

FEBRUARY 3, 1976



F 76/18

76/23

PRIME MINISTER

REVIEW OF GOVERNMENT SPENDING

IN THE PAST TWO WEEKS, THE GOVERNMENT HAS UNDERTAKEN A SEARCHING REVIEW OF ALL ITS SPENDING PROGRAMMES.

I CAN NOW ANNOUNCE THAT THE GOVERNMENT HAS MADE DECISIONS WHICH WILL REDUCE GOVERNMENT EXPENDITURE BY ABOUT \$300 MILLION IN 1975/76. SAVINGS IN LATER YEARS WILL BE CONSIDERABLY GREATER.

THE GOVERNMENT IS COMPELLED TO MAKE THESE CUTS BECAUSE IT INHERITED FROM LABOR AN ABYSMAL ECONOMIC SITUATION. INFLATION WAS RAMPANT - AS THE RECENT DECEMBER QUARTER CONSUMER PRICE INCREASE RISE SO FORCIBLY REMINDS US: UNEMPLOYMENT WAS AT RECORD LEVELS; THE MONEY SUPPLY WAS RISING AT A RATE WHICH FOSTERED CONTINUED INFLATION BUSINESS AND CONSUMER CONFIDENCE WAS AT AN ALL-TIME LOW.

THIS SITUATION HAS LARGELY BEEN BROUGHT ABOUT BY THE LABOR GOVERNMENT BUDGETARY IRRESPONSIBILITY.

UNDER LABOR GOVERNMENT EXPENDITURE ROSE MASSIVELY. IN 1972/73 THE TOTAL BUDGET OUTLAYS WERE 10.2 BILLION. THIS YEAR THE LABOR GOVERNMENT BUDGETTED OUTLAYS WERE 21.9 BILLION, A RISE OF 115% IN THREE YEARS. DESPITE MASSIVE INCREASES IN TAX RECEIPTS A GROSSLY INFLATIONARY DEFICIT EMERGED. BUSINESS AND CONSUMER CONFIDENCE WAS UNDERMINED. INVESTMENT AND CONSUMER DEMAND FELL AWAY AND THE RESULTING FALL IN PRODUCTION CAUSED MASSIVE INCREASES IN UNEMPLOYMENT.

THE GOVERNMENT IS DETERMINED TO MANAGE AUSTRALIA'S FISCAL AFFAIRS PROPERLY. IT IS DETERMINED TO TACKLE INFLATION AND UNEMPLOYMENT FIRMLY.

WE HAVE ALREADY TAKEN DECISIVE POLICY ACTION TO THESE ENDS.

THE 40% INVESTMENT ALLOWANCE HAS BEEN INITIATED. THIS IS DESIGNED TO STIMULATE INVESTMENT, BOOST AUSTRALIA'S PRODUCTIVE CAPACITY AND ASSIST WITH JOB OPPORTUNITIES.

A COMPREHENSIVE MONETARY PROGRAMME TO CONTROL THE INFLATIONARY GROWTH IN THE MONEY SUPPLY AND PROTECT SAVINGS HAS BEEN IMPLEMENTED. IT WILL ALSO ASSIST IN FINANCING THE DEFICIT.

WE HAVE SOUGHT TO REDUCE INFLATION AND CREATE EMPLOYMENT OPPORTUNITIES BY OPPOSING THE PASSING OF THE FULL C.P.I. INCREASE INTO WAGES.

ALL THESE MEASURES ARE PART OF OUR PROGRAMME TO REDUCE INFLATION AND PROVIDE JOBS FOR ALL WHO WANT TO WORK.

TO SUPPORT THESE MEASURES, WE AIM TO CUT BACK THE UNNECESSARY GROWTH IN GOVERNMENT AND THE EXCESSIVE DEFICIT WHICH HAS ACCOMPANIED IT.

SOME SPENDING CUTS PREVIOUSLY ANNOUNCED HAVE ALREADY BEEN PUT INTO EFFECT.

STAFF CEILINGS HAVE BEEN IMPOSED ON THE COMMONWEALTH PUBLIC SERVICE INVOLVING A SAVING OF UP TO \$30 MILLION; THE REMAINING PUBLIC SERVICE OVERTIME VOTE HAS BEEN REDUCED BY 50%, SAVING UP TO \$10 MILLION IN 1975/76.

SPENDING ON TRAVEL HAS BEEN CUT BY \$20 MILLION IN THE REMAINDER OF 1975/76. ADVERTISING HAS BEEN RESTRICTED TO THE ABSOLUTELY ESSENTIAL. THE TREASURER MUST NOW APPROVE ALL NEW EMPLOYMENT OF CONSULTANTS AND ALL RENEWALS - AN EXAMINATION IS ALSO BEING MADE OF EXISTING ARRANGEMENTS.

THE ADMINISTRATIVE REVIEW COMMITTEE HAS BEEN ESTABLISHED UNDER THE CHAIRMANSHIP OF SIR HENRY BLAND TO RECOMMEND WAYS OF ACHIEVING MAXIMUM ADMINISTRATIVE EFFICIENCY AND OF ELIMINATING WASTE AND DUPLICATION WITHIN AND BETWEEN GOVERNMENT DEPARTMENTS, AND BETWEEN COMMONWEALTH AND STATE GOVERNMENT DEPARTMENTS.

THERE HAS BEEN A RATIONALISATION OF COMMISSIONS, BOARDS OF INQUIRY, AND OTHER ADVISORY BODIES AS ANNOUNCED YESTERDAY.

THESE MEASURES WILL REDUCE SPENDING IN 1975/76 BY UP TO \$60 MILLION.

THE NEW DECISIONS TAKEN TODAY WILL REDUCE SPENDING IN 1975/76 BY ABOUT \$300 MILLION, THIS BRINGS THE TOTAL SAVINGS MADE IN THE YEAR TO A FIGURE OF UP TO \$360 MILLION.

CABINET HAD BEFORE IT A REPORT FROM AN OFFICIALS' COMMITTEE ON THE SPENDING PROGRAMMES OF EVERY DEPARTMENT EXCEPT DEFENCE. A TOTAL OF NO LESS THAN 230 EXPENDITURE ITEMS WAS INDIVIDUALLY EXAMINED. DECISIONS WERE MADE TO END, REDUCE OR DEFER SPENDING ON MOST OF THESE ITEMS.

MANY OF THE ITEMS INVOLVED TENS OF THOUSANDS OF DOLLARS; OTHERS, HUNDREDS OF THOUSANDS OF DOLLARS; OTHERS, MILLIONS OF DOLLARS.

IN TAKING ITS DECISIONS THE GOVERNMENT HAS NOT CUT BACK ON ANY ESSENTIAL PROGRAMMES WHICH IT UNDERTOOK TO PRESERVE.

MINISTERS WILL FILL IN DETAILS ON THE DECISIONS RELATING TO THEIR PORTFOLIOS WHEN IT IS PRACTICABLE TO DO SO.

HOWEVER A GENERAL INDICATION OF WHAT HAS BEEN DECIDED CAN BE GIVEN.

THE MAIN AREAS IN WHICH SAVINGS HAVE BEEN ACHIEVED ARE SET OUT BELOW.

HEALTH -

ACTION IS BEING TAKEN TO EFFECT SAVINGS IN THE PHARMACEUTICAL BENEFITS SCHEME REDUCING THE COST TO THE BUDGET BY

AT LEAST \$34 MILLION IN A FULL YEAR AND \$7 MILLION IN 1975/76.

IT HAS BEEN DECIDED THAT THE COMMONWEALTH WILL NOT PROVIDE AN ADDITIONAL \$10 MILLION IN 1975/76 IN RESPECT OF COST ESCALATION IN THE HOSPITAL DEVELOPMENT PROGRAMME.

IT IS PROPOSED TO NEGOTIATE THE SALE OF THE FAWNMAC GROUP OF COMPANIES (PURCHASE PRICE WAS \$8.4 MILLION).

ENVIRONMENT, HOUSING AND COMMUNITY DEVELOPMENT -

THE AUSTRALIAN HOUSING CORPORATION IS BEING ABOLISHED
- SAVINGS IN 1975/76 \$29 MILLION.

SOCIAL SECURITY AND REPATRIATION -

THE NEW TIMING OF HALF-YEARLY SOCIAL SECURITY AND REPATRIATION PENSION INCREASES INITIATED IN THE SPRING OF 1975 BY OUR PREDECESSORS WILL CONTINUE WITH THE NEXT INCREASE TAKING EFFECT FROM MAY 1976
- SAVINGS IN 1975/76 WILL BE \$29 MILLION.

FOREIGN AFFAIRS -

SAVINGS AND DEFERRALS IN THE FOREIGN AFFAIRS AND AID AREA WILL AMOUNT TO \$24 MILLION IN 1975/76 - ECONOMIES IN FOREIGN POSTS ARE EXPECTED TO YIELD SIGNIFICANT ECONOMIES IN FUTURE YEARS.

PRIME MINISTER AND CABINET -

REDUCED PURCHASES OVERSEAS BY THE NATIONAL GALLERY WILL SAVE OVER \$3 MILLION IN 1975/76:

SOME SPREADING OUT OF THE ACTIVITIES OF THE CHILDREN'S COMMISSION WILL YIELD SAVINGS OF ABOUT \$9 MILLION IN 1975/76.

TELECOMMUNICATIONS AND POSTAL COMMISSIONS -

SAVINGS OF OVER \$4 MILLION IN THE POSTAL COMMISSION AND \$11 MILLION IN THE TELECOMMUNICATIONS COMMISSION IN 1975/76 ARE TO BE ACHIEVED.

AUSTRALIAN BROADCASTING COMMISSION -

ECONOMIES WILL BE MADE IN THE OPERATION OF THE ABC AND WILL YIELD SAVINGS OF ABOUT \$8.4 MILLION IN 1975/76.

IN ADDITION, AFTER REVIEWING ITS POSITION, THE AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION HAS ADVISED THAT THE ALLOCATION OF \$75 MILLION IN THE BUDGET IS NOT REQUIRED.

OTHER DEPARTMENTS IN WHICH SIZEABLE SAVINGS HAVE BEEN EFFECTED ARE CAPITAL TERRITORY, CONSTRUCTION, NORTHERN TERRITORY, PRIMARY INDUSTRY AND TRANSPORT. HOWEVER AS I NOTED EARLIER SAVINGS HAVE BEEN ACHIEVED IN ALL DEPARTMENTS EXCEPT DEFENCE.

I SHOULD STRESS THAT THE REVIEW OF SPENDING PROGRAMMES WILL CONTINUE. MINISTERS AND THE OFFICIALS' COMMITTEE HAVE BEEN DIRECTED TO REPORT ON A VARIETY OF OUTSTANDING MATTERS AND, AS ANNOUNCED LAST MONTH, A FULL-SCALE REVIEW OF MEDIBANK IS IN HAND.

THE ACTIONS TAKEN AND THE CONTINUING REVIEW ARE DIRECTED TO CLEARING THE GROUND FOR A FISCALLY RESPONSIBLE BUDGET IN 1976/77. SOME HARD DECISIONS HAVE BEEN TAKEN. THERE WILL BE MORE. BUT, ALONG WITH THE GOVERNMENT'S OTHER ECONOMIC POLICY ACTIONS, THEY MUST BE TAKEN IF THE ECONOMY IS TO REGAIN HEALTH AND EMPLOYMENT OPPORTUNITIES ARE TO BE CREATED.

3/2/76