

VICTORIAN MANUFACTURERS' EXPORT COUNCIL
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Address by the Acting Prime Minister, the Rt Hon. J.D. Anthony

I would expect that, as exporters, one of the things most in your minds is the Government's decision to reduce, and in some cases defer, benefits to exporters under the Export Market Development Grants Scheme.

This is a decision none of us likes.

But it is a decision which was part of the Government's firm approach to economic management.

The Government's basic and imperative objectives are to bring down the rate of inflation and to restore economic stability to this country.

Inflation lies at the very heart of our economic difficulties.

I suggest it lies at the heart of your difficulties as manufacturers and exporters.

And a major contributor to our damaging inflation rate has been excessive Government spending in recent years.

We inherited a massive and intensely inflationary budget deficit.

If inflation is to be reduced - and it must be - then that deficit must be reduced.

The major acceptable way of reducing the deficit is by reducing the rate of growth in Government spending - and if this is to be done, then all sectors must share in the cuts to be made.

As I've spoken to people around Australia recently, they all tell me they understand our problem, and support what we are doing - but they all feel that their particular area of interest should get special consideration!

Nevertheless, I think the community now accepts the fact that a Government that tries to spend its way out of economic problems only drags the country deeper into trouble.

Our experience of the last two years should have shown us that.

I hope you will accept my statement that our action on export incentives in no way diminishes the importance the Government attaches to the sustained development of overseas trade.

In fact, I think it fair to say that the total programs of which this decision is part is designed to help exporters maintain competitiveness and strengthen their positions by cutting inflation.

In aggregate terms, as distinct from the situation of individual industries and exporters, our export situation is most healthy.

Total exports for 1975/76 will be well in excess of \$9,500 million, having doubled in the past four years.

Exports of manufactured goods, have more than doubled over this period and are expected to total a record \$2,150 million for 1975/76.

I think it's a great tribute to the strength and resilience of the Australian economy and to the skills of its producers and entrepreneurs that this very substantial growth in Australia's exports took place against the background of the world's worst economic recession since the 1930s.

But whilst the aggregate figures are gratifying, you know very well there are many difficulties being encountered in our export industries which are not revealed in the total growth figures.

As you are only too well aware, the export of a wide range of manufactured products has been sharply reduced, or has ceased.

Most factories are running at under capacity.

Some have shut down.

I don't have to tell you that the staggering rate of inflation we had to contend with has meant a severe erosion of Australia's export competitiveness.

While it is true that our competitors have similarly had to contend with rising costs, Australia's rate of inflation has been much greater than all of the major Western economies except the United Kingdom and some of our major competitors, such as the United States, Japan and the Federal Republic of Germany now, have cut their inflation rates to less than half those with which you have had to contend.

Unless our objective of controlling inflation is achieved, all of our export industries - not only manufactured exports, but the mining and farming industries as well - will face intolerable burdens.

They simply will not be able to compete in overseas markets.

The vigorous and determined pursuit of our objective to control inflation has meant and will mean many difficult decisions by the Government.

I've already mentioned one of direct concern to you as exporters.

The Government did give very careful consideration to the proposals put forward by yours and other organisations.

I hope you will appreciate that at this time the Government cannot afford the luxury of looking at individual proposals in isolation - a method our predecessors used with disastrous results.

Rather, we must look at the whole range of Government activities, and determine the priorities that are in the nation's best overall interest.

As I have already said, we are fully conscious of the need for a continued strong export sector.

But, we believe that in the present circumstances, we can best contribute to the attainment of that objective by arresting and reversing the erosion of our international price competitiveness.

And, to do that we must reduce inflation.

So it was in this context of an overall anti-inflationary policy and the urgent need to alleviate the immediate budgetary problems that the decision was taken to defer part of the payment on some of the market development claims lodged in 1976/77 until the following year.

In allocating the available funds, particular regard will be had to the claims of smaller exporters.

Where the amount of the grant approved does not exceed \$10,000, claimants will be paid in full.

Those firms whose approved claims exceed \$10,000 will be paid an initial grant of \$10,000 as soon as their claims have been processed.

It is estimated that about two-thirds of all firms submitting claims in 1976/77 will receive their grant payments in full, immediately on approval.

As I announced last week, in keeping with the Government's overall policy of expenditure reductions, legislation will be introduced during the budget session of Parliament to amend the provisions of the Export Market Development Grants Act.

Briefly, the premium rate of grant of 85 per cent will be removed, leaving the present 60 per cent as the standard rate for all grants.

In addition, the grant ceiling will be reduced from \$100,000 per annum to \$70,000 per annum, while the provisions relating to Commonwealth Government-sponsored promotions will be removed after 31 December, 1976.

These changes are designed to bring Government expenditure under the scheme to the level originally provided for when the scheme was first introduced.

Although it has been decided to reduce the overall benefits available, the changes have been designed to minimise the impact on the smaller and more financially vulnerable exporters who make up the bulk of the claimants under the scheme.

Whilst I fully appreciate the importance exporters attach to incentive arrangements, there are other important and extensive forms of assistance that the Government is continuing to provide to exporters.

The services of the Department of Overseas Trade in Canberra and through its six State Regional Offices are available at all times to assist exporters with their problems.

The Trade Commissioner Service will be only very marginally affected by the Government's expenditure cuts.

Funds for overseas trade promotion are to be maintained at approximately existing levels.

The department will continue to arrange and service what has been to date a most effective programme of trade displays, exhibitions and trade missions throughout the world.

An Australian Trade Exhibition is to be held in Moscow next month.

This is one of the most ambitious exhibitions staged by Australia, with about 50 Australian firms participating.

I will be visiting Moscow to open the Exhibition and I will take the opportunity to have discussions on future trade prospects generally between our two countries.

The successful overseas trade publicity programme of the Department of Overseas Trade will be continued.

The Government intends to maintain and strengthen the export finance facility under which the Export Finance and Insurance Corporation provides concessional finance on a long-term basis to Australian capital goods exporters to enable them to compete with overseas suppliers.

Negotiations are being held with the private banks to extensively widen their involvement in this area.

This is consistent with the Government's desire to ensure that initiative and responsibility in appropriate areas are restored to the private sector.

However, should the private sector specifically request Government co-operation in the commercial sector, then prompt and practical consideration would be given to the proposal.

Recently the Government has been in close consultation with some Australian firms on the possibility of co-operation in a large overseas turnkey project.

In addition, a proposal canvassing the possible establishment of an Australian Overseas Projects Corporation has been received from the Associated Chambers of Manufactures and is currently the subject of study within my Department.

As soon as the economy is restored to a satisfactory state we will be able to give further attention to expanding the assistance that can be made available to exporters.

Meanwhile the state of the economy must be our prime concern.

And I must say, Mr Chairman, that when I read the resolution carried by the National Executive of the Labor Party last week, my feeling was - what a tragedy that such lack of understanding of the nature and depth of our economic crisis continues to exist in that Party.

How ironic that a resolution purporting to call for protection of incomes and living standards completely ignores the most devastating enemy of those standards - inflation!

How ironic too that we are attached on unemployment by the party whose policies contributed so largely to the worst unemployment in 40 years!

And how disturbing it is that there is still no realisation in the Labor Party that inflation is the root cause of unemployment, and that we won't beat unemployment until we beat inflation.

Private investment will, of course, play an important part in economic recovery.

One of the very early steps we took was to introduce a new investment allowance.

And by deferring company taxation early this year, the Government tried to cushion the cash flow of companies from the ravages of inflation.

We are also committed to changes in the company tax arrangements and this is even more complex than income tax indexation, but we have various proposals now under consideration.

I believe that we are seeing early, yet clear, signs of recovery.

The March quarter national accounts lend support to this, showing an improvement in gross domestic product and an important reversal in the trend in expenditure on such items as plant and equipment.

The last Survey of Manufacturing Activity published in May shows an aggregate upturn in orders and employment, and further increases in overtime and the utilisation of installed capacity.

This is not to say, however, that there are not major problem areas.

Nor is it to say that there is the slightest room for any complacency about rising costs and prices on either the Government's or the private sector's part.

Inflation is still the major obstacle to stability and growth in the Australian economy.

That's why the Government is taking such stringent steps against spending.

No doubt there will be further criticisms levelled at the Government for scaling down some of the programmes of our predecessors.

But it was the enormous cost of these programmes that played a major part in leading the Australian economy to where it is at present.

Although it is never easy to take unpopular decisions, I do believe that there is growing acceptance by the community of the need for the kind of firm and decisive action we're taking.

No doubt some elements in the trade union movement will endeavour to frustrate our efforts.

However, I'm quite confident that the great majority of people are prepared to have the patience and to accept the discipline needed to get the economic situation under control.

For until it is under control, no-one will gain any real benefits.

The Government believes that the direct relationship between excessive wage rises and the continued rate of high inflation and unemployment is now becoming much better understood throughout the community.

The Government has recently had very useful discussions with the ACTU, and I think we can all be very encouraged by the constructive and positive atmosphere in which that meeting took place.

What the discussions should have made clear to the whole community is that we are all in this fight together.

If we're not, we might as well give it away now.

It is essential that the basic competitive position of Australian producers be restored.

The steps taken by the Government have all been with this prime objective uppermost.

We believe in a strong and healthy free-enterprise sector, which has the necessary resources to grow and provide employment for Australian workers.

We believe also that too many of our available resources were directed to the Government sector over the last three years.

We are acting to change this situation.

I am confident we can achieve a real recovery.

But we won't do it without a lot of discipline, restraint and even some sacrifice.

I hope that when economic recovery gets under way, there will be much more scope for industry and Government to work together on new initiatives and new projects to ensure sustained national growth in the future.

But we've first got to rebuild a strong foundation for that recovery if it's to be a lasting one.