF EXPENDITURE IN 1973-74. TO THAT END WE WILL BE TAKING ACTION TO SLOW DOWN THE RATE OF DEVELOPMENT OF NEW AIRPORT WORKS. IN ADDITION, THE CAPITAL WORKS PROGRAMS FOR CIVIL AVIATION IN THE YEAR 1974-75 WILL BE FRAMED ON THE BASIS OF THE GOVERNMENT'S DECISION TO BE RECOVERING BY THE END OF FIVE YEARS 80 PER CENT OF THE COST OF AIRPORT AND AIRWAY FACILITIES FROM THE USERS OF THOSE FACILITIES. ACHIEVING THIS POLICY OBJECTIVE IS INVOLVING MEETINGS WITH ALL SECTORS OF THE AVIATION INDUSTRY, THE MOST RECENT OF WHICH WAS HELD LAST WEEK. I ALSO ANNOUNCE THAT WE SHALL LIMIT EXPENDITURE IN 1974-75 ON THE OPERATION OF AIRPORT AND AIRWAY FACILITIES TO THE SAME REAL LEVEL AS IN 1973-74.

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PETROLEUM PRODUCTS PRICES SUBSIDY SCHEME:

THIS SCHEME AT PRESENT OPERATES TO KEEP THE WHOLESALE PRICES OF PETROLEUM PRODUCTS IN AREAS OUTSIDE THE CAPITAL CITIES TO WITHIN 5 CENTS PER GALLON OF CAPITAL CITY PRICES. THE SCHEME WOULD COST ABOUT \$28 MILLION IN 1974-75. THE COOMBS TASK FORCE SUGGESTED THAT THE SUBSIDY BE ABOLISHED, AND WE WOULD CERTAINLY HAVE BEEN ADOPTING THAT SUGGESTION IN THE COMING BUDGET. WE SHALL IN FACT NOW ADOPT IT WITHOUT FURTHER DELAY, WITH EFFECT FROM 1 AUGUST 1974.

AUSTRALIAN PUBLIC SERVICE:

IN 1974-75 WE INTEND TO APPLY A CEILING INCREASE OF 2.6 PER CENT ON THE GROWTH OF FULL-TIME STAFF EMPLOYED UNDER THE PUBLIC SERVICE ACT. AFTER ALLOWANCE FOR AN INCREASE IN THE NUMBER OF STAFF EXPECTED TO BE ON VARIOUS FORMS OF LEAVE, THE CEILING INCREASE IN 1974-75 ON TOTAL OPERATIVE STAFF EMPLOYED UNDER THE PUBLIC SERVICE ACT WILL BE 1 PER CENT.

THESE STAFF CEILINGS DO NOT OF COURSE TAKE INTO ACCOUNT ANY TRANSFER OF GOVERNMENT EMPLOYEES INTO OR OUT OF THE AUSTRALIAN PUBLIC SERVICE.

THE FIGURE OF 2.6 PER CENT COMPARES WITH AN AVERAGE COMPOUND GROWTH RATE FOR THE PERIOD JUNE 1962 TO JUNE 1972 - THE LAST TEN YEARS OF LIBERAL-COUNTRY PARTY GOVERNMENT - FOR FULL-TIME STAFF EMPLOYED UNDER THE PUBLIC SERVICE ACT OF 3.87 PER CENT.

THE STRINGENT RESTRAINT ON THE GROWTH OF STAFF NUMBERS IN THE AUSTRALIAN PUBLIC SERVICE WILL BE REFLECTED NOT ONLY IN SALARY COSTS, BUT ALSO IN NON-SALARY DEPARTMENTAL ADMINISTRATIVE COSTS.

A SIMILAR LEVEL OF RESTRAINT WILL BE APPLIED TO STAFF NUMBERS EMPLOYED BY AUTHORITIES THAT DO NOT COME UNDER THE PUBLIC SERVICE ACT.

DEFENCE PROGRAM:

IN THE DEFENCE FIELD, FURTHER ECONOMIES WILL BE ACHIEVED IN CIVILIAN MANPOWER. AS ANNOUNCED IN AUGUST 1973, A MAJOR REDUCTION IN CIVILIAN MANPOWER IS BEING MADE IN THE DEPARTMENTS OF DEFENCE AND SUPPLY DURING THE CURRENT YEAR 1973/74. THIS LARGE SAVING IS BEING ACHIEVED MAINLY BY ECONOMIES, AND THROUGH IMPROVED MANAGEMENT. IT HAS ALLOWED RE-ALLOCATION OF AVAILABLE FUNDS TO HIGHER DEFENCE PRIORITIES INCLUDING ESSENTIAL NEW FACILITIES AND EQUIPMENTS. PLANS FOR THE 1974/75 BUDGET AS PREVIOUSLY ANNOUNCED IN DECEMBER 1973 ENVISAGE A FURTHER REDUCTION IN CIVILIAN EMPLOYMENT IN THE DEFENCE DEPARTMENT OF ABOUT 1500, EVEN THOUGH LEGISLATION TO IMPLEMENT THE DEFENCE RE-ORGANISATION HAS BEEN DELAYED BY THE PROROGUING OF PARLIAMENT.

IN THE MUNITIONS FACTORIES, THE REDUCED SCALE OF PRODUCTION NOW NECESSARY FOR DEFENCE PURPOSES WILL ALLOW THE RELEASE TO THE CIVILIAN WORKFORCE OF A SUBSTANTIAL NUMBER OF WORKERS INCLUDING MANY WITH SKILLS SCARCE IN THE PRESENT TIGHT EMPLOYMENT SITUATION. THIS SURPLUS OF LABOUR OVER THAT

ESSENTIAL TO PROVIDE THE SERVICES' REQUIREMENTS FOR MUNITIONS IS NOT A NEW SITUATION BUT IS ONE WHICH SHOULD HAVE BEEN FACED LONG AGO BY THE PREVIOUS COALITION GOVERNMENT. A SIMILAR BUT MUCH LESS SEVERE SITUATION APPLIES IN THE R & D ESTABLISHMENTS AND THERE MAY BE A SMALL RESIDUAL PROBLEM IN THE SHORT TERM AT WILLIAMSTOWN NAVAL DOCKYARD.

ANY REDUCTIONS IN AUSTRALIAN GOVERNMENT EMPLOYMENT WILL BE MADE AS FAR AS PRACTICAL BY NOT REPLACING THE NORMAL WASTAGE OF PERSONNEL. RETRENCHMENTS WILL, HOWEVER, BECOME NECESSARY IN CERTAIN AREAS - FOR ONE THING TO KEEP THE RIGHT SORT OF BALANCE IN EMPLOYMENT. WHERE DISMISSALS BECOME NECESSARY THE GOVERNMENT WILL ENSURE THAT STEPS ARE TAKEN TO HELP THE INDIVIDUAL CONCERNED TO MOVE INTO OTHER EMPLOYMENT, INCLUDING SOME FINANCIAL ASSISTANCE AND RETRAINING WHERE NECESSARY. I MIGHT ADD THAT THE GOVERNMENT NOW HAS, FOR CONSIDERATION, A REPORT OF AN INTERDEPARTMENTAL COMMITTEE, SETTING OUT GUIDELINES FOR ASSISTANCE FOR AUSTRALIAN GOVERNMENT EMPLOYEES WHO BECOME REDUNDANT AND WOULD MAKE ITS DECISION ON THE PROVISIONS OF THIS REPORT BEFORE DISMISSALS TAKE PLACE.

A REVIEW OF THE ARMY'S REQUIREMENTS FOR LIGHT OBSERVATION HELICOPTERS HAS BEEN COMPLETED AND THE PRODUCTION PROGRAM WILL BE REDUCED FROM 75 TO 56 MILITARY AIRCRAFT. AS A CONSEQUENCE PROPOSED ASSOCIATED PRODUCTION OF 116 HELICOPTERS WILL NOT NOW BE UNDERTAKEN. THE OVERALL SAVING IN THE PROJECT WILL BE ABOUT \$12 MILLION OVER THE NEXT FIVE

YEARS. CONSEQUENTIAL EFFECTS ON EMPLOYMENT AT COMMONWEALTH AIRCRAFT CORPORATION WILL BE EXAMINED IN THE CONTEXT OF AN OVERALL RATIONALISATION OF THE AIRCRAFT INDUSTRY.

I EMPHASISE THAT THE FOREGOING ARE ONLY EXAMPLES AND DO NOT CONSTITUTE A COMPREHENSIVE LIST OF DECISIONS. THAT MUST AWAIT THE PREPARATION OF THE 1974/75 BUDGET. BUT THE EXAMPLES I HAVE GIVEN ARE, I BELIEVE, SUFFICIENT TO DEMONSTRATE THE STRINGENCY OF THE APPROACH THE AUSTRALIAN GOVERNMENT WILL BE TAKING AT THAT TIME.

AS REGARDS EXPENDITURE PROPOSALS INVOLVING NEW OR ADDITIONAL SPECIFIC PURPOSE PAYMENTS BY THE AUSTRALIAN GOVERNMENT TO THE STATES, WE WILL ALSO NEED TO APPLY STRICT TESTS, BOTH AS TO HOW THE PROPOSALS MEASURE UP IN TERMS OF NATIONAL INTERESTS AND AS TO TIMING, BEFORE WE CAN CONTEMPLATE COMMITTING OURSELVES TO THEM.

I CAN, HOWEVER, AT THIS POINT INDICATE OUR PROPOSALS WITH RESPECT TO ROADS AND WELFARE HOUSING.

NO DOUBT YOU HAVE ALL SEEN THE BUREAU OF ROADS' RECENT REPORT ON "ROADS IN AUSTRALIA". THIS RECOMMENDS THE PROVISION OF AUSTRALIAN GOVERNMENT ASSISTANCE FOR ROADS OVER THE NEXT FIVE YEARS.

WE HAVE DECIDED HOWEVER TO RESTRICT THE PERIOD OF THE NEXT ROAD ASSISTANCE LEGISLATION TO THREE YEARS. OVER THE NEXT 18 MONTHS WE SHALL BE WORKING TO RATIONALISE OUR SEPARATE ROAD AND URBAN TRANSPORT ASSISTANCE INTO A CLOSELY CO-ORDINATED AND INTEGRATED SET OF ARRANGEMENTS.

AN IMPORTANT STEP IN THIS REGARD IS THE ACTION WE HAVE ALREADY TAKEN TO COMBINE THE AUSTRALIAN GOVERNMENT'S MAJOR TRANSPORT RESPONSIBILITIES UNDER ONE MINISTER AND WITHIN ONE DEPARTMENT. THIS WILL FACILITATE EFFICIENT ALLOCATION OF RESOURCES, BOTH BETWEEN THE VARIOUS TRANSPORT MODES AND BETWEEN TRANSPORT AND OTHER AREAS OF INVESTMENT, AND WE CAN NOW PROCEED MORE CERTAINLY TOWARDS THAT OBJECTIVE. MY GOVERNMENT HOPES TO LEGISLATE BY THE END OF 1975 FOR A NEW APPROACH TO TRANSPORT ASSISTANCE FOR THE STATES TO COMMENCE IN JULY 1977. A PRINCIPAL AIM IN OUR INTENTION TO LEGISLATE FOR THE 1977 TO 1980 PERIOD 18 MONTHS BEFORE ITS COMMENCEMENT IS TO ASSIST YOU WITH YOUR FORWARD PLANNING.

IN THE MEANTIME, THE NEW ROADS ASSISTANCE LEGISLATION WILL BE INTRODUCED IN THE FIRST SESSION OF THE NEW PARLIAMENT AND WILL APPROPRIATE A TOTAL OF \$1,120 MILLION AUSTRALIAN GOVERNMENT ASSISTANCE OVER THE NEXT THREE YEARS FOR ROADS IN THE STATES. THIS IS LESS THAN THE AMOUNT OF \$1,345 MILLION THE BUREAU OF ROADS RECOMMENDED FOR THIS PERIOD; BUT THE BUREAU'S REPORT MUST BE LOOKED AT IN A TOTAL ECONOMIC CONTEXT AND IN THE LIGHT OF ALL OUR PRIORITIES RATHER THAN IN TERMS OF ROADS OR TRANSPORT IN ISOLATION. THE \$1,120 MILLION WILL BE MADE UP OF \$348 MILLION FOR 1974-75, \$367 MILLION FOR 1975-76 AND \$405 MILLION FOR 1976-77.

IN MY ELECTION POLICY SPEECH I ANNOUNCED THAT THE AUSTRALIAN GOVERNMENT HAD DECIDED TO PRESS AHEAD WITH THE CONSTRUCTION OF A NATIONAL ROADS SYSTEM IN THOSE AREAS WHICH

FALL WITHIN ITS OWN CONSTITUTIONAL RESPONSIBILITIES AND THAT, IN PARTICULAR, IT WOULD IN FUTURE TAKE RESPONSIBILITY FOR THE WHOLE COST OF CONSTRUCTING AND MAINTAINING THE PRINCIPAL ROAD BETWEEN STATE CAPITALS AND OF EXPORT ROADS TO AIRPORTS AND SEAPORTS. OUT OF THE TOTAL OF \$1,120 MILLION PREVIOUSLY MENTIONED, WE WILL ALLOCATE A SUM OF \$400 MILLION OVER THE NEXT THREE YEARS TO EMBARK ON THIS MAJOR NEW INITIATIVE.

FULL DETAILS OF THE PROPOSED NEW PROGRAM OF ASSISTANCE FOR ROADS WILL BE CONVEYED TO YOU SHORTLY.

IN DETERMINING THE OVERALL AMOUNT THAT WE WOULD BE ABLE TO MAKE AVAILABLE FOR ROADS WE HAVE, AS I INDICATED, HAD TO TAKE INTO CONSIDERATION OTHER TRANSPORT PROGRAMS, PARTICULARLY IN THE URBAN AREAS. WE SEE IMPROVED PUBLIC TRANSPORT AS ESSENTIAL FOR IMPROVEMENT OF THE LOT OF OUR CITY DWELLERS, AND WE PROPOSE TO PRESS ON WITH THE URBAN PUBLIC TRANSPORT PROGRAMS WE HAVE INITIATED. THE TREASURER STATED IN HIS BUDGET SPEECH LAST YEAR THAT IT COULD BE EXPECTED THAT OUR OUTLAYS IN THIS FIELD WILL INCREASE RAPIDLY IN 1974-75 AND BEYOND AS THIS MAJOR NEW CAPITAL WORKS PROGRAM GETS UNDER WAY. THAT PROSPECT STILL HOLDS. WE ALSO SEE THE RAILWAYS AS HAVING A VITAL ROLE IN OUR ECONOMY, BUT THEY MUST BE MODERNISED AND MADE MORE EFFICIENT. SO WE ALSO INTEND TO PRESS AHEAD WITH OUR RAILWAY PROGRAMS. IN THIS REGARD, I RECALL THAT ONLY RECENTLY I SIGNED AGREEMENTS WITH THE PREMIER OF SOUTH

AUSTRALIA FOR THE NEW STANDARD GAUGE RAILWAY LINE TO ALICE SPRINGS AND ADELAIDE.

THE GOVERNMENT IS DETERMINED TO ENSURE THAT LESS PRIVILEGED FAMILIES IN OUR SOCIETY ARE NOT DENIED THE CHANCE TO LIVE IN ADEQUATE HOMES, AND THAT MANY MORE LOW-INCOME FAMILIES ARE GIVEN THE OPPORTUNITY TO BUY HOMES OF THEIR OWN. OUR PRESENT POLICIES ARE DIRECTED TO BRINGING ABOUT A MORE BALANCED SITUATION IN THE HOUSING INDUSTRY AS A WHOLE. THEY ARE DESIGNED BOTH TO EASE THE PRESSURE ON RESOURCES AND THE CONSEQUENTIAL BIDDING UP OF COSTS AND PRICES IN THE INDUSTRY AND TO MAKE ROOM FOR A MORE REASONABLE LEVEL OF DWELLING CONSTRUCTION BY THE PUBLIC SECTOR. NOT ALL THE STATES WERE ABLE, IN 1973-74, TO EFFECTIVELY USE THE \$218.5 MILLION ADVANCED TO THEM UNDER THE 1973 HOUSING AGREEMENT. AS A RESULT, SOME MONEYS PROVIDED UNDER THE AGREEMENT WERE NOT USED AT ALL - AND WILL THEREFORE REMAIN AVAILABLE FOR USE IN 1974-75.

SOME FUNDS WERE ALSO USED, IN 1973-74, AS IN PREVIOUS YEARS, TO PURCHASE LAND FOR FUTURE USE BY STATE HOUSING AUTHORITIES. IN THE YEAR AHEAD, HOWEVER, WE THINK THAT ADVANTAGE SHOULD BE TAKEN OF THE EASIER CONDITIONS LIKELY TO DEVELOP TO SWITCH THE BALANCE OF ACTIVITY FROM LAND PURCHASE TOWARDS INCREASED BUILDING. AS PART OF THE BATTLE AGAINST INFLATION MY GOVERNMENT HAS MADE AVAILABLE AND IS OFFERING FUNDS TO YOU TO SET UP LAND COMMISSIONS TO REDUCE LAND PRICES BY MAKING LAND AVAILABLE AT COST. WHILE

WE HAVE RECOGNISED THAT MONEY FOR WELFARE HOUSING SHOULD BE MADE AVAILABLE THROUGH THE HOUSING AGREEMENT AT AN INTEREST RATE OF ONLY 4 PER CENT, IT WOULD NOT BE APPROPRIATE FOR THIS MONEY TO BE USED FOR THE PURCHASE AND DEVELOPMENT OF LARGE ESTATES FOR SALE TO PEOPLE WHO WOULD NOT QUALIFY UNDER THE MEANS TEST FOR WELFARE HOUSING. WE LOOK FORWARD IN THE FUTURE TO THE STATE HOUSING AUTHORITIES OBTAINING MOST, IF NOT ALL, OF THEIR LAND REQUIREMENTS THROUGH THE LAND COMMISSIONS.

IN THE CIRCUMSTANCES WE ARE PROPOSING TO MAKE ADVANCES OF \$235 MILLION UNDER THE AGREEMENT IN 1974-75 IN ADDITION TO THE AMOUNT CARRIED FORWARD FROM 1973-74. THIS WILL, IN FACT, MEAN A SUBSTANTIAL INCREASE IN THE FUNDS AVAILABLE TO THE STATES FOR EXPENDITURE ON WELFARE HOUSING. HOWEVER, IN VIEW OF THE LIMITATIONS WHICH THE HOUSING AGREEMENT PROVIDES IN RESPECT OF THE FUNDS FOR THE HOME BUILDERS ACCOUNT, IT IS PROPOSED TO DISCUSS WITH THE STATES AN AMENDMENT TO THE AGREEMENT WHICH WOULD PERMIT A HIGHER PROPORTION OF AVAILABLE FUNDS TO BE ALLOCATED TO THE HOME BUILDERS ACCOUNT WHEN CIRCUMSTANCES WARRANT.

WE THUS LOOK FORWARD IN 1974-75 TO THE COMPLETION OF CONSIDERABLY MORE DWELLINGS IN THE PUBLIC SECTOR THAN IN 1973-74. BUT I SHOULD ALSO SAY THAT, IN THE LIGHT OF DEVELOPMENTS IN THE INDUSTRY AS A WHOLE AS THE YEAR UNFOLDS, INCLUDING THE AVAILABILITY OF RESOURCES FOR HOUSING CONSTRUCTION AND THE ABILITY OF THE STATES TO PUT FURTHER FUNDS TO PRODUCTIVE USE IN WELFARE HOUSING, WE STAND READY TO CONSULT FURTHER WITH THE STATES ON THE PROVISION OF ADDITIONAL ADVANCES.

THE STATE GOVERNMENTS MUST ALSO PLAY THEIR PARTS IN BEATING INFLATION. MANY OF THE PREMIERS UNDERTOOK, DURING THE ELECTION CAMPAIGN, TO CO-OPERATE WITH AN L-CP GOVERNMENT, HAD THAT BEEN RETURNED, IN THE FIGHT AGAINST INFLATION. THE FIGHT IS ON AND I HOPE THAT THE FULL CO-OPERATION AND UNDERSTANDING OF THE STATE GOVERNMENTS - FOR EXAMPLE, IN THE CONTROL OF LAND PRICES - WILL BE FORTHCOMING.

IN 1973-74 TOTAL PAYMENTS TO THE STATES GREW RAPIDLY. TAKING ALL FORMS OF PAYMENTS TO THE STATES TOGETHER WITH THE STATE GOVERNMENTS' LOAN COUNCIL PROGRAMS, THE INCREASE IS ESTIMATED AT OVER 20 PER CENT. EVEN ALLOWING FOR THE EFFECTS OF INCREASES IN COSTS, THIS REPRESENTS A VERY SUBSTANTIAL INCREASE.

THE CRUCIAL QUESTION, OF COURSE, IS THIS: TO WHAT EXTENT HAVE THESE LARGE INCREASES IN FUNDS BEEN TRANSLATED INTO REAL IMPROVEMENTS IN THE STANDARDS OF STATE-PROVIDED SERVICES AND FACILITIES? IT SEEMS THAT, PARTICULARLY IN THE FIELDS OF HOUSING AND CONSTRUCTION, RESOURCES HAVE BEEN OVERSTRETCHED AND INFLATION HAS EATEN HEAVILY INTO THE MONEY SUMS AVAILABLE. BECAUSE OF SHORTAGES OF LABOUR AND MATERIALS IN THESE AREAS, THE STATES AND THEIR AUTHORITIES HAVE IN SOME CASES BEEN UNABLE TO USE ALL THE FUNDS AVAILABLE TO THEM.

THE PRESENT REVENUE ASSISTANCE ARRANGEMENTS BETWEEN THE AUSTRALIAN AND STATE GOVERNMENTS WERE

.../20

ORIGINALLY SETTLED IN JUNE 1970 AND WERE INTENDED TO APPLY OVER THE FIVE YEARS 1970-71 TO 1974-75. MY GOVERNMENT ACCEPTS THE OBLIGATION TO REVIEW THE ARRANGEMENTS BEFORE THE END OF 1974-75 WITH A VIEW TO DETERMINING WHAT CHANGES IN THEM, IF ANY, SHOULD APPLY FROM 1975-76.

IN THE LIGHT OF WHAT I HAVE SAID ABOUT ACTION PROPOSED IN THE AUSTRALIAN GOVERNMENT'S EXPENDITURE PROGRAMS, WE HAVE GIVEN CLOSE ATTENTION TO WHAT WE CONSIDER IS BOTH APPROPRIATE AND FEASIBLE BY WAY OF ADDITIONAL REVENUE ASSISTANCE, AND SUPPORT FOR BORROWING PROGRAMS, FOR STATE GOVERNMENTS.

ON THE REVENUE SIDE, I SHOULD FIRST EXPRESS OUR APPRECIATION OF THE MATERIAL YOU HAVE ALL PROVIDED ON YOUR FINANCIAL POSITIONS THIS YEAR, AND YOUR PROSPECTIVE BUDGETARY POSITIONS IN 1974-75.

ALREADY, BOTH AS A RESULT OF THE OPERATION OF THE FINANCIAL ASSISTANCE GRANTS FORMULA AND OF THE SPECIAL FINANCIAL ASSISTANCE WHICH WE AGREED TO PROVIDE TO THE STATES THIS YEAR, TOTAL FINANCIAL ASSISTANCE GRANTS IN 1973-74 ARE ESTIMATED TO SHOW AN INCREASE ON 1972-73 OF \$208 MILLION. WE HAVE CONCLUDED THAT THERE IS NO CASE FOR ANY ADDITIONAL REVENUE ASSISTANCE THIS YEAR. WHILE MOST STATES APPEAR LIKELY TO INCUR BUDGET DEFICITS THIS YEAR, THE EXTENT OF THESE APPEARS TO US TO BE MANAGEABLE GIVEN THE OVERALL ACCUMULATED POSITIONS ON REVENUE AND

LOAN ACCOUNTS COMBINED AS AT 30 JUNE NEXT.

FOR 1974-75, THE OUTLOOK, AS PRESENTLY REVEALED BY THE INFORMATION PROVIDED, IS FOR SUBSTANTIAL DEFICITS IN THE ABSENCE OF ANY NEW TAXES OR CHARGES, AND BEFORE ALLOWING FOR WAGE INCREASES THAT CANNOT BE FORESEEN BUT WHICH WILL OCCUR THROUGH THE YEAR. IT IS HIGHLY RELEVANT THAT A MAJOR ELEMENT IN THE PRESENT AND PROSPECTIVE BUDGETARY POSITIONS OF THE STATES IS TO BE FOUND IN THE LOSSES BEING MADE BY THEIR BUSINESS UNDERTAKINGS - PARTICULARLY THEIR RAILWAYS. HOWEVER THAT MAY BE, WE ARE LOOKING TO THE STATES TO CLOSE THOSE GAPS FROM THEIR OWN RESOURCES.

THOSE RESOURCES, OF COURSE, INCLUDE VERY SUBSTANTIAL INCREASES IN THE GENERAL REVENUE GRANTS PROVIDED UNDER THE FORMULA. EVEN SO, WE REALISE THAT THE CLOSING OF THE STATES' PROSPECTIVE REVENUE GAPS WILL NOT BE EASY. NOR HAVE MANY OF THE DECISIONS WE HAVE HAD TO TAKE DURING THE PAST EIGHTEEN MONTHS BEEN EASY. DECISIONS TO TERMINATE THE SUPERPHOSPHATE BOUNTY, TO PHASE OUT THE SUBSIDY ON THE PRODUCTION OF DAIRY PRODUCTS, TO TERMINATE THE INVESTMENT ALLOWANCES, TO REDUCE TARIFFS, TO REVALUE THE CURRENCY - NONE OF THESE DECISIONS WAS EASY. WE TOOK THEM BECAUSE THE PREVIOUSLY PREVAILING SITUATION IN EACH CASE REPRESENTED A DISTORTION OF THE ECONOMY AWAY FROM THE PUBLIC INTEREST GENERALLY AND TOWARDS A SECTIONAL INTEREST. WE ACTED IN THE PUBLIC INTEREST; AND WE LOOK

TO THE STATE GOVERNMENTS TO DO LIKEWISE WITHIN THEIR OWN DOMAINS.

FOR EXAMPLE, A MOMENT AGO, I REFERRED TO THE LOSSES OF STATE RAILWAYS. LET ME ADD A FEW WORDS.

UNDER OUR URBAN PUBLIC TRANSPORT PROGRAM AND IN OTHER WAYS, WE WILL BE ENDEAVOURING TO HELP IMPROVE AUSTRALIA'S RAILWAYS. WE HOPE YOU WILL COMPLEMENT OUR EFFORTS BY LOOKING CAREFULLY AT THE OPERATING PROCEDURES AND EXPENSES OF YOUR RAILWAYS. WE WOULD BE PREPARED TO PROVIDE FUNDS FOR SUCH INVESTIGATIONS THROUGH OUR PROPOSED TRANSPORT RESEARCH AND DEVELOPMENT PROGRAMS.

AT THE PRESENT TIME THE STATE RAILWAY SYSTEMS ARE INEFFICIENT, OUTDATED AND FACING ENORMOUS DEFICITS. THIS IS WHY I OFFERED TO ACCEPT RESPONSIBILITY FOR THE RAILWAYS OF ANY STATE THAT WAS PREPARED TO TRANSFER THEM. THAT OFFER STILL STANDS AND WE WOULD HOPE THAT IN THE INTERESTS OF EFFICIENT TRANSPORT THROUGHOUT AUSTRALIA THE GOVERNMENTS OF VICTORIA AND QUEENSLAND WILL RECONSIDER THEIR DECISIONS NOT TO DISCUSS THIS MATTER WITH US.

I HAVE SEEN RECENT NEWSPAPER REPORTS OF STATEMENTS BY MR MORRIS, N.S.W. MINISTER FOR TRANSPORT, THAT HIS RAILWAY SYSTEM WILL HAVE A DEFICIT THIS YEAR OF \$126 MILLION. TO OVERCOME THIS PROBLEM HE INDICATED IT WOULD BE NECESSARY TO ATTRACT MORE BUSINESS AND SEVERELY RATIONALISE RAIL OPERATIONS WHICH ARE NOT SOCIALLY OR

ECONOMICALLY VIABLE - AT THE SAME TIME MR MORRIS PLEDGED THAT THIS WOULD NOT INVOLVE THE SACKING OR RETRENCHMENT OF STAFF. I BELIEVE THIS IS A STEP IN THE RIGHT DIRECTION. RAILWAY DEFICITS OF THIS MAGNITUDE ARE UNACCEPTABLE AT ANY TIME BUT MORE PARTICULARLY SO IN THE PRESENT CLIMATE.

WHAT I HAVE SAID EARLIER BOILS DOWN TO SAYING THAT, WHILE WE DO NOT INTEND TO PROVIDE ANY ASSISTANCE OVER AND ABOVE THAT ALREADY COMMITTED, WE ARE STANDING BY OUR PRESENT COMMITMENTS.

ONE OF THESE PRESENT COMMITMENTS BY WHICH WE STAND IS TO HELP ALLEVIATE THE EFFECTS OF NATURAL DISASTERS. THESE CAN THROW UNEXPECTED FINANCIAL BURDENS ON THE STATES AND THEIR AUTHORITIES. I WROTE TO THE PREMIERS EARLIER THIS YEAR SETTING OUT OUR POLICY IN THIS AREA. I REAFFIRM THAT POLICY. IT PROVIDES VERY REAL PROTECTION FOR THE STATES AGAINST WHAT COULD OTHERWISE BE INTOLERABLE FINANCIAL BURDENS FOR THEM. IN ILLUSTRATION OF THIS, I POINT OUT THAT WE HAVE LEGISLATED FOR PAYMENT OF UP TO \$71.5 MILLION TO QUEENSLAND AND NEW SOUTH WALES FOR RELIEF AND RESTORATION MEASURES FOLLOWING THE FLOODS IN THOSE STATES EARLIER THIS YEAR, AND HAVE ALREADY PROVIDED SOME \$20 MILLION OF THIS. THIS ASSISTANCE IS, OF COURSE, IN ADDITION TO THE QUITE LARGE COSTS OF MAKING AVAILABLE MEMBERS OF THE ARMED SERVICES AND THE CIVIL DEFENCE ORGANISATION AND THEIR EQUIPMENT FOR EMERGENCY

.../24

RESCUE AND RELIEF OPERATIONS.

I MENTIONED EARLIER THE ADJUSTMENTS WHICH WE MADE TO GENERAL PURPOSE FUNDS PROVIDED TO THE STATES IN 1973-74 TO OFFSET THE COSTS TO THE AUSTRALIAN GOVERNMENT'S BUDGET AND THE GAINS TO THE STATES' BUDGETS, RESULTING FROM OUR NEW OR EXPANDED COMMITMENTS IN THE FIELDS OF WELFARE HOUSING AND TERTIARY EDUCATION. THESE ADJUSTMENTS WERE MADE IN PURSUANCE OF A GENERAL PRINCIPLE WHICH MIGHT, IN SHORTHAND TERMS, BE REFERRED TO AS THE "OFFSETS PRINCIPLE" AND WHICH I OUTLINED IN MY OPENING SPEECH AT THE PREMIERS' CONFERENCE LAST YEAR. THE AUSTRALIAN GOVERNMENT IS FIRMLY COMMITTED TO THIS PRINCIPLE AND WILL PURSUE ITS APPLICATION WHEREVER APPROPRIATE. I HAVE INFORMED PREMIERS OF OUR INTENTION TO DO SO IN RESPECT OF INITIATIVES WE ARE TAKING IN THE FIELDS OF ABORIGINAL AFFAIRS AND ASSISTANCE FOR DESERTED WIVES, AND I EXPECT THAT FURTHER CASES COULD ARISE AS WE DEVELOP OUR POLICIES IN OTHER AREAS.

IN CONSIDERING THE SIZE OF THE LOAN COUNCIL BORROWING PROGRAMS WE COULD SUPPORT, WE HAVE BEEN VERY CONSCIOUS THAT MANY OF THE PROJECTS - BOTH THOSE ALREADY UNDER WAY AND NEW PROJECTS PROPOSED - WHICH THE BORROWING PROGRAMS SUBMITTED BY THE STATES AND THEIR AUTHORITIES WOULD COVER WOULD BE VERY DESIRABLE. INDEED, PROGRESS WITH MANY OF THEM IS A NECESSARY INGREDIENT FOR ACHIEVEMENT OF OUR OBJECTIVES IN SUCH VITALLY IMPORTANT

AREAS AS EDUCATION, HEALTH, URBAN PUBLIC TRANSPORTATION AND URBAN AND REGIONAL DEVELOPMENT GENERALLY. WE WILL BE PROVIDING SUBSTANTIALLY INCREASED FUNDS IN THE COMING FINANCIAL YEAR, BY WAY OF SPECIFIC PURPOSE PAYMENTS, UNDER THE NEW PROGRAMS WE HAVE INITIATED IN THESE AREAS, AND WE WILL BE AIMING TO PRESS AHEAD WITH THESE IN CO-OPERATION WITH THE STATES.

WE HAVE ALL RECOGNISED THAT CERTAIN ITEMS HAVE AN INDISPUTABLE PRIORITY AND URGENCY. NONE OF US CAN DOUBT THAT IT IS ONE OF OUR MOST PRESSING OBLIGATIONS TO INCREASE THE SUPPLY OF SERVICED LAND FOR PROSPECTIVE HOME BUILDERS. THE PRICE OF LAND FOR RESIDENTIAL BUILDING MUST BE REDUCED. THERE IS NO DISPUTE THAT A SUSTAINED COLLABORATIVE EFFORT IS REQUIRED TO ELIMINATE THE SEWERAGE BACKLOG IN OUR MAJOR CITIES AND TOWNS. IT IS SURELY NOT A MATTER OF DEBATE THAT OUR INADEQUATE PUBLIC TRANSPORT SYSTEMS NEED IMMEDIATE IMPROVEMENT.

ON ALL OF THESE MATTERS THE OBJECTIVES OF OUR RESPECTIVE GOVERNMENTS ARE EVIDENTLY IN HARMONY. OUR MUTUAL ASSESSMENT OF PRIORITIES SHOULD BE REFLECTED IN THE WAY WE SPEND THE FUNDS AVAILABLE. WHERE WE HAVE PROVIDED ADDITIONAL FUNDS TO OVERCOME A BACKLOG SITUATION, SUCH AS EXISTS WITH RESPECT TO SEWERAGE AND URBAN PUBLIC TRANSPORT, THEN I AM SURE THAT YOU WILL WANT TO MAINTAIN YOUR OWN EFFORT IN THESE FIELDS.

AGAINST THAT BACKGROUND, WE ARE PREPARED TO SUPPORT SOME INCREASE IN BOTH GOVERNMENT AND "LARGER AUTHORITY"

BORROWINGS.

IN BRIEF, OUR PROPOSAL FOR THE BORROWING PROGRAMS FOR STATE WORKS AND THE "LARGER" SEMI-GOVERNMENTAL BORROWING PROGRAMS IS THAT THE "BASIC" PROGRAMS BE INCREASED IN 1974-75 BY 10 PER CENT. IN THE CASE OF THE BORROWING PROGRAMS FOR STATE WORKS, THIS WOULD BE BEFORE TAKING ACCOUNT OF THE OFFSETS FOR TERTIARY EDUCATION. IN ADDITION, WE ARE PREPARED TO SUPPORT SPECIAL TEMPORARY ALLOCATIONS FOR QUEENSLAND, IN BOTH THE GOVERNMENTAL AND SEMI-GOVERNMENT AREAS, FOR FLOOD RESTORATION WORK, AND ALSO CERTAIN ADDITIONS TO THE "LARGER" AUTHORITIES PROGRAMS FOR NEW SOUTH WALES AND WESTERN AUSTRALIA - A PERMANENT ADDITION FOR NEW SOUTH WALES AND A SPECIAL TEMPORARY ADDITION FOR WESTERN AUSTRALIA.

IN FIGURE TERMS, THIS MEANS THAT WE WILL SUPPORT, SUBJECT TO THE USUAL CONDITIONS, A STATE GOVERNMENT PROGRAM OF \$935 MILLION. THIS CONSISTS OF A "BASIC" PROGRAM OF \$925 MILLION, WHICH IS AN INCREASE OF 10 PER CENT BEFORE TAKING ACCOUNT OF THE OFFSETS FOR TERTIARY EDUCATION, PLUS A SPECIAL TEMPORARY ALLOCATION FOR QUEENSLAND OF APPROXIMATELY \$10 MILLION FOR FLOOD RESTORATION WORK.

THE "LARGER" AUTHORITIES PROGRAM OF \$636 MILLION WHICH WE PROPOSE CONSISTS OF A "BASIC" PROGRAM OF \$610.5 MILLION - AN INCREASE OF 10 PER CENT - PLUS A PERMANENT ADDITION OF \$10 MILLION FOR NEW SOUTH WALES AND SPECIAL TEMPORARY ADDITIONS OF \$9.6 MILLION FOR QUEENSLAND

AND \$6 MILLION FOR WESTERN AUSTRALIA

IN ADDITION STATES HAVE SUBMITTED
AN ESTIMATED "SMALLER" AUTHORITIES BORROWING REQUIREMENT
OF \$162 MILLION, COMPARED WITH ESTIMATED ACTUAL RAISINGS
THIS YEAR OF \$143 MILLION; IN LINE WITH PAST PRACTICE,
NO OVERALL LIMIT IS PROPOSED FOR THESE BORROWINGS.

DETAILS WILL BE CONVEYED IN THE LOAN COUNCIL
MEETINGS.

WHAT I HAVE SAID ABOUT ALL THESE PROGRAMS,
WHETHER OURS OR THE STATES, HAS BEEN AGAINST THE SETTING
THAT I MENTIONED EARLY IN MY STATEMENT - THAT GOVERNMENT
SPENDING MUST PLAY ITS PART IN THE POLICY OF RESTRAINT.
I HAVE NO DOUBT THAT THIS WILL BE ACKNOWLEDGED BY THE
PREMIERS AS IT IS BY US.

HAVING SAID THAT, I WANT TO TURN FINALLY TO
WHAT I SAID IN CONCLUDING MY OPENING ADDRESS TO THE
PREMIERS' CONFERENCE LAST YEAR.

I EXPRESSED THE HOPE THEN "THAT THIS WILL BE
BOTH THE LAST OF THE OLD-STYLE PREMIERS' CONFERENCE AND
THE FIRST OF A NEW TYPE".

I SAID THEN, AND STILL BELIEVE, THAT OUR EXISTING
STRUCTURES ARE INADEQUATE FOR "TRULY CONSTRUCTIVE, TRULY
CO-OPERATIVE FEDERALISM".

DURING THE PAST 12 MONTHS WE HAVE WRITTEN TO EACH
OTHER IN GREATER DEPTH AND BREADTH THAN, I BELIEVE IT WOULD

BE TRUE TO SAY, PRIME MINISTERS AND PREMIERS HAVE DONE AT ANY TIME SINCE FEDERATION. OUR OFFICERS HAVE MET ON MANY OCCASIONS AND SO ALSO HAVE OUR MINISTERIAL COLLEAGUES.

THERE ARE MANY AREAS WHERE WE HAVE FOUND DIFFERENCES, BUT THERE ARE MANY MORE IN WHICH WE HAVE QUICKLY BEEN ABLE TO REACH AGREEMENT. AND I PAY TRIBUTE TO ALL OF YOU FOR WHAT YOU HAVE DONE IN HELPING US IN THE NEW OUTREACHES OF GOVERNMENT TO SERVE THE PEOPLE THROUGH COMMITTEES AND COMMISSIONS OF INQUIRY AND THE LIKE.

I LOOK TO CONTINUING CLOSE CONTACT AND CO-OPERATION BETWEEN US. SUCH CONTACT AND CO-OPERATION EXTENDS ACROSS THE FIELDS OF HEALTH, EDUCATION, HOUSING, TRANSPORT, LAND, THE ENVIRONMENT AND URBAN IMPROVEMENT AS WELL AS THE IMPORTANT AREAS OF MINING AND OF ABORIGINAL DEVELOPMENT.

IF WE ARE TO MAKE PROGRESS TOWARDS A COMMON UNDERSTANDING AND ATTITUDES TOWARDS NATIONAL PRIORITIES, IT WILL BE NECESSARY FOR US TO MAINTAIN REGULAR CONTACT. I LOOK TO CONSULTATION EITHER AMONG OURSELVES OR, WITH OUR AGREEMENT, AMONG THOSE OF OUR COLLEAGUES WHO ARE CARRYING THE MAIN RESPONSIBILITY, OR AT OFFICER LEVEL.

ONE PARTICULAR AREA I HAVE IN MIND IS THE WELFARE AND ENVIRONMENT OF THOSE WHO LIVE IN OUR CITIES, AND PARTICULARLY OUR GREAT CAPITALS. WE WILL BE PROPOSING THAT MINISTERS AND OFFICIALS DEVOTE THEIR ENERGIES DURING THE REST OF THIS YEAR TO A RENEWED CO-OPERATIVE ATTEMPT

AT CLARIFYING ISSUES ON WHICH CO-OPERATIVE ACTION IS
ESSENTIAL AND ADVISING APPROPRIATE PROGRAMS.

LET US DEMONSTRATE TO THE PEOPLE WHOM WE ALL
SERVE THAT WE CAN TRANSCEND THE DIFFERENCES WHICH
SEPARATE US AND SEEK TOGETHER A COMMON BASIS FOR ACTION
ON ISSUES THAT AFFECT EVERY CITIZEN.