

T/A SECRETARY
ANNE SMITH



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PRIME MINISTER

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ADDRESS TO NATIONAL PRIVATE ENTERPRISE CONVENTION 4 JUNE 1976

This national private enterprise convention has set itself an important task - to consider ways of improving understanding between business and government.

But cooperation between business and government is only part of the total approach. Equally important is understanding, cooperation and communication between business and unions, between business and employers.

These other areas of communication and understanding are perhaps more difficult, but they are equally as important.

Cooperation and understanding between all those engaged in decisions affecting the economy is essential if Australia is to return to sound economic growth.

Cooperation and understanding has to exist between business and government, unions and government, and between unions and business.

All of these relationships are important. None of them can be neglected without imperilling our chance of returning to a stable and prosperous economy.

The principal economic task we face is bringing inflation down. That is not only a task for the Government. It is a task that all Australians have to face; That places a special responsibility on both the major organised sections of the economy, business and trade unions.

The main priority must be to bring inflation under control. The reason for this should need no repetition. Unless inflation is controlled there can be no return to soundly based economic growth, no long-term solution to unemployment and no return to prosperity on which the realisation of private and public goals depends.

The Government has had a consistent strategy to achieve these objectives. It is strategy developed in Opposition and constantly reiterated since.

The main elements of this strategy have been to bring Government spending under control; to free resources to the private sector and to individuals; to pursue a responsible monetary policy with clearly announced goals, and to generate a climate of national responsibility in which wage and salary restraint will be possible and in which both business and unions will act with a principal regard for the national interest.

Immediately after coming to office we took steps to being implementing this strategy. We made a large number of immediate economies in administrative expenses and spending programmes, starting with the spending of Ministers and other Members of Parliament. We halted the growth of the Federal Public Service. There will be over 17,000 fewer people employed in the federal bureaucracy by the end of June than under ceilings set by the previous Government. We took a number of steps to help investment and ease the cash crisis for many businesses. These included a 40% investment allowance; suspension of quarterly tax instalments; inquiry into operation of restrictive practices legislation and we stated our intentions for the long term growth of the money supply.

The Treasurer's statement two weeks ago was a further key step in implementing this strategy.

The measures announced by the Treasurer included savings to the Budget amounting to almost \$2600 million; full personal income tax indexation; a new scheme of family allowances and a number of reforms in Medibank.

Let me now state briefly where these measures fit into our overall strategy. The expenditure restraints mean that, for the first time in several years, there can be a soundly based confidence in the community that Government spending has at last been brought under control.

In recent years excessive Government spending has been the principal force fuelling excessive inflation and unemployment. The Government's need for resources has led to a heavy and growing tax burden on both individuals and companies. Along with other factors this has encouraged excessive wage and salary demands and has diverted to Government resources business needed to expand.

When we came to Government we found public spending rising almost out of control.

Reimposing responsibility on the public sector means that resources can be freed to the private sector and to individuals.

The various measures we have taken to assist business, and full personal income tax indexation, are only possible in the context of restraint in public sector spending. Further, such restraint means that we can now plan for a responsible deficit in the August Budget - a deficit consistent with a responsible monetary policy. The Government is not seeking to bring about a sudden upsurge in economic activity. Sudden shifts of course, would only create new risks.

The Government is, however, confident that the course of the economic recovery which is now occurring is entirely consistent with the Government's strategy. The strategy was not designed to achieve short-time miracles. It was designed to asset a new direction for Government policy which would secure a soundly based steady return to prosperity. There is now a growing amount of evidence that the Australian economy is moving forward on the path to recovery.

Major indicators of production are moving in a favourable direction. Production of 80% of the items surveyed by the A.B.S. increased in the three months to April. The A.N.Z. index of factory production rose 4½% in the three months to April. The index is 10% higher than a year ago. Stocks in the March quarter increased for the first time since 1974.

These trends resulted in a rise in gross non-farm product of 3.1% for the March quarter. A very encouraging turnabout.

Demand is also strengthening. Retail sales firmed late in the March quarter and motor vehicle registration have increased strongly in the three consecutive months to April. Whilst capital expenditure in non-dwelling building and construction was depressed other expenditure, mainly plant equipment, rose 8% to offset this. Overtime worked in recent months was the highest since late 1974.

Surveys of capacity utilisation show early signs of recovery.

Meanwhile, private dwelling activity remains a strong point in the economy, April approvals were the highest since January 1974. Loan approvals from banks and building societies continued at high levels - 13% up the March quarter compared with a year earlier. Other strong points are registrations of new non-passenger motor vehicles - up 18% in the April three months. Finance company business

for newly leased equipment March 76 was double the previous March. Despite all these positive signs, there remain some warnings against complacency. Unemployment is still far too high. Non-dwelling building and construction is still suffering from the low level of new work approvals last year. The rural economy labors under depressed world markets.

Too much weight cannot be placed on individual indicators but an objective assessment of the picture across the board suggests that the measures the government has taken are having their intended effect. This brings me back to the subject of national cooperation and to the requirement for mutual understanding between business, trade unions and government.

It became very obvious over the last few years, that prosperity was being harmed by the lack of adequate consultation between government and business. In Opposition, we undertook to establish greatly improved procedures of consultation. Since the election, we moved rapidly to establish the economic consultative group. This group is chaired by the Treasurer. It includes the Minister for Industry and Commerce as Deputy Chairman, and leading business figures and trade unionists.

The government's objective in forming the economic consultative group was to ensure that the government is kept informed about the state of affairs in the private sector. At the same time, the group allows the government to present its assessment of economic conditions to the members of the group and receive their views upon it. A further move to improve consultation was made by Senator Cotton's announcement of industry advisory councils. The councils will provide a forum for government, parliamentarians, firms, unions, consumers and other interested groups, to discuss government policies of importance to the industry sectors concerned.

In addition to the discussions that are arranged between government and industry on a formal and regular basis, there are of course, frequent informal meetings between myself, the Treasurer or relevant industry ministers and industry representatives. Similar informal meetings occur between government officials and industry representatives

There has been a long tradition of consultations between senior ministers and industry representatives prior to the Budget.

I would expect the discussions this year to cover a wide range of matters. The government has initiated preparation of a white paper taking up the themes of the Jackson Report. One of its main themes was the need for improved government-industry cooperation.

The government has called for submissions from industry and other interested parties. These will be of paramount importance to the formulation of government policy in this area.

The importance of consultation between business and government is matched by the importance of consultations with the trade union movement.

One consistent theme of the government's strategy has been the enormous importance of wage restraint. The government has sought to foster a climate in which people recognise the absolute need for wage and salary restraint if inflation is to be beaten. We have done this through our submissions to the Arbitration Commission, through our statements of strategy, and through the measures we have introduced. Three months ago, we knew that we had to act. There had to be an unambiguous declaration of the importance the government placed on wage and salary restraint.

I believe the climate we have sought to encourage is emerging. The recognition of a joint responsibility is growing. I also believe that there is also emerging a joint commitment to fulfil this responsibility. Great numbers of employees are recognising that if their wage and salary increase is beyond a responsible point, the people who pay for it are their workmates.

The costs of excessive wage increases are inflation, the loss of existing jobs, and the sacrifice of opportunities to create new jobs. The Treasurer's statement had a significant role in the government's strategy in the area also. A guarantee that wages will be protected from unlegislated increases in taxation has been, of course, a major concern of the trade union movement.

The trade union movement has taken a consistent view that the certainty provided by tax indexation would be a major factor in wage restraint. The protection afforded by the family allowances to wage earners near the minimum income with large families, has also been a long-standing concern of the trade union movement.

Full personal tax indexation at last provides an assurance to all wage, salary and income earners that there will be no increase in the tax burden without deliberate and public decision. The family allowances scheme shows the government's determination to work in the interest of all Australians.

These two measures establish the circumstances in which real wage restraint is possible. Full personal income tax indexation and family allowances were major elements of the context for the Arbitration Commission's recent judgement. It was a judgement which certainly improves our capacity as a nation to bring inflation under control.

Throughout our term of office, the government has consulted extensively with the union movement. Legislation concerning organisations registered under the Conciliation and Arbitration Act, including proposals for secret ballots for trade unions was discussed with them on May 5. The trade union movement raised some very reasonable points about the proposed legislation. Cabinet considered these points and amended the proposed legislation.

In my address to the nation, I stated that the government would seek top level discussions with the union movement about the economic situation. The ACTU agreed to these meetings and we will be having wide-ranging economic discussions with the trade union movement on 11/12th June. The government will have equivalent discussions with business. We have introduced the legislation concerning the Conciliation and Arbitration Act into the Parliament.

In line with the government's determination to consult the trade union movement on legislation involving it, the legislation will not be proclaimed until the ACTU has an opportunity to make known its attitude on it.

The trade union movement will thus have a further opportunity to put any further proposed amendments to the government before it becomes law.

I do not need to emphasise before this audience how critical industrial relations are to bringing inflation under control.

There can be no stronger foundation for good industrial relations than widespread understanding of the true nature of the problems that face us.

Talking about the need for a national cooperative effort has to be matched by cooperative action.

Effective cooperation action has to be based on frank discussion, mutual consultations.

Some Companies have very good procedures for discussing matters with employees.

This is a time more than ever, when the example of the best should be followed by everyone.

If employees can get a clear picture of the impact of their wage and salary demands on their own firm, I have no doubt that people will wish of their own account, to act with great responsibility.

Employees should not have to read in a newspaper the fate of the firm for which they work.

You cannot treat the Australian workman like a piece of equipment. What chance can there be for good relations if management does not bother to inform employees about the condition of the business for which they work.

This is where a major effort must be made.

These are not new or radical ideas.

They are practices which have been accepted by the best firms for a generation.

For many years now, those who believe that the free enterprise system is best for all Australians have been less active than we should in putting the case.

That is one reason why we have suffered the experience of the last three years.

It is good to see that an increasing number of people are taking action to see that there is a growing appreciation of the common interests of everyone in a profitable and efficient private sector.

I believe it is important to remember that understanding is advanced not only by the availability of high quality objective material but even more importantly by relations within the particular firm and by the effort that management makes there.

How can I explain to people that private enterprise is the best system for the average Australian if managements cannot be bothered explaining it to their own employees.

Ask yourselves - where should the effort most be made.

-To a government committed to the free enterprise system, or to employees who are often sceptical, and who often do not have a clear understanding of the benefits they derive from productive free enterprise.

It needs to be explained even more 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.

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 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.

No organisation - whether it be a political party, a business organisation or a trade union, has an inherent right to survive.

The justification of any of these organisations is whether they serve the people who belong to and support them.

The private enterprise system achieves its ultimate justification in one fact alone - it is the system which best serves the interests of the Australian people - which is best able to provide the conditions and the resources for a better life for all Australians.

Under the Labor Government, the survival of private enterprise was endangered. We were well on the way to a conformist, centralised society in which the real wealth of Australia, the productive energies and initiative of the Australian people were suppressed.

The strategy the Government has adopted, the measures we have already announced, and will announce in the coming months, will ensure that that does not happen.

I am confident that our approach is already providing a solid basis for the revival of prosperity in Australia, and for the development in Australia of a society in which the interests of all Australians are truly served.

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