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Address by the Acting Prime Minister, Minister for National Resources, Minister for Overseas Trade and Leader of the National Country Party, the Rt. Hon. J.D. Anthony, M.P.

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SHERATON HOTEL

PERTH

Saturday, 24th July, 1976

As you know, I returned the day before yesterday from a visit to Romania and the Soviet Union. I've already made some comments about my discussions in those two countries, both of which will, I believe, assume increasing importance for us as trading partners.

As I said on my return, it is very hard in a centrally-planned economy to know what they are thinking; to know to what extent trade and politics become intermingled. However, I think it is extremely important that we build up close contacts with the people in these countries who make the decisions on trade. Without that contact, the job of trading is made so much harder. People in countries like Romania and the Soviet Union find it difficult to fully grasp our free enterprise system where the Government is involved to a minimum extent, while we find it strange dealing with countries whose governments virtually own and control everything. The more personal contact we can have with them, the greater the opportunities for bridging this gap, and for promoting trade.

It has to be understood, of course, that when a minister visits another country for discussions, he does not go there as a travelling salesman, with a bag of samples and an order book. He goes there to try to establish the relationship and environment that will encourage and facilitate trade. We negotiate trade agreements for that purpose. We set up joint ministerial commissions for that purpose. We talk with ministers and officials to assure them of our desire to trade, and to be a stable, dependable trading partner. We establish the framework. But then it is up to the private sector, or to the trading authorities - with our active encouragement and support - to do the business.

For example, while I was in Moscow I naturally raised the question of our desire to make further sales of beef. We already sell a number of primary products to the Soviet Union, and we have made good sales of beef in the past. At present, of course, there is a very large stockpile of beef in Europe which overhangs the world market and makes trade very difficult. Nevertheless, the Soviet authorities assured me that Australia would continue to be considered as a source of meat. There is a shortage of meat in the Soviet Union due to last year's widespread drought -- but, as I said, there are large stocks of meat in Europe which have a bearing on our chances of selling meat to the Soviet Union at present.

Nevertheless, the chairman of the Meat Board, who was in Moscow with me, and who stayed on for further discussions, will be pursuing this matter and I hope we will see some worthwhile results before too long. A buying mission from Romania will be in Australia shortly to look at the possibilities of buying meat, dairy products and sugar from us.

A very important point about trade, of course, is that countries must be able to sell things before they can buy things. They have to earn the foreign exchange to pay for their imports. That's why it's important that we give countries like Romania and the Soviet Union opportunities to sell to us, and a large part of my discussions was devoted to this aspect of the matter.

As soon as the Prime Minister returns to Australia on 6th August, I will be holding discussions with another country -- Iran -- in a part of the world which also will become, I believe, very significant to Australia. I will then be making brief visits to Britain and Germany to discuss matters related to my responsibilities in both trade and national resources.

### Coalition difficulties in Western Australia

You have been through a year which, to say the least, has not been without interest as far as your experience of coalition has been concerned. You have been reminded that successful coalition which can bring very great benefits to a State and a nation, demands constant work and attention if it is to remain successful. There must be a continuing effort by each side to understand each other's point of view. There must be no tendency for one side to try to dominate the other, otherwise strains and stresses will be created. In arriving at decisions, the views of each party, and the responsibilities of each party, must be taken into account. The experience of the Liberal and National Country Parties in Canberra over something like 27 years proves that successful coalition can be achieved and maintained - provided there is a basic, underlying unity of purpose, and a continuous, conscious determination by the leaders and others to make coalition succeed.

I'm delighted that, after the difficulties you have experienced in the last year or so, the coalition in this State has been restored. But I am very concerned about developments which seem to me to raise a real threat to the future successful existence of the coalition here. I do not believe a coalition can survive if ministers in the Government are opposed by candidates endorsed by the other partner. For many years there have been pressures for this sort of thing to happen in the federal coalition, but the party leaders have strenuously and successfully resisted these moves. We have resisted them -- often despite very strong feeling within our own party ranks -- because we know that this kind of situation would make proper functioning of a coalition cabinet almost impossible. I think it must be clear to anyone that a minister trying to serve his Government well, and trying conscientiously to be loyal and responsible to his colleagues, must find himself in a very difficult situation if those colleagues are allowing him to be censured, in effect, by being subjected to an electoral contest with his coalition partners.

I don't think it is good enough simply to say that no understanding or arrangement about these matters exists. That might well be true. But surely if it is foolish to do a thing, then it shouldn't be done. If both partners believe coalition is important and worthwhile, and if they believe coalition is good for the State, and if they really want it to work, then perhaps it's time an arrangement was worked out.

I don't think it's good enough to simply say this is a matter for the party organisations. Strictly speaking, no doubt, it is a matter for the organisations. But that does not mean that party leaders are absolved from giving guidance and wise counsel, even though such advice might not always be well received by the party organisation. It is the party leaders, and the parliamentary members, who carry the major part of the burden of making coalition

work and of providing good government. If their party organisations contemplate action which seems likely to jeopardise those objectives, then leaders must do what they can to see that a wiser course is followed.

All I can say about your situation here is that I hope wiser counsel will prevail, and that people will see the dangers that lie in the path to which -- I hope only for the moment -- they have committed themselves.

I hope both parties here will work to establish an agreement as to the basis of coalition. And I hope both parties will accept the need for very careful consideration of the way they act towards each other; that members of both parties will keep very much in mind the requirements for harmonious working relationships. If these things can be achieved, then this State can look forward with confidence to a continuation of good government.

#### Party's role and purpose

And in our own minds, there should be no doubt about our own importance on the political scene, about our role and our purpose. I say that because there are people who suggest today that with the Liberal Party in such a strong position in the Federal Parliament, the National Country Party is superfluous. A few moments' thought about the Senate situation and the realities likely to exist after future House of Representatives elections should quickly dispel that kind of thinking.

But there are much more fundamental reasons why this nation needs a strong, vigorous, effective party like ours. Surely the three years' of Labor Government demonstrated beyond all doubt what can happen when a party with the great bulk of its support concentrated in the metropolitan areas is elected to office. Those three years saw the most serious neglect of and vindictiveness against the non-metropolitan areas of Australia. Policies we had fought for over the years, as a Party, were abandoned, and the whole economy so damaged by Labor's reckless spending in other directions that the new Government is very much inhibited, for the present, in what it can do to once again assist and encourage the great export industries and the people -- in many cases country people -- associated with those industries.

There is a need, a very real need, for a party such as ours which is dedicated to looking after these industries, and people, who are so important to the nation. Lately we've been seeing a spate of articles and editorials saying -- as they have been for as long as I can remember -- that this Party is on the way out; that it's losing its supporters. I wonder if the people who write these things ever look at the results of elections? Or at our membership? Or at our 23 members and eight senators -- the most we have ever had? I wonder if they ever look at the way our strength grows -- not the kind of spectacular growth that's likely to just as quickly evaporate, but real, solid, lasting growth, and a stability that's the envy of other parties?

As far as I'm concerned -- and my Federal and State colleagues will back me -- this Party knows where its strength comes from, where its real support lies, and where its future will be, and we will not lose sight of any of these things.

### Labor rejected by the people

Mr. Chairman, on December 13 last year Australia -- to borrow a phrase from Churchill -- gave a heave of its shoulders and shook off the burden of the socialism which the Whitlam years, as brief as they were, had begun to load on them.

Some people still do not understand what happened in that election. They still confuse two separate happenings: first, the action by which the Governor-General resolved a Parliamentary deadlock which threatened the most dire consequences for the nation, and second, the action by which the people themselves decided who they wanted to govern their country.

That deadlock saw a Prime Minister defying the Parliamentary system and betraying his own principles to cling to power - a point which Mr Whitlam now carefully refrains from mentioning.

The Whitlam Government wasn't destroyed by the Governor-General. It was destroyed by the Australian people, because they'd had enough of it. The people, in response to Mr. Whitlam's impassioned and repeated invitations, did express their judgement on the Governor-General's actions, to the extent that the Australian people - not Sir John Kerr - turned a Labor majority of five into a Liberal-National Country Party majority of 55.

### Big majority not a licence

Mr. Chairman, some people might say that this big majority gives us the power to do what we like: to run wild: to ignore the needs of minorities: to let our overwhelming strength weaken our judgement and our responsibilities. To me, the opposite is true. Our big majority is not a licence to do what we like. It is an instruction, a direction, a command to do the job the people gave us to do -- and to do it with resolution.

What is that job? It is to bring the national economy under control; to clean up the mess; to rebuild. As I report to you on the results of our work, on the progress we have made in our first six months, I ask you to remember this: when you have a train running downhill at top speed on the wrong line, it's not a simple matter to pull it up, to reverse it back up the hill, and then to get it heading in the right direction. That's the kind of problem we face in getting the economic train under control, and back on the right track.

What did we find when we woke up on the morning of December 14 last year? It certainly was no surprise to us to find this:

- . inflation running at 14%
- . the worst unemployment for more than 40 years
- . an enormous budget deficit, and the prospect of an even bigger one
- . Government spending getting to the point of being completely out of control.

These were the elements of the problem we faced and which we had been instructed by the Australian people to get our teeth into the night before. Well, we've taken the first bites. We've got our teeth into the problem. And we're not going to be easily persuaded to let go.

I think it's fair to say that, by the firm economic measures it has already taken, the Government has let it be known that it means business. We have moved to regain control of the national economy; to reassert control over fiscal policy. The loss of control which we now seek to redress should never have occurred. The fact that it did occur explains why, as a nation, we are in such a difficult situation. The economic measures we have introduced are designed to begin, in a very substantial way, the process of bringing inflation under control.

Both before I left for overseas and since my return I have been engaged in discussions on the Budget which the Treasurer will bring down on 17 August.

The task facing us was to draw up a Budget that would continue to take account of the need for restraint in government spending, but at the same time stimulate the restoration of confidence which is so urgently needed throughout the community, and especially in the business and industry sectors. I believe the Budget next month will show that we have been able to achieve these two objectives in a very responsible way. But inflation remains the fundamental problem.

We simply cannot hope to permanently correct our very serious unemployment problem, or the basic problems of our export industries, until we bring inflation under control. Inflation is the root cause of unemployment, and this needs to be fully understood.

So to fight the inflation menace, Mr. Chairman, we have embarked on a program to reduce the budget deficit, to halt the massive increase in government spending, and to persuade the community of the need for moderation in wage demands and price rises.

At the same time, we have shown ourselves committed to looking after the less fortunate members of society. Indexation of taxes and the new system of family allowances represent two of the most far-sighted steps ever taken by a Government in this country. Not only will they be of great assistance to individuals and families but, even more significantly, they will do much to increase our chances of success in the battle against inflation and all its evils.

#### Inflation threat to exports

Historically, Mr. Chairman, the party to which we all belong has placed great emphasis on the importance of the export industries. We have said that exports are the lifeblood of the nation; that they are the foundation on which our rising living standards are built because they earn the foreign exchange we need to pay for the things we import. Exports are vital to the progressive development of our industry -- our primary industry,

both agricultural and mining and our secondary industry. Without the capacity to export to the world, our industries are denied the benefits of large-scale production, and the economies it can bring.

All this is well known to you. What you also know although the full seriousness of it has not yet been understood by many people is that the whole basis of our export industries is gravely threatened. This is the major point I want to make to you today.

For many years I, and others, have been issuing warnings on the consequences of allowing our export industries to become uncompetitive. If we allow that to happen, it is bad not just for industries themselves -- it is bad for the whole nation. Yet it is happening.

The cost structure of Australian industry, at all levels, is getting so far out of line with the cost structures of industry in other countries that our own people simply cannot hope to compete. Every day I'm hearing of export sales lost because our prices are too dear. Our wage levels are the highest in the world. Wages in this country have risen faster and higher than in any other country in recent times. This has put very great strains on the competitiveness of our industry.

The situation is so serious that the viability of many of Australia's farms, mines and factories is under real threat. You all know what rising costs have done to the rural industries.

When you turn to the mining and manufacturing industries, again there is cause for real concern. Not only is inflation hurting these sectors in the same way it is hurting primary producers: it is also frightening away the investment we need to establish new projects, and to keep existing developments profitable and competitive.

Unless inflation can be controlled, the international competitive position of the minerals industry - already in many cases on a knife's edge - will certainly be very seriously damaged. One of our most efficient sectors, and probably the one which has the greatest growth potential, could be severely harmed. If it is, Australia will be the loser.

#### Getting mining moving again

Mr. Chairman, could I say something, in this great mining State, about the Government's policies on minerals and energy matters, for which I have some responsibility.

There seems to have been some unrealistic expectation that, almost overnight, the frustration and stagnation of three years of Labor administration could be cleared away. Not one major mineral project got underway during those three years. If anything, during that period, several promising projects had impediments put in their way.

I think one of the most powerful forces inhibiting development then and now is the fact that, during those same three years, the economy of this country was managed in such a reckless and profligate way that the commercial viability of many proposed and even existing projects has been placed in question by excessive inflation.

Our approach in the first few months of office has been to remove the impediments and roadblocks to clear the way for future growth. We have been seeking to re-establish the foundations for business confidence. But after the ravages wrought over the three years of the former Government's administration, this cannot be accomplished overnight.

Even so, progress has been made. As you know, there are a number of necessary steps before the construction phase of a project is reached. Quite apart from the planning of the project and the organisation of the construction, there are feasibility studies to be carried out, contracts to be negotiated and funds to be marshalled. Even the projects that have been marking time for the past few years need to be re-examined and re-assessed. Since we have come to office, companies have set about the work of bringing their projects to the stage where they can get underway.

In a few moments I'll give you a very quick list of the things I've been doing in an effort to get the mining industry back on the road to recovery.

But first let's look at one or two specific areas. Foreign investment for example. Our foreign investment guidelines make it clear that we want to see foreign investment here. The guidelines recognise Australia's need for foreign investment. If foreign investors remain unconvinced on this point, it is not for want of assurances on my part or on the part of my ministerial colleagues. I wish I could say the same for all within the community. Every time some public figure, in this State or elsewhere, attacks the guidelines he is simply compounding the likelihood that investment will be scared off.

What the Commonwealth wants is this: First we want to see our mineral resources once again being developed. Second, we want to see Australians given the opportunity to participate in that development - to invest in it. Third, we want to encourage the foreign investor to join in the development of our resources - for several reasons: because we simply haven't got enough capital of our own; because we need the skills and the market outlets that come with foreign capital; because we desperately need the new jobs that foreign capital can provide, and the new development it can bring.

Our guidelines are designed to achieve those objectives, and to achieve them without placing any hindrance in the way of development. We have set up an independent board of review - which includes men with the experience to know and appreciate the problems of business - to advise us on foreign investment proposals.



The inability of Australians to take the opportunity to invest in new projects will not, in itself, mean that those projects will not go ahead. But the Government believes Australians should have the chance. We've said we will, as a general rule, only approve new projects if they have at least 50 percent Australian equity. But if foreign companies genuinely try to raise half their equity capital in Australia and can't, then the projects will not be prevented from going ahead with more than 50 percent foreign ownership.

With uranium, the situation is different. Uranium is a unique, highly-sensitive material - in every way. It would be quite unrealistic to believe that the great majority of the Australian people would accept substantial ownership or control of this very important and strategic resource by foreign companies or foreign governments. So in the case of uranium, we have laid down a firm rule that there must be at least 75 percent Australian ownership. And I'm quite certain there will be no trouble at all in finding Australian capital to meet that rule.

When I'm in Europe and Britain shortly, one of my most important tasks will be to reassure investors there that we need their capital, we want it, and that it will be welcome here under our investment guidelines. In so doing, I shall be lending emphasis to the message already conveyed by the Treasurer in his visit a month or so ago. In this way I hope I can repair some of the damage that is being done by people who have put the grinding of their own axes before the interests of the nation.

Now let's look at another area that seems to preoccupy the thoughts of some people: the Government's export control powers. Export controls are now being administered in a completely different way from the way they were applied under the Labor Government. Under Labor, export controls were almost a weapon to be used against our own producers. For my part, these controls constitute a reserve power to be used only where there is an over-riding need to protect Australian producers, and to protect Australia's interests.

Let me illustrate. I have only once used the export control powers to intervene in the activities of companies. That was in the case of salt. Salt producers here in Western Australia had argued for many months with the Japanese over the need to obtain a reasonable price for their product. On the weight of evidence relating to their own costs and to the prices being paid elsewhere, they had a reasonable case. In the end, have failed to reach a settlement, some of the companies asked me to intervene. What's more, the West Australian Government asked me to intervene, and gave me full backing when eventually, and reluctantly, I did so.

Let's look at iron ore. I've had extensive discussions with all the iron ore companies to make sure there are no Commonwealth obstacles in the way of new development. I've told the Premier of Western Australia that the Commonwealth will not be setting priorities for new development projects. We believe this to be a matter for commercial negotiation. This means that the Australian companies and the overseas consumers know they can confidently proceed with their negotiations. This is something the previous Government would never contemplate.

Naturally, the Government will wish to ensure that development proposals to increase Australia's iron ore capacity recognise the need to keep a reasonable balance between supply and demand, and do

result in substantial over-capacity which would be to the detriment of the industry as a whole.

Again, the Australian iron ore producers and the Japanese steel mills recently completed price negotiations on a commercial basis without any Commonwealth intervention. Of course, in a common-sense and a co-operative way the companies and the Government discussed the issues before the negotiations took place and referred the final outcome to me with the recommendation that it be approved.

Coal price negotiations were conducted in the same way.

Under Labor, iron ore producers found themselves being ordered back to Tokyo to get better prices, and coal producers found the Federal Minister in Tokyo negotiating prices himself! If commercial negotiations produce, as expected, a commercial result - that is one related to world market prices - this clearly would meet the Government's policy objective. Government intervention would then be inappropriate.

Now let me say something about the North West Shelf. Current indications are that it will be a project of major proportions which could involve expenditure of over \$2 billion. Thus it could be the greatest single project ever undertaken in our history. It has already been indicated that our policy is to allow export of reasonable quantities of LNG to assist cash flow particularly in the early stages and to help the project become a going concern as quickly as possible. At the same time, successful launching of the project will, I believe, provide much-needed encouragement for our offshore petroleum exploration industry, and provide a significant stimulus to the economy, particularly in Western Australia.

In all my discussions with the companies which are members of the Woodside-Burmah Consortium, and also with prospective overseas buyers of the LNG, especially in Japan, I have emphasised that the Commonwealth Government is doing all in its power to expedite the necessary decisions on the Consortium's development proposals. The development proposals, of course, also involve important issues for the State. This is recognised fully by the Commonwealth, but I might point out that if Labor were still in power in Canberra all the major decisions would have been made there and the State's role would have been minimal.

Since the receipt of the Consortium's proposals in Canberra on 9 April the Commonwealth has been at pains to press on with the consideration of them as expeditiously as possible. Top priority has been given to them and a meeting was held with State representatives in late April, and another, after some delay by the State, was held with both State and company representatives at the end of May. Since then the State has been in consultation with the companies, and the Commonwealth is still awaiting the outcome of those consultations. I mention this because there have been suggestions in some quarters that the delay in coming to decisions has been caused by the Commonwealth. As you can see, this is not the case.

Mr Chairman, there are people who forget that, while each of us is a citizen of one of the States or Territories that make up this country, we are all citizens of a nation. There is a National Government. The National Government has responsibilities to the nation, and to the international community. There is simply no way in which it can accept the simplistic advice that it keep right out of mining and energy and export matters. The sooner that is understood and accepted, the sooner we can all get on with the job of working together to revive and expand the great industries of such vital importance to this nation.

I said earlier that I would run through a quick list of what has been done in this area since we were elected about seven months ago. Here it is:

We have moved to divest ourselves of the previous Government's involvement in areas that rightly belong to private enterprise.

An initial investment allowance has been introduced.

The coal export levy and the questions of taxation treatment for the mining and petroleum industries are under study in the correct context - that of the Budget.

Three major new projects in coal have been approved.

Those in iron ore have been assisted through discussions in Japan to help restore confidence in Australia as an assured and stable long-term source of supply.

The Commonwealth has said it will not set priorities for iron ore projects in Western Australia, regarding this as an area for commercial negotiation provided that fair and reasonable market prices are obtained.

The way in which export controls are used has been changed so as to respect, rather than usurp, the role of private enterprise.

The Commonwealth, in contrast to previous government policy, has not found it necessary to intervene in coal and iron ore price negotiations.

Sensible guidelines on foreign investment have been laid down - guidelines which will give Australians full opportunity to participate in resource development, but which will not hinder development.

The limited export of natural gas from the North-West Shelf has been approved in principle.

The question of oil pricing has been referred to the IAC.

We are working with the State Governments in the revived Minerals and Energy Council and with the West Australian Government on the development of the North-West Shelf.

Visits to Japan by myself and the Prime Minister have reassured the Japanese of Australia's desire to be a secure, reliable source of supply, and to offer a stable market.

Communication between the Government and the mining industry has been again opened up, and the Department of National Resources is keeping in close touch with industry.

I have had discussions in both Romania and the Soviet Union on matters related to trade in raw materials.

Shortly I will be having further discussions in Europe on matters related to trade in minerals, and the development of energy resources.

An all-out attack has been launched on the mining industry's most serious problem area - inflation.

To have done less than these things in our first seven months would have been to let down those who elected us to change the disastrous course on which Australia had embarked. To attempt to do more in this period, and in the economic circumstances of today, could only have been achieved at the expense of economic responsibility, or by ignoring the due processes of good government.

Mr Chairman, in this address I have emphasised the Government's efforts to deal with inflation. I have done this for two reasons: to alert you, and the community as a whole, to the extremely serious situation we face; and to help the community understand why the Government is making the fight against inflation its first priority. In doing this, we are making it extremely hard for ourselves to do many of the things we would like to do, and which need to be done. We must exercise the most stringent controls over Government spending, and this does nothing to maintain or increase our popularity. But there are times -- and this is one of them -- when governments must put responsibility before popularity.

My appeal to you today is to stand with us in this difficult time, and in these difficult tasks. I ask you to remember that when we seem hard and ungenerous, we are simply responding to the urgent needs of this nation in the way most appropriate to those needs at this time.

What has to be understood is that inflation is at the very heart of our problems. Those problems -- and I have mentioned especially unemployment and the damage being done to our export base -- will not be solved until inflation is brought under control. So we are applying ourselves with as much resolution as we can to the job the people have given us to do. I hope this Party, to which we are all so proud to belong, will stand squarely behind its members in the Government as they put their shoulders to a pretty heavy wheel.

Throughout its history, this party has faced many challenges. Today we face what is perhaps the hardest challenge of all -- hard because it's a challenge which all our instincts, and our deep concern for the plight of so many of our own people, tell us we should run away from. It's the challenge to restraint, to moderation, to denial, to self-control, to discipline in our demands. And it's a challenge not just to us, but to the community and the nation.

If the crippling inflation besetting this nation is to be broken and beaten, this challenge must be faced and accepted. I want this Party to so conduct itself in response to this challenge that we will show to the people of this nation such a high degree of responsibility and such concern before all else for the good of the country we all love, that our reputation will be enhanced to a degree never before achieved.

I want this party to be seen as the party that was willing to bear the criticism, to carry the odium, to stand firm against the pressures, to tread the path of responsibility at a critical time in the nation's life.

The challenge. The response is to stand firm.