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PRIME MINISTER'S SPEECH AT THE FARMERS AND WOOLGROWERS ASSOCIATION CONFERENCE

SYDNEY

19 JULY 1976

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I am very pleased to have been asked here today to open your Conference. This is a very difficult time for a number of rural industries. The Government recognises our obligation to do what we can to ease the very severe problems which do exist for many rural producers.

These problems are having a very severe impact on many communities. The economic hardship faced by farming families is highlighted in the following figures: 45% of graziers had net incomes of \$4,000 or below in 1974/75; 30% of dairy farmers had net incomes of \$5,000 or below; 42% of Grape growers had net incomes of \$4,000 or below; and 41% of apple and pear growers had net incomes of \$4,000 or below.

On top of this we have had drought and a disastrous situation in the Dairy Industry which will make the position indefinitely worse in this industry.

Neglect of rural industry was one of the major problems the Government had to face on coming to office. Rural industry in Australia was dangerously ignored at a very critical time. Policies were adopted without any concern for the effects they might have on the rural community.

National prosperity cannot be built on a declining rural sector. All sections of Australian industry are interdependent, and policy has to recognise that fact. The economic problems which affect Australians in the cities affect farmers also.

The greatest of these problems has been inflation. Inflation has destroyed profitability in many businesses through rising costs and the tax system. In primary industry, the priority is to restore profitability. Only when business is, or has a prospect of being profitable, is new investment likely to take place and job opportunities expanded.

This is why it is the Government's absolute determination to bring inflation and rising costs under control. Only in this way can we start Australia moving forward again.

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The Government's strategy was developed in opposition and has been 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 begin implementing this strategy, by introducing administrative and spending economies, by halting public service growth and by a number of steps to help investment and ease the cash crisis for many businesses. Among these has been the 40% investment allowance. The allowance applies to new plant purchased or leased between 1 January 1976 and 30 June 1978 and first used or installed by 30 June 1979.

The allowance will be available in respect of purchases of most new farm machinery, such as tractors, harvesters, etc. and for new structural improvements such as for on-farm storage of hay, grain and fodder, for the cost of dams and earth tanks, bores tanks, wells and sub-divisional fencing.

On 20 May the Treasurer announced a further series of measures in this strategy. These included savings to the Budget amounting to almost \$2,600 million; full personal income tax indexation; a new scheme of family allowances which will be of particular benefit to farming families.

I mentioned at the outset, the large proportions of farmers in dairying, fruitgrowing and other rural industries which have incomes below the taxable level. These will derive great benefit from the family allowance scheme.

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 and spiralling wages have been the principal forces fuelling excessive inflation and unemployment. When we came to Government we found public spending rising out of control.

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

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We have emphasised consultation with representatives of all major sections of the economy. There have been pre-budget discussions with industry representatives, including the primary industry group.

Several weeks ago we held an important series of consultation with the Trade Union movement; out of this discussion came a clear recognition of the contribution of the wages and salary bill to inflation.

Restraint in Government spending must be matched by restraint in wage and salary demands if costs are to be contained and growth in the economy resumed. There are signs that a national cooperative effort can be achieved.

During our budget consideration current economic conditions and prospects are being closely scrutinised. A number of leading economic indicators point to recovery in real economic growth. As always there are conflicting signs amongst the indicators. We believe, however, that the positive indications are now more widespread.

There has been a significant slowing in the underlying rate of price and wage increases in the past year. The consumer price index increased by 2.5% in the June quarter, and in the past year, the index rose 12.3% compared with 16.9% in the previous year.

There has also been marked restraint in the growth of earnings although the rate still remains high. Average weekly earnings, excluding overtime, increased by 11.6% in the year to the March quarter 1976 compared with 33.3% in the year to the March quarter 1975.

Retail sales so far this year have showed signs of real growth. Taken with the strong rise in motor vehicle registrations, this indicates that consumer confidence is improving. Dwelling approvals maintained healthy levels in most states.

Our exports in June \$973million, were a record and for 1975/76 as a whole, exports were 10% higher than in 1974/75. In recent months, as the economies of our major trading partners have continued to recover, export volumes have begun to grow more rapidly, at the same time, average export prices are firming.

Recent information indicates that private investment in plant and equipment will record a return to real growth in the half year to June 1976.

Stock decumulation now appears to have been completed: the real level of stocks increased in the March quarter.

Against the background of continuing fiscal and monetary restraint, these signs are encouraging. However, some sections of the economy remain sluggish and only a continual reduction in the inflation rate can pave the way for a return to steady and lasting growth.

Unemployment is still far too high but further large increases in government spending will not take up the slack in a way that would be sustained.

And now let me make the point so that there is no misunderstanding about government responsibility. This State, and all other States, must play the ball game. The States are not being asked to make sacrifices not shared with the rest of the community. They have as profound an interest as the Commonwealth Government in reducing the national deficit and returning responsibility to their economic affairs.

It is utterly unreal to think that governments can go on spending more in real terms, year after year. In the past, the States have expected the Commonwealth to foot the bill to meet State promises. They expected these increases in real terms - as though it is a divine right. They wanted to count the cash, but not the cost.

The States will have to realise that they will have to share economic responsibility if this nation is to grow and prosper. If they don't - the voters will give them the message better than I can. And that is through the ballot box.

I think that Australians now understand that if the Commonwealth or the State want to spend more of taxpayers money they are going to have to justify their actions.

This audience of farmers - of all people - are more aware than anyone of the consequences of Governments who want more and more of people's incomes.

And in case any Premier claims that they have been frugal, economically responsible and not wasteful - let us have a quick look at the figures. Last financial year (1975/76) State outlays went up 22%. The financial year before - a staggering 39.7%. How hard did the State Premiers try to justify the additional spending to their own electors - how hard did they try to make sure that every cent was put to best possible use.

Let us now look at the growth of the Public Service in the States. Between December 72 and December 75 - just three years - the States employed an additional 83,000 people. I wonder if the States used the same criteria that a businessman or farmer would have in deciding how many extra people to hire - and all the criteria we have used over the last six months.

New South Wales increased their Public Service employees by a reasonable 7.3% in that three years. A pat on the back for the former administration of New South Wales. In Victoria that figure was 14.1%. It was the same in Queensland. In Tasmania it was a 16.3% increase and in South Australia 19.4%.

The Commonwealth under a Labor Government increased its Public Service population by over 12% in that period.

Now for the first time in twenty four years, a Commonwealth Government is putting a halt to this kind of growth. In just seven months, we have reduced the size of the Commonwealth Public Service by about 20,000 people compared with the level which would have been reached under ceilings set by the previous Government. No one was sacked, no one was asked to leave. It was achieved by natural wastage, retirement and the like - and a subsequent more efficient use of manpower and womanpower. We have not stopped there. The number employed by the Commonwealth will continue to reduce until June next year. I have already announced new ceilings.

If we can do it, so can the states. If we can show responsibility in economic management, so can the states. If we can start the fight against inflation so can the states. We have made a start, when will the states also make the start which they all know they must. The states can make their own contribution to beating inflation by not increasing taxes and charges this year.

After taking into account the share of tax revenue going to the states and local authorities - together with their allocation under loan council programme, the states and local government will have more than \$900 million more than last year at their disposal.

This is an increase of 17%, above the rate of inflation, and should enable them to meet their commitments without adding to economic costs. It is an increase in real terms.

I want to make the point here that the states are free to make their own decisions in how they spend this additional money. They have been given greater flexibility than ever before. This situation has to be balanced of course against our rationalisation of special purpose payments to the states.

Some weeks ago the Government decided to lift the reserve price for the Australian wool clip to 275 cents per kilo, clean for 2 1/2 micron wool. This is an increase of 25 cents over the rate that has prevailed for the last three years.

I might add that this action also is in marked contrast from that taken by the former administration when, in a strengthening market situation, it sought to reduce the price to 200 cents from 250 cents per kilo, clean for 2 1/2 micron wool. This, for a period, shattered confidence in wool trade.

The government has also decided to continue the floor price in 1977/78 at not below the level approved for this year. This will provide long term stability for the industry.

The Government has confidence in the future demand for wool. That demand has been strengthening in recent weeks.

We are confident that considerable quantities of the Australian corporation's stocks will be sold over the next 12 months, as part of its normal trading operations. But even so, the government believes that the corporation needs to retain considerable stocks of wool. This will enable wool to be supplied to major consumers in particular

circumstances that might arise, and to make sure that disruptions to supply cannot interrupt the process of production.

This is a positive action that the Government has taken to reinforce one of Australia's most significant industries. This decision, of course involves no charge on the taxpayer.

Growers know they are building their own fund to support these marketing arrangements, paying five percent of gross proceeds of the sale of wool and in addition to that it is expected that funds that have been advanced by the Government over the past years at commercial interest rates, will be repaid almost entirely in the next twelve months.

MEAT

The depressed condition of the beef industry has been of great concern to the government. The market for beef continues to be fraught with difficulty and uncertainty. The way in which the access to Japan for Australian beef was suddenly closed off was an example of how trading relations between Australia and Japan should not be handled.

There is a differential in prices paid by the overseas consumer and the price paid to the Australian producer way beyond the actual cost of handling and processing. In Canada for example, in recent months, sales have been made at levels of 25 cents below the price in the U.S. for comparable cuts of meat yet wholesale meat prices in Canada have remained closely in line with those in the U.S.A. For Canadian importers, this has given sometimes close to nineteen cents per pound profit on a simple resale.

This nineteen cents per pound has frequently been well above the price paid to the producer at the original point of purchase.

The government has been active in seeking to secure improved access to beef markets overseas. The beef market was an important aspect of my discussions in Japan. When two nations are as closely linked as ours, there must be sharing of the burdens as well as the benefits of trade.

In Japan I pointed out that when difficulty arose in the car market here in Australia, Japanese manufacturers still had access through the quotas. But when there were difficulties in Japan, in the beef market, our producers were absolutely excluded. I stressed that Australia intended to be a reliable supplier to Japan. I also stressed that reliability was not a one-way street. There has to be stability of trade in both directions.

The Australian government regards continuing stable and reliable access to the Japanese market as a matter of the highest importance. We welcome the fact that Japan has decided to resume imports of beef and the more recent decision to revert to six monthly import quota announcements. These will inject more short-term stability into this trade. With respect to our other markets, the Deputy Prime Minister, Mr Anthony, announced in March the outcome of lengthy negotiations with the U.S.A. concerning allocations for meat imports by the U.S.A.

Our share of the U.S.A. market for 1976 is 287,000 tonnes which is slightly higher than our initial allocation in 1975. We are also of course, in a position to supply any shortfall on the U.S.A. market should they occur from other beef exporting countries. The U.S.A. economy is improving and their cattle numbers are falling. It does not seem unreasonable to expect expansion of this most important market in the years ahead.

In government we have suspended the meat export inspection charge. As a result we are now meeting the full costs of export meat inspection currently running at some \$25 million per annum. We have also met the \$1.24 million meat export charge on the sale of meat to the U.S.A. last year.

Low interest rate carry-on finance is available through reconstruction authorities for producers and we have asked the states to indicate what further funds they consider should be provided. We have decided to provide funds to compensate producers for the slaughter of brucellosis and tuberculosis reactor cattle. This will be an important ongoing programme. In 1976/77 we will provide \$6.5 million for compensation. We will also provide \$12 million in the current year for the conduct of the campaign to eradicate these two diseases of which only \$7.8 million will be recouped by the recently introduced \$1 per head slaughter levy.

My colleague, the Minister for Primary Industry recently announced that the powers, functions and composition of the meat board are to be reviewed. Australia along with other beef exporting countries, has been active in pressing the European Economic Community for a return to a more liberal import system for beef.

We are determined to upgrade the strength of our representation to the European Economic Community. For too long we have taken a largely passive approach to this grouping, which supports free trade in the manufactured products while raising immense barriers against farm products. In concert with other like-minded countries, we will be seeking to break through these barriers.

#### INCOME STABILISATION

The Liberal and National Country Parties are greatly concerned about one of the major problems facing primary producers - the extremely wide fluctuations in their incomes from year to year. We are committed to introducing an income equalisation deposit or a farm income reserve fund which will overcome the problem of income fluctuations and encourage greater stability in farmers investment expenditures. Under the system taxpayers would be allowed to spread their income over a number of years by lodging deposits with a special fund. These deposits would then be deducted from that year's taxable income. Later, when whole or part of the deposit is withdrawn, the amount is added to that year's taxable income. Decisions on the I.A.C. recommendations in this matter will be made in this year's Budget.

## CARRY ON ASSISTANCE

The government has acted to relieve the disastrous impact the primary recession has had on individual farmers. ON May 10 as an urgent interim measure the conditions of eligibility for unemployment benefits were varied to include farmers suffering financial hardship and who have registered for unemployment but who under previous conditions were ineligible.

To qualify, primary producers have to be actively seeking employment and their farm business returning a net income lower than the unemployment benefit. 2,082 farmers (200 in New South Wales) were receiving unemployment benefits; most of these farmers did not qualify prior to the government's action.

The relaxation of unemployment benefits is designed to meet immediate needs. It will be reviewed together with the I.A.C. recommendations on rural reconstruction. Cabinet will soon consider recommendations on future assistance for rural adjustment, including household support to apply from January 1977.

These Cabinet decisions will form the basis for discussions with the States. Following discussions with the States, a decision will be taken on the form of any household support to be provided.

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