

EMBARGOED  
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Mr Yeard

## PRIME MINISTER

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### PRIME MINISTER'S ADDRESS TO THE VICTORIAN CHAMBER OF MANUFACTURERS

There are a number of matters I want to discuss with you tonight - all of them are related to the national effort that must be made to restore prosperity to Australia.

In this audience least of all do I need to emphasise the magnitude and seriousness of the task required to control inflation and expand job opportunities.

On one fundamental point there should be no misunderstanding.

The Government has an absolute determination to do all that is necessary to bring inflation under control.

Some of the decisions we have already made have been difficult decisions. There are many more difficult - and harder - decisions ahead of us.

We are going to have to make choices. The present wealth of Australia simply does not allow Governments to provide all the programmes politicians tend to promise. What we can do is limited by our resources and by growth in our productive capacities.

As a people we have to face up to that fact. This is perhaps the single most important message the Government has to get through to the people of Australia. Failure to face that fact - to make responsible choices - lies at the root of the current economic problems. Unless responsible choices are made everyone is really worse off.

The Government intends to act in close consultation with all sections of the community in formulating and implementing its policies.

Out of the appalling experience of the last three years, one fact stands out very clearly - the interdependence of all sections of the Australian community, all sectors of the Australian economy.

Government cannot rapidly expand its control over resources without damaging the capacity of private enterprise to produce and to provide jobs. There is an overriding common interest among all Australians in profitable and efficient enterprises.

The Government's strategy for recovery is based on a recognition of this interdependence. The key elements in our economic strategy are to restrain Government spending; to transfer resources to private enterprise and individuals, so that employment opportunities in the productive sector can be expanded once again; to stimulate private investment; to generate a climate of national responsibility in which business and trade unions will both act with a principal regard for the national interest.

The experience of the last three years demonstrates that even shoulds in policy do nothing but impede growth, destroy confidence and create further uncertainty.

Real recovery can only be achieved by a coherent and planned programme. Our approach can be seen in the kinds of measures taken by the new Government since coming to office. Immediately after the election we took action to improve administrative efficiency and cut back Government's claims on resources.

Inevitably there has been enormous waste and inefficiency involved in the very rapid increases which have taken place in Government spending. We have made a large number of economies in administrative expenses and spending programmes - starting with the spending of Ministers and other M.P.'s; economies worth \$350 million have so far been announced. These will be effected in the remaining months of this financial year. These same economies, in terms of annual rates, are equivalent to savings well in excess of \$1 billion.

A stop has been put on the growth of the Federal bureaucracy. On 23 December we announced our intention to hold staff ceilings at the level they had reached at the end of November. As a result of a further searching appraisal of priorities and programmes, we have reduced these ceilings still further. By the end of Q388, there will be 17,490 fewer people employed in the Federal bureaucracy than under the ceilings set by the previous Government for departments and authorities. We are continuing to examine the Government's spending commitments. Sir Henry Blund is heading a committee to review administrative expenditure, with a view to achieving maximum efficiency and eliminating waste and duplication. It is my understanding that he is not wielding just a scalpel. Alongside these measures, we have implemented a number of policies to directly boost investment and job opportunities. They are a 40 percent investment allowance; suspension of quarterly tax instalments, to ease the cash flow problems; measures to assist rural industry, as recommended by the IAC; a major set of monetary measures to take up excess liquidity and pave the way for a reduction in inflation.

Later this year, we will begin implementation of our policy of personal income tax indexation, and inflation adjustments in the company tax area.

We are already looking at the administrative measures required.

to introduce these reforms.

The Government is acutely aware of the need to amend laws which result in the taxation of fictitious profits arising from inflation. This is essential if we are to halt the depletion of the nation's capital base.

Restraint in Government expenditure alone cannot correct the present economic crisis. A strong stimulus to activity in the private sector was urgently needed. We are confident that Australia's foremost economic problems of inflation, unemployment and the Budget deficit will be solved by the restoration of strong and stable growth in the private sector.

The Government is very conscious of the damage done to manufacturing industry and to employment in manufacturing industry by sudden shifts in policy. The Jackson Committee report referred to the existence of a "deep seated malaise" in manufacturing industry.

It is very clear to the Government that there must be adequate consultation and advice on Government policy so that proper adjustment can be made to policy decisions.

As far as possible the Government is announcing measures in such a way that industry can know the time frame in which the Government is thinking so that it can plan confidently for the future.

For example, the investment allowance is a long term policy. It has been introduced for a seven and a half year period beginning the 1 January this year, at a rate of 40 percent for the first two and a half years, and 20 percent thereafter.

I am sure that everyone here appreciates how central good industrial relations are to economic recovery. The Government is certainly very conscious of that fact. On coming to office we immediately initiated discussions with the trade union leadership on economic policy. Out of those discussions came our decision to modify our election stand on the Prices Justification Tribunal. The Government has had discussions with trade unions in the Tripartite Conference. The Economic Consultative Group is composed of both employers and trade unionists.

We will continue to consult. We have already as you know had to take a difficult decision in the wages hearings before the Arbitration Commission.

I will not deny that in the decision we took at that time we faced a huge dilemma. Let me make two points: our ultimate judgement was that the Government should not advocate in its view that economic recovery depends on wage and salary restraint.

That is a view that I know you will share. We also made a judgment that this fact is very widely appreciated by the Australian people.

Many people working on the shop floor - a great many people in the wider community - have a much better understanding of their problems than their spokesmen and leaders.

Many rank and file trade unionists now recognise that a continual round of wage and price increases is ultimately in nobody's interest.

The inflation reflected in the wage-price spiral has many hidden costs: take one example: In 1972 to buy a house of average cost, on top of a deposit of \$4200 a person had to earn \$57 a week to qualify for a bank loan which would have covered the mortgage cost. By 1975 to buy a house of average cost, in addition to a deposit of \$9000, a person needed to earn \$128 a week to cover the mortgage cost. An increase of 170 percent in earnings required to buy a house of average cost, and over 100 percent increase in the deposit required.

People are also becoming aware in a way that they have not been before that money paid in excessive increases in wages and salaries is not available to create new jobs, or even to support existing jobs.

It is time that we faced this fact fairly and squarely - directly and openly - and stopped pretending that there is any easy way out of our problems.

One of the most effective ways to tackle our economic problems is to explain clearly to the public - the people on the shop floor - the basic facts of economic life.

The Government has sought by its actions to underline the tremendous importance to all Australians of a return to profitability in private enterprise.

The job is not one for the Government alone. There is a great value to all firms, large and small in consulting with - exchanging information with employees.

In the industrial relations policy we placed before the people at the last election we emphasised the importance of adequate consultation within the firm.

At present many employees simply do not have any way of getting an accurate picture of the impact of wage and salary demands on their own firms. Though they have a very obvious interest in the profitability and success of the enterprise which employs them, employees are too often forced to rely on newspaper reports to find out the condition of the firm.

The long term strategy of the new Government is to show that realistic and effective assistance to those who are disadvantaged can only occur when there is a vigorous, productive and ethical private sector. The Government intends to show that it is possible to achieve the objective of a better life for all Australians, by encouraging the best efforts of the Australian people.

We reject the view that people must inevitably become more and more dependent on what government chooses to provide - whether this takes place is a matter for explicit decision not historical inevitability.

In relation to business, Government should consult and should provide a sound framework for competitive enterprise, within this framework, we expect businesses to stand on their own feet and to succeed or fail by their own decisions.

More people than the Labor Party must take responsibility for the situation that developed over the last three years - many people were misled into believing that Government could do anything, without restraint, without cost.

That is why the endless outpouring of programmes of 1972 appeared so attractive - too many seemed to believe they would be without significant costs, that they would not cause unemployment, would not cause inflation.

The critical thing everyone should realise is that we all have to make choices. We make choices every day in our private and family life - choices about how to spend our family income, about which worthwhile activities in the community to support. We know these choices must be made.

Why is it that when it comes to Government so many appear to assume that there are unlimited resources to be divided up. We must destroy the myth that Canberra is a bottomless pit of money. When we came to power - the Commonwealth Government was the most bankrupt Government in Australia. The debts incurred will have to be paid. They can be paid in part by increased growth leading to greater real wealth and increased revenue.

The situation requires of us an ability to make choices, and ability to say no.

Unless political leaders are prepared to do this the basis of our prosperity can be easily destroyed.

Achieving a realistic appreciation of the facts of economic life is not just a job for us in Government. I ask you all - not just as business leaders - but as leaders of the community alongside trade unions, government departments - to assist in achieving recognition of this basic fact of life.

Only when real and practical understanding of the need to choose is widespread can we be sure that the kind of problems we are now suffering will not be repeated. I am confident that with the strategy with the policies the Government has adopted, Australia can look forward to a return to soundly based prosperity and a better life for all Australians.

A very significant contribution to industrial relations could be made if employers were to accept the value of keeping their employees as fully briefed as possible on the condition of their business.

A significant number of firms do have good procedures for discussing matters with employees. I have sat in on a number of meetings - whether they be called works meetings, works councils or whatever. The discussions have been productive they have been worthwhile.

A government is rightly criticised if it is not frank with the people about the state of the country. Frankness - though sometimes difficult - is essential - and not just for Governments.

There is, indeed, scope for industry to make a much greater effort to communicate the true story about the interests of all Australians in a profitable and efficient private sector.

It needs to be explained clearly that new plant, new equipment, new jobs are created out of profits. That in a country like Australia, profits are very widely distributed - directly to shareholders and indirectly to the millions of holders of insurance and superannuation policies. There needs to be a much clearer understanding of the central role of private enterprise in providing through taxation the resources for Government to spend on such things as social welfare, education, roads, defence and so on.

In the current year, for example, private enterprise will directly contribute (through company taxes) over \$2000 million to Government more than enough to cover the entire expenditure of the Commonwealth Government on education.

Real expansion in social programmes - which is not financed simply by transferring resources from some other group in the community - must be financed out of growth.

Real growth depends on a healthy and vital private enterprise. Private enterprise does not merely provide the resources which Government can use to improve its provision. A healthy private enterprise is an essential part of the life Australians value.

Private enterprise provides the greatest opportunities - choice of rewarding jobs, choice of products, and choice of services. It is the system which gives the man in the street the greatest control over what is produced. In this sense it is the most democratic system - the system which is most compatible with the freedom Australians value.

In the last three years, a major assault on private enterprise occurred - all Australians, but particularly the weaker sections of the community most dependent on prosperity, have suffered as a result.