



## PRIME MINISTER

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### N.S.W. LIBERAL PARTY DINNER, SYDNEY

There are times, I believe, during the course of an election when the people of a nation make fundamental choices about the sort of country they want to live in.

A choice of one party over another at such watershed elections maps out the future; it determines whether some alternatives are made more difficult to take up in the future.

This is a point which all of us, as Liberals, are conscious of. We know that it is not easy to limit the power of the State after it has developed past a certain point. It is not easy to restore the conditions necessary for individual initiative and enterprise after they have been beaten down for a prolonged period

It is not easy to get State governments to accept responsibility after they have been long deprived of it. It is not easy to quickly restore the private sector to health after it has been stifled into stagnation and despair.

Watershed elections mark the point at which decisive choices are made. 1949 was such an election. In that year, Australian voters voted firmly against nationalisation and government by regulation. Had that choice not been made, then it would have been increasingly difficult to make later.

The capacities upon which Australia depended for progress and growth, the initiative and creativity of the Australian people, would have been undermined.

1975 was another watershed election. The power of the Labor government, and its intrusion into more and more areas of Australian life was increasing. The economic malaise which Labor had thrown Australia into, was growing deeper.

All Australians were gravely damaged by Labor approach. In Labor's last two years, persistent inflation of over 16 percent; unemployment had trebled; wages had grown enormously;

average earnings in manufacturing industry had grown 53 percent in the two years to October 1975; company profitability was disastrous; the deficit was out of control; there was a record level of industrial disputes. Far worse than in 1975; Government was printing money at an excessive rate; there was a major shift of resources from the private to the public sector.

those least able to defend themselves - the poor, the unemployed, those on fixed incomes - suffered cruelly. The Labor Party has not learned from the damage they caused to many areas of our life. Only a few days ago, Mr Whitlam made a proposal that would effectively mean all women under 60 would be given unemployment benefits. This would cost \$3,300 million.

A cost all Australians would have to pay for in terms of increased taxes or higher inflation.

The Liberal National Country Party Government has now been in office for fifteen months. This has not been long enough to redress all the damage inflicted by Labor. It has been long enough, to make a start in restoring the private sector to vitality and health. A start to reducing inflation. A start in halting uncontrolled growth of the public sector in this country. And the start we have made has been a substantive one.

Fundamental to the progress which has been made is the principle that the only sure road to full economic recovery is the revival strong innovative private enterprise. To do this, we have implemented a proper monetary policy. We have argued strongly before the Arbitration Commission for the wage restraint which is essential to reducing inflation. We have an appropriately balanced external policy. We have pursued a responsible budgetary policy. The growth of the public sector has been halted. On current estimates, the proportion of gross national product attributable to the Commonwealth will fall this financial year. The rapid growth of the Commonwealth public service has been reversed. By reducing staff ceilings, we will have cut the number of Commonwealth government employees by 14,000 by June this year. Compared to Mr Whitlam's staff ceilings this is a reduction of 33,000.

We have made major taxation reforms. In fifteen months, we have established a record in this area of which any Liberal can be proud.

	76/77	77/78
Personal income tax indexation	990	1050
Investment allowance	100	450
Company tax indexation: trading stock valuation adjustment		400
Taxation of income from mining and petroleum	0	40
Distribution requirements for private companies	1	25
Estate duty (spouse deduction)	2	10
Income equalisation deposit	17	10

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In the second year, these amount to tax reforms amounting to \$3,095M. The results of our policies are already becoming apparent. For the first time, in three years, economic growth matches the levels of the 1960's.

There was a significant improvement in the rate of inflation - the most reliable figures we have available showed an inflation RATE of 10.7 percent, compared with a rate of around 16 percent in 1975.

A start has been made - a good start. But both inflation and unemployment must be reduced further.

The recovery, of which the early signs are now apparent, must be sustained and consolidated. We are coordinating all the arms of economic policy controlled by government - fiscal, monetary external policy. To ensure that the downward trend in the underlying rate of inflation which we have achieved in 1976, is maintained. For the defeat of inflation is the essential pre-requisite for employment and long term economic growth. There is another area where the government has, introduced major new initiatives - I refer to our new policies of Federalism.

The Whitlam Government believed that all problems were best solved by the all-knowing Commonwealth Government. Labor was not prepared to leave decisions of importance to the States. Just as we were not prepared to leave to individual Australians choices affecting their own lives.

The Whitlam Government, consistent with their ideology, were thoroughgoing centralists.

They used all the Commonwealth's power to intervene in fields which had previously been the preserve of the States. We have introduced a new Federalism policy which has reversed the inexorable slide towards ever increasing Commonwealth domination.

Central to this policy is our initiative of tax sharing. The State now receive a fixed percentage (33.6%) of personal income tax receipts. Stage II of the tax sharing arrangements will be the subject of discussion with the States at the Premier's Conference next week. It will enable each State to impose a surcharge or grant a rebate, on personal income tax collected by the Commonwealth.

Tax sharing will give the states a greater autonomy and capacity to meet their responsibilities. It will also make them more accountable. The states will be able to set their own priorities. They have received generous grants from the Commonwealth this year and a far higher proportion of these are untied. This gives increased independence to the States. And also increased responsibility.

If a State chooses to give a high priority to a particular new project, or grant a new tax concession, that is its right. But it will have to justify its priority to its citizens. No longer will states be able to blame the Commonwealth for their own deficiencies. And that is the way it should be.

Our commitment to Federalism extends far beyond financial matters. In a wide range of matters, the Commonwealth has been ready to consult and cooperate with the States. An excellent example is our recent preliminary agreement with the States on companies and the securities industry. While many details have yet to be finalised, it has been agreed that a National Companies and Securities Commission be established. This much-needed reform has been achieved with the full cooperation and backing of the States.

Its approach stands in sharp contrast to the centralist legislation which Labor tried unsuccessfully to push through without consultation with the States.

There are a number of other areas in which the Commonwealth is currently seeking with the States, an agreed sharing of powers. And the adoption of complementary policies and the elimination of unnecessary duplication. Both the Commonwealth and the States have passed legislation requiring environmental impact statements to be made before certain projects may proceed.

We are seeking to ensure that in each case, only one environmental assessment need be made. One which satisfies the requirements of both spheres of government. Discussions with the States to achieve the end are well under way.

I am pleased to be able to say that the responsible Minister, Kevin Newman, has progressively reached accord with each of his State counterparts with whom discussions have taken place. Perhaps the most important outstanding matter regarding Federal-State relations is the vexed question of jurisdiction over the sea and seabed off the coast of Australia.

A Commonwealth Act, the Seas and Submerged Lands Act, was passed in 1976. It declares that sovereignty over the Australian territorial sea and continental shelf is vested in the Commonwealth.

The validity of that Act has been upheld by the High Court. In theory, the Commonwealth could now assume exclusive powers over a wide range of activities. Shipping, navigation, marine pollution, offshore mining, fisheries, marine parks, even jetties and other port facilities, extending below low-water mark.

Many of these functions have been carried out - in the main quite satisfactorily - by the States. But the legal basis for some of such activities has been thrown in doubt. A further difficulty is that there is a pressing need to ratify certain international conventions which affect offshore areas.

Despite the apparent potential for Commonwealth intervention, we believe that Commonwealth/State cooperation is essential. There would be little point, for example, in the Commonwealth making decisions about the siting of port facilities. And we have no interest in doing so.

Some people appear to have forgotten that State cooperation is essential in many matters.

If the State concerned was not prepared to provide the roads, railway, and other infrastructure to service the port, then any plans the Commonwealth might have could not succeed. Similarly, the use of offshore power in many areas depends on the agreement of the States, who control the land.

The Commonwealth has no intention of assuming roles, that have long been performed satisfactorily by the States. It may well be necessary to devise entirely new approaches in this area.

We must ensure that the states have constitutional power, to exercise those functions which properly they should be able to exercise. I am confident, that the skills and imagination of the legal advisers of the Commonwealth and the States, are more than adequate to meet this challenge.

I have put in hand a comprehensive review of all aspects of this many side problem.

When the review is complete, we shall be consulting further with the States.

The new federalism policy of the Government, confers more real power on the States.

But it also places on the States greater responsibility.

Regrettably, todate, this sense of responsibility has not always been demonstrated in state programmes. For example, there is at present a clear need for maximum restraint in government spending. The Commonwealth has played its part by cutting back programmes and reducing the Commonwealth public service, but the States have allowed their public services to increase rapidly.

At a time when the Commonwealth has substantially reduced the number of Commonwealth employees. States and local government employment has risen sharply.

When the figures are adjusted for our employment creating schemes, in the year to November 1976, State and local government employees rose by 3.3% This is a matter we shall be discussing in some detail at the Premiers Conference next week.

We have also been active in the area of social reform, taking important steps to protect individual rights and liberties against the government and other large organisations.

Last Thursday Tony Street tabled in Parliament another most important piece of legislation. A bill to amend The Conciliation and Arbitration Act. The Bill gives additional protection to the rights of individuals, particularly employees and independent contractors. It establishes an Industrial Relations Bureau. An industrial ombudsman, to secure observance of the Conciliation and Arbitration Act, and awards given by the Arbitration Commission.

The object of these measures is to introduce, into industrial relations, the same principles of civil liberties and equality before the law, that we all take for granted in all other areas of activity. This policy was endorsed overwhelmingly at the last election. The legislation has taken a long time to draft. And we wish to leave time for the legislation to be fully explained, and understood, and we shall consider suggestions for amendment.

But anyone who suggests that the bill should be withdrawn because it upsets a section of the trade union leadership cannot have thought through the full consequences of what they are saying.

If the only industrial legislation that may be implemented is that acceptable to those few, but influential extremist union leaders. People who are dedicated to the destruction of our system of government. That says something very disturbing about the way our society is heading. Trade unions are amongst the largest and most powerful organisation in this country. And it is right that they should be strong. But the pernicious theory that unions should be the only organisations in our society which should fall outside the rule of law is a direct blow at the very basis of our democratic system.

Finally a word of the referendums. The four proposals on which you will vote on 21 May simultaneous election, replacement of Senate casual vacancies with Senators of the same political party, votes in referendums for Australian in the ACT and Northern Territory, retiring age for judges, are all fair, and sensible measures. They do not affect States' rights. And unlike most referendums they do not seek further power for the Commonwealth. I urge all of you here, to lend your active support to the vote 'yes' campaign. I am confident that with your help they will all be successful.