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PRIME MINISTER

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QUEENSLAND ANNUAL LIBERAL CONVENTION

I am always pleased to visit Queensland. The Government is never uncertain about Queensland's views. I am referring, of course, to the very large number of members on the Government side that Queensland has in the Federal Parliament. And in the House of Representatives, with one exception, they are all sitting on the right side of the House. The Liberal members in Canberra are never backward in putting their views - that is very welcome.

Last year Queenslanders made their views very clear on the kind of Australia they wanted. The decision of the people last December was a turning point in Australian history. The Australian people recognised on 13 December that Australia needed a profound change of direction.

That decision of the Australian people placed an enormous responsibility on the Liberal Party - both Federal and State. Australia needed a Government which believed that people deserved incentives to achieve their best in all areas of life; which would encourage productive private enterprise to provide jobs; which would give genuine assistance to the disadvantaged; which would put an end to ever-rising taxes; which would protect individual rights.

Australia needed a Government which would reverse the drift of power to Canberra, and which would strengthen State and local government. We undertook to provide that kind of Government.

We undertook to give Australia a Government which respected the right of people to build their own lives, without being told what to do by a few people who claimed to know what was good for everyone.

In November last year, to achieve this objective we placed before the Australian people one of the most far-reaching and detailed programmes ever proposed by a major party in Australia. It was a programme designed not only to revive the faith and confidence of people in Australia, but also to create the conditions in which Labor would not again be able to damage Australia as it had in the past. That programme is now

being implemented. Many specific measures, including a number of historic reforms, have already been introduced.

One area where there has been an historic change of direction is the Federal system. The flow of power to Canberra has at last been reversed by our Federalism policy. The financial position of the States and local government will be immensely strengthened under these reforms. Financial capacity will be matched to responsibility. Participation by Australians in state and local government will be more effective. Effective decisions will be made closer to those affected by them.

There has been criticism of the strength of local government presentation on the Advisory Council for Inter-Government Relations. Local government will have six representatives on the Council. We have taken the view that this is essential for the effective presentation of local government.

I want you to know that at a meeting of Federal Executive earlier this year I made a point of sounding out the views of the six state Liberal presidents and that they concurred with the expansion of the Council. A letter was sent to the Premiers at the end of August, informing the states of our view.

There was ample time for comment. Our decision was not one taken hastily without proper consultation. The position of the states is fully protected by the arrangements.

I hope we will not have a situation where a representative of local government is present from a state but where one or more state governments are unrepresented.

The Advisory Council will operate under the control of the Premiers' Conference. Local government will raise matters for inquiry through the state Premier at the Premiers' Conference. The Advisory Council will be a valuable supplement to the rest of the Federalism reforms.

In a well-functioning Federal system the states and local government must have the flexibility to set priorities - to choose how best to meet needs in areas within their responsibility. Labor subjected the states and local communities to increasing dictation from Canberra in their spending. That has now been reversed. We are increasing the flexibility of the states and local government to meet the needs of their areas in the ways they think is best. In a democratic country, this is as it should be.

This flexibility is particularly important at a time when there has to be restraint in Government spending. Such restraint is necessary to provide essential tax relief, and incentive to business to provide jobs.

The uncontrolled growth of Government spending has been one of the major causes of inflation, and unemployment. Inflation erodes confidence, slows business recovery. The fight against inflation cannot be separated from the fight against unemployment. Unless inflation is brought under control there can be no soundly based expansion of job opportunities.

The Budget was an essential part of our strategy to restore opportunity and economic growth in Australia. Some people have said that some reductions in Government spending have been too severe - that the constraints on the states have been too tight.

Let's look at some facts. Total net payments to the states out of funds collected by the Commonwealth have gone up 15 percent this year. General revenue payments to the states - payments which give the states absolute discretion - have gone up 20 percent.

Both these figures are significantly greater than the increase in Commonwealth Government spending. We have imposed much more stringent controls on ourselves than we have on the states.

State Government spending in the recent budgets still rose substantially. Expenditure from the consolidated revenue fund by the Queensland Government rose 18.4 percent in this week's budget. Tasmanian Government spending was up 21.1 percent; Victorian Government spending was up 16.4 percent; New South Wales Government spending was up 14.5 percent; South Australian Government spending was up 13.2 percent. These figures still mean that state governments are contemplating real increases in expenditure - and some of these increases are very substantial.

The Federalism proposals mean that without increasing taxes the states have been able to meet - and more than meet - their vital spending commitments.

The Federalism proposals mean that the states have greater flexibility in choosing their priorities. Queensland, for example, has chosen to forego \$30 million in revenue by concession in the area of succession and gift duties; \$12.5 million when concession on payroll tax are fully applied; and \$2.1 million when reductions in road transport fees are fully applied. Queensland has chosen to spend an extra \$67.6 million on education this year, and an extra \$45.7 million on hospital operations and maintenance. These are Queensland's priorities - determined by the Queensland Government in the light of Queensland's needs.

It is one of the advantages of our approach that the states have greater control over the areas they will choose to fund. They have exercised this. We do not quarrel with it. But there is a corollary. They can not properly come to us and complain about lack of money for areas they have deliberately chosen not to fund. The states will have even greater flexibility when the Federalism policy is fully implemented. They will have even greater capacity to make their own decision, and greater responsibility.

It is always possible to say - and say correctly - that more money is needed in particular areas. When we are twice as rich a country as we are now, it will still be possible to say that more money needs to be spent by governments on certain worthwhile objectives.

The trouble with these kinds of statements is that they avoid all the difficult issues. The unpleasant fact is that at any time choices have to be made. Perhaps the single most important reason for the economic crisis we are now facing is that the Labor government did not have the courage to make choices. It just went on spending and spending, pushing taxes higher and higher, increasing costs and prices and destroying jobs. As Liberals we realise that it is not only Government spending that is important. We believe that people must retain sufficient of their own earnings to give them a real independence in meeting their needs according to their own values.

We believe that businesses, large and small, must be allowed to retain sufficient of their earnings to build new plant and equipment expand production and create jobs. It is always easy to find worthwhile areas where governments can spend more.

As Liberals we recognise that increases in government spending have to be balanced against the personal independence of Australians and against a profitable and efficient private sector. The Liberal Party rightly demands of politicians that they have the courage to make these choices.

One of the most important measures made possible by restraint on government spending has been the introduction of full personal income tax indexation. Personal income tax indexation is not just another tax measure. It is a reform to our tax system of historic importance. It means broadly that if your income increases only enough to keep pace with inflation, your average tax rate will stay the same. If your income doesn't rise at all - so that with inflation you are actually falling behind - your average tax rate will fall.

Under conditions of inflation, our reform means that there will be, in effect, automatic tax relief every year.

This year tax payers are receiving \$1 billion in relief under the scheme. Next year the benefits of tax indexation will become obvious again - on July 1 you will receive further automatic tax relief - indexation is a reform with continuing impact each year while inflation lasts.

This is not only an essential step in the fight against inflation. It is a truly Liberal reform which will have a permanent impact in protecting people's earnings. By this reform we are forcing Governments to be honest. There will be no more unlegislated income tax increases. If governments want to increase taxes they will have to argue for it in future and pass legislation.

In addition to this major reform, we will also be looking in the medium and longer term to lighten the burden of personal income taxation - to increase the control people will have over their own earnings. We believe that people ought to have the maximum freedom to meet their own needs according to their own values, and not as a few people in Canberra decide.

We have been very concerned at the way Labor's inflation has hit the weaker sections of the community - those on low incomes. We committed ourselves to helping these people and we have done so. Our family allowance scheme, designed particularly to help low income families has been recognised as one of the most important reforms to the Australian social welfare system since Federation. It ended a system which discriminated against the children of the poor.

Over 300,000 families and 800,000 children who were debarred wholly or partly from benefiting from the rebate system, are now being assisted by the family allowance. It is of particular help to Aborigines.

The family allowance scheme does not add to bureaucratic overheads, and it places money in the hands of people. It is a scheme which both assists the disadvantaged and increases their independence.

We committed ourselves to further help in the housing area. We have acted by initiating a housing voucher allowance experiment. This experiment, if successful, will provide a new mechanism to make welfare housing sensitive to the needs of the users rather than those of the planners. It recognises the principle supported by the poverty inquiry that assistance should be linked to the person, not the house.

We committed ourselves to protect the real value of pensions. We are introducing legislation to protect pensions by adjusting them automatically in accordance with the Consumer Price Index.

We have also introduced a three year \$225 million programme to provide homes for the aged.

Beyond the welfare area, we said in the last election that home ownership should be a national objective, and we committed ourselves to introducing a new home savings grant scheme.

We have introduced a home savings grant scheme with more generous provisions than the ones we foreshadowed in the election.

We committed ourselves to retaining Medibank and making it more efficient. We have not only retained Medibank but extended its operation. There is an element of complexity in the scheme because this is the only way in which choice can be introduced into the scheme. But there is a perfectly simple way for families to cover themselves and get high quality health care - this is by paying the levy which has a ceiling on it. This requires no action.

The Labor approach did not permit choice - the Labor Party and the opponents of our Medibank reforms want to impose uniformity on the Australian people - to eliminate choice and impose their views on the people of Australia.

Another of the significant actions we have taken this year has been to cut back on the size of the Federal Public Service. Under guidelines now established the Public Service by June next year will

be 26,000 less than the levels projected under the Labor guidelines for 1975-76.

We are also introducing a number of measures to protect individual rights against the bureaucracy. These include a federal ombudsman and an Administrative Appeals Tribunal.

The Law Reform Commission has been asked to examine and report on unwarranted invasions of privacy in matters under the control of the Commonwealth Parliament.

As a Liberal Party, respect for the rights of people to live their lives within the law according to their own values is fundamental to our approach. As a Federal Government we will consistently act to support the rights and freedoms of all Australians, whoever they may be.

This applies without qualification to the Torres Strait Islanders.

We share with the Queensland Government a strong commitment to supporting the concern of the Islanders that they should be able to continue their way of life with an assurance of maximum stability for the future. Agreed principles in the negotiations with Papua New Guinea are that there will be no transfer of sovereignty over any inhabited islands and that all citizens will remain Australians.

The way of life of the Torres Strait Islanders and their traditional patterns of life and activity will be protected.

When the Prime Minister of Papua New Guinea, Mr Somare, was in Australia in April, we agreed that an equitable and permanent settlement of all outstanding issues relating to Torres Strait should be achieved as soon as possible.

One matter that clearly had to be settled was the matter of maritime boundaries. Every independent country has to know the limits of its maritime jurisdiction, just as much as it needs to know the limits of its land jurisdiction.

So Papua New Guinea and Australia agreed that one objective was to draw between Australia and Papua New Guinea whatever maritime boundaries were necessary. We agreed that it was necessary to draw a line determining the seabed (the Continental Shelf) between the two countries.

We also agreed that settlement should include the establishment in the Torres Strait of a zone designed to protect the environment and to preserve the traditional way of life and livelihood of local inhabitants - that is the Australian Torres Strait Islanders.

The protective zone is a fundamental requirement. My Government believes that the first priority of all is to ensure that the Australian Islanders of the Torres Strait shall be able to live and sustain themselves in the Torres Strait as they have always done. This is an absolute requirement.

I believe Papua New Guinea is willing to agree to a just and reasonable settlement which will not only meet their own requirements as an independent country, but also our Australian interests.

Negotiations have been proceeding since May and I am encouraged by the degree of progress made.

There is no reasonable alternative to negotiation. It is much better to negotiate an agreement with a friendly country than to act in a high-handed way or to argue out differences in the International Court of Justice.

If Australia and Papua New Guinea left it to the International Court of Justice to settle the affairs of the Torres Strait the atmosphere would be very different.

It would be an atmosphere of confrontation. The result would be quite unpredictable and the chances of getting a protected zone to take care of the traditional way of life and livelihood of the Islanders would be quite small.

What the Australian Islanders need most is a firm and stable agreement which they can rely on and which is just and equitable to both sides. And this is what the Australian Government, and I believe, the Papua New Guinea Government also wants.

This is what we are working for, and this is, I believe, what we have a good prospect of attaining within the next few months.

Our concern in this matter, as in others, is that the rights of all Australians should be protected.

As a Liberal Government we see it as a basic obligation to help establish conditions of life in which all Australians can pursue their objectives in life in conditions of maximum freedom and with self-respect.

The recovery of the economy is vital to this, and recovery is now under way. One of the important factors in strengthening the recovery will be the revival of the mining industry. Under the Labor Party's authoritarian Minister for Minerals and Energy billions of dollars of investment were deferred or permanently lost. Since the election last December - under the new foreign investment guidelines - there has been a dramatic change.

The renewed interest in the development of our natural resources has brought massive new investment developments onto the drawing boards. These will involve substantial amounts of overseas capital under the new foreign investment guidelines.

Projects being planned include development of the North West Shelf - costing over \$2,000 million and coal projects in Queensland amounting to about \$1.5 billion - stimulated by the Government's decision to reduce the coal levy.

Projects such as these should play a large role in getting the economy moving forward and reducing unemployment.

To ease the problem of unemployment in the short term we have introduced a number of measures. Of last year's 230,000 school leavers, by the end of August 12,700 had not found jobs. To help these young people we have introduced a scheme to subsidise employers who provide work and training. We have also announced changes to the National Employment and Training Scheme (N.E.A.T. Scheme) increasing certain allowances. To assist people who cannot find suitable work where they live, and wish to move to where work is available, we have announced a major scheme of relocation assistance. We are also looking at terms of reference for a far reaching inquiry into the Commonwealth Employment Service.

There is one way in which everyone can help to get unemployment down - by restraint in wage and salary demands. Australians want to work together to get Australia moving.

Trade union members, and the many responsible trade union leaders, are fed up with political and unnecessary strikes - strikes called by men who don't care about the damage they are doing to other Australians; who don't care about the jobs they are destroying and the unemployment they are causing.

I do not believe that responsible trade unionists are going to allow these men to wreck recovery. We promised to give members control over their unions. That is why we have legislated to require secret postal ballots in union elections. Secret postal ballots are now law. They can be a powerful weapon in the hands of union members - a powerful protection from undue pressure by a few extremists.

In our term of office, we have undertaken an active programme to expand opportunities and protect the disadvantaged. Our Government is a government of social reform. We are increasing funds for education, we have restored triennial planning. We are reforming the federal system and giving the states greater financial independence. We are strengthening the capacities of local councils. We are retaining and improving Medibank. We are securing homes for the aged. We will be protecting the real value of pensions by automatic adjustments. We have argued in the Arbitration Commission to protect those on lowest incomes. We have greatly increased assistance to handicapped persons. We have introduced the historic family allowance scheme. We are exploring a housing voucher allowance scheme. We have established a major new home savings grant scheme.

We are setting a new course for Australia. We recognise that needed reforms do not have to mean massive new programmes of government spending - we believe they should be reforms which protect and expand people's capacity to control their own lives without domination by others. We believe our philosophy of freedom and concern is in harmony with the real needs of Australia and will produce a better life for all Australians. We believe the vast majority of people want to work together to make Australia the great country it can be. What we have done so far is a beginning. Every effort needs to be made to get a broad public appreciation of the Government's policies. Now it is up to the Liberal Party - and to every branch and every member of the Party - everywhere in Australia - to show the vitality of Australian democracy and make Australia an example to the world.