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PRIME MINISTER

STATEMENT BY THE PRIME MINISTER 20 April 1977

Mr. Speaker, I seek leave of the House to make a statement regarding the Heads of Government Agreement for a three month price and wage halt.

At the Premiers Conference on 13 April, the seven Heads of Government agreed that they should unite to hasten the success of the fight against inflation and unemployment.

The agreement to which all seven Heads of Government appended their signatures was directed to breaking the price-wage cycle.

None of us imagined that this was more than a supplement to other action we would need to continue to take, such as through our budgets and through monetary policy, collectively and individually, to deal with our national economic problems.

We knew that implementation of this proposal would not be a simple matter.

We believed that given the existence of a national willingness and the collective will and backing of the seven governments, the incomes=prices halt offered a chance to resolve Australia's economic problems more rapidly.

There was an agreement that went beyond political divisions.

Let me read the quite brief text of the agreement to you: Its message is clear: "Prices and incomes restraint. The Heads of the Commonwealth and all State Governments, meeting in Premiers Conference in Canberra today, unanimously called for a three month halt in price and wage increases.

They agreed that such restraint was urgently needed if Australia is to overcome its current economic problems.

It was agreed that all Heads of Governments will approach employer and professional organisations and put to them the proposal that their membership should voluntarily commit themselves to a pause for a period three months from increases in the prices of their goods and services.

At the same time, all Heads of Governments will be making an approach to the A.C.T.U. and other employee organisations to seek a voluntary commitment to a three months pause from wage increases.

Governments would not expect either the business organisations or the union organisations to agree to such voluntary restraint agreements without agreement by the others.

Immediately following agreement to the proposal for a voluntary general pause from increases in prices and incomes approaches would be made to the Arbitration Commission and the Prices Justification Tribunal for the implementation of the general pause.

Governments would also use their influence and the powers available to them towards achieving a successful outcome. Governments will commit themselves to not increasing their own charges during the period of the pause.

Local Government will be expected to do likewise.

All Heads of Government commit themselves to work for this voluntary pause.

Upon its achievement a further conference of Heads of Government will be held to consider what further steps should be taken.

The Heads of Government called on all members of the Australian community to give full support to this vital endeavour to help overcome inflation".

The Statement was signed by myself and all six Premiers.

The Statement was agreed to after the possibility of a national conference was canvassed and rejected as unnecessary and impractical.

All Heads of Government agreed on the principle of a wage/price pause and were willing to use existing institutional machinery for carrying it into effect. Given these conditions there was little that a national conference could add.

We also saw that a national conference could mean delay, posturing, rhetoric, recriminations, and very likely, no constructive outcome whatsoever.

In the discussion at the Premiers Conference nobody raised the question of tax cuts.

We also saw overwhelming problems because of constitutional and administrative considerations in attempting to impose mandatory controls.

The Heads of Government agreement reached beyond partisan politics to the nation's interest.

Such an Agreement between the Heads of Government, despite different party alliances, was remarkable in the best sense of the word.

The Agreement of Heads of Government reflected a unanimous bipartisan conviction of the need to defeat inflation.

The overwhelming majority of Australians, irrespective of party loyalty or sectional interest, desire an enduring solution to the problem of inflation.

The Heads of Government translated this national aspiration into political agreement. The next task was to convert it into practical reality.

Heads of Government clearly understood that if the proposal was to have a reasonable prospect of success - it was not sufficient merely to accept its desirability, but to pursue it with unity and enthusiasm.

There was every reason to believe that all the State Governments did enter into the Agreement with the intent of making it work.

This in turn created the conditions for the widespread community acceptance of the desirability and equity of a wage/price pause.

After the initial agreement by the seven governments, there were inevitably many detailed matters which needed attention.

Together with the States, we moved rapidly to attend to these questions, and within a day the machinery was set up with the States for close coordination.

For our part, we sought immediately to implement the agreement.

We sent messages to over 200 major national employer, employee professional and community groups.

We inserted advertisements in newspapers on 16th April in all State capitals seeking support for the Heads of Government Agreement.

The Minister for Business and Consumer Affairs wrote to the Prices Justification Tribunal asking the Tribunal to defer decisions on price rises and to monitor and investigate any claims that price rises had occurred.

We also obtained agreement from some companies which had been granted price increases to defer implementation of such rises - and agreement from companies which had applied for increases to defer their applications.

All Commonwealth Ministers and Departments were informed that there would be no increases in commonwealth charges or fees. On 15th April, I and three other Ministers met with representatives of 25 national employer organisations. - They indicated their willingness to support the initiatives of the seven Governments.

This was a most encouraging response and a telex was sent to the Premiers providing details of the organisation.

Preparations were made to implement the Agreement. On 17 April it was announced that a special committee comprising representatives of employers, employees, and the P.J.T. would be constituted to advise on the implementation of the Heads of Government Agreement including the question of whether amendments to the Prices Justification Act would be appropriate to support the agreement.

Peak Councils were invited to meet today with myself and other Commonwealth Ministers.

At the same time, we had received reports that the State Premiers were consulting with employers and employees and taking other measures to encourage compliance by all sections of the community with the wage/price halt.

It was clear that the public reaction to the plan was one of overwhelming approval.

We were encouraged by a private survey which indicated that the vast majority of Australians - including the great majority of trade unionists - supported the concept of a simultaneous freeze in prices and incomes.

And one of the critical preconditions for the plans success - employer support for a prices-incomes freeze was evident.

Yesterday, the Arbitration Commission called a special hearing to discuss the call of the seven Heads of Government.

Acting in the spirit of the Joint Agreement the Commonwealth took the unprecedented step of seeking the views of the States on a draft of the submission to be put at the hearing.

It was at this stage that we became aware of indications that the three Labor Party State Governments were having second thoughts about the Agreement to which their Premiers had appended their signatures.

There were public announcements of their disagreement with the text of the draft submission to be put by the Commonwealth to the Conciliation and Arbitration Commission.

Because we saw the Agreement being of such great importance to Australia, we amended our submission to take into account the views expressed by the three State Labor Premiers.

We hoped that by so doing, all State Premiers would continue to honour the Agreement they had signed.

Here was the opportunity for Mr. Hawke to show that he and other union leaders would put the nation's interest, and the interest of his own constituents first and agree that a three month halt in wages would be matched by a three month halt in prices.

Instead Mr. Hawke made the most blatantly political speech he has ever made before the Commission.

He refused to support the Heads of Agreement made by all the Governments of Australia.

He tried to suggest that it was entirely a federal Government initiative. He described the Heads of Government Agreement as a "concoction foisted by an Australian Government".

Of course this was not so. To repeat, the Scheme was agreed to by all the Heads of Government as a Joint cooperation Community programme.

Plainly, what Mr. Hawke is about is to break the scheme.

To make the fight against inflation that much harder in the hope that it will embarrass the Federal Government.

He is prepared deliberately to make it harder for people to get jobs, harder for firms to earn profits and expand, all in the cause of trying to gain some short-term political advantage.

Instead of speaking to the central issue of a price/wage pause, Mr. Hawke put to the Arbitration Commission four other proposals:

1. Firstly amendments to the Prices Justification Act.

The Government has already agreed to appoint a joint committee to look at this if employees accept the principle of a price/wage halt.

2. Deferment of an application for an increase in real wages, based upon past productivity increases.

-- This was an application which had little relevance in the next three months.

3. The convening of a national conference to discuss all economic policies, to discuss the "whole question of the future course of the Australian economy".

He wanted an ongoing opportunity "to work out what economic policies in general and pricing policies in particular" should be adopted.

The convening of a national conference was rejected at the Premiers Conference, and.

4. A cut in direct taxes sufficient and I quote him, to "produce a real after-tax level of disposable income, equivalent to what would be necessary by way of money wage increases to compensate for the March quarter C.P.I. movement".

I will comment directly on this proposal in a moment.

Sadly, and incredibly, the three State Labor Governments chose to depart from the Heads of Government Agreement to which they were parties and support Mr. Hawke's propositions.

In return for the four concessions which Mr. Hawke demanded - concessions which fell outside the terms of the Heads of Government Agreement - what did Mr. Hawke offer?

Did he offer compliance by the A.C.T.U. with a three month halt in incomes?

No - his sole magnanimous offer was "to convene a special Federal unions conference to consider the foregoing of the March quarter application."

He went on to qualify even this offer; he said "I am not saying that we can deliver the goods, I make no false promises about that".

Honourable Members can judge for themselves the worth of Mr. Hawke's proposals.

He absolutely refused to accept that in return for a halt in prices the Unions could voluntarily agree to a three month pause in wage increases.

Instead he put forward proposals outside the Agreement.

One of these was tax cuts.

Mr. Hawke's notion that it is possible to substitute tax reductions for wage increases while being economically responsible is blatant nonsense. Let me give a few simple examples.

1. The cost of reducing by 5 percentage points the 27 per cent tax rate, applying to incomes between \$2260 to \$5650 would be \$840 million. The benefit to most taxpayers would only be \$3.27 a week.

Honourable members may compare this with the \$5.70 a week increase recently granted by the Commission with which the A.C.T.U. has expressed strong dissatisfaction.

2. For the critical 35 percent tax rate area covering incomes between \$5650 and \$11,300 - a 5% reduction would cost \$740M

This would provide the following benefits to taxpayers.

A taxpayer on \$5650 or less would receive no - I repeat no - benefit. A taxpayer on \$6000 a year would receive the magnificent benefit of 34 cents a week.

A taxpayer on \$8000 a year would receive \$2.60 a week benefit and a taxpayer on \$10,000 a year, which is about the level of average earnings, would receive a benefit of \$4.18 a week.

If Mr. Hawke had done some very simple arithmetic, he would have discovered the absurdity of this sort of wage/tax proposition.

It would have taken these two proposals together to come anywhere near offsetting the last wage increase.

That is a cost to the Government's budget of over \$1600 million to compensate for just one single quarter. Clearly to implement literally Mr. Hawke's proposal, tax revenues would be slashed to an extent this country could not stand.

His proposal is not in any sense a viable alternative to the even-handed initiative to break the price-wage spiral embodied in the Heads of Government Agreement.

There was, of course, no suggestion from Mr. Hawke as to how the tax cuts were to be financed. He did not mention whether additional expenditure cuts should be made to avoid the inflationary effects of additional recourse to the printing press.

The three Labor Premiers who he forced into line have not indicated whether they are prepared to contribute to the tax cuts by accepting pro-rata reductions in their financial assistance grants. We should certainly welcome any meaningful offers from them in this direction.

It should be said that Mr. Hawke has not been alone in attempting to undermine the Heads of Government Agreement.

With the honourable exception of the Leader of the Opposition, many Members opposite have attacked the Agreement. The Deputy Leader of the Opposition has said that the plan should be "abandoned". The Honourable Member for Oxley has attacked the plan devised by this Government and all six State Premiers as a "flimsy political gimmick". The Honourable Member for Adelaide, even though he poses as the Shadow Treasurer, refuses to give his support to the plan. He said yesterday he is cynical. I think he describes himself correctly, and he pays himself no tribute.

The Opposition in this House, with the notable exception of the Leader of the Opposition, has taken every opportunity to attack and criticise the plan to which three of their colleagues are parties.

They have missed every opportunity to give the plan the wholehearted support which the occasion clearly demanded.

Mr. Speaker, the Government in its determination to make the price/wage halt work if at all possible, today met with peak Union Councils.

We sought from the representatives of the peak Councils support in principle, for the objectives set out in the Heads of Government Agreement - that they would accept the principle of a voluntary pause in wages corresponding to the voluntary pause in prices which is already substantially in effect.

Mr. Hawke persistently evaded the questions I put to him. He recited a list of difficulties he foresaw in respect of prices. He refused to discuss a pause in wage increases.

Mr. Hawke insisted that what was needed was a national conference - such as had been rejected in principle by all Heads of Government at the Premiers' Conference - no doubt to provide him with a forum for another of his gratuitous and increasingly boring attempts to usurp the functions of Government.

He specifically asked me to seek the views of the Premiers on his proposal for a national conference.

In a final effort to try to prevent a complete breakdown of the Heads of Government initiative, I said that my Government would be prepared to approach the State Governments on the question of a national conference - if we could obtain from the peak Councils support in principle to the objectives of the Heads of Government Agreement.

On being told that Mr. Hawke and the other representatives present could not commit their organisations, I indicated that I was prepared to accept a personal commitment from them. Mr. Hawke was not even prepared to do this.

Since there was no willingness to give even an expression of support, there was no point in any national conference. The Unions had made it quite clear they would not make any commitment even in the vaguest terms to the objectives of the Heads of Government Agreement.

In the light of this negative attitude of the Unions, the Commonwealth has made a further approach to the Premiers in an attempt to achieve the wages/prices halt.

We are proposing that an application be made to the Arbitration Commission to take action on the wages front, action which would be consistent with the prices halt the Arbitration Commission has already recognised.

We would hope that all businesses and other price setters will hold prices until the results of this approach is known.

While the Commonwealth hopes that all Premiers will agree with this approach - and we know that some Premiers will agree - the Commonwealth has determined to take this course.

Some may ask how can such an agreement be effective in view of Mr. Hawke's refusal to support the concept of a wage price freeze - and in view of his publicly expressed view in 1973 that a wage/price freeze will never be acceptable to the union movement.

The answer is simple. We believe that on this issue Mr. Hawke and his colleagues are out of sympathy with the overwhelming majority of trade unionists.

We believe that a decision of the Arbitration Commission which is seen to be eminently fair - because a price freeze is in operation - will receive the great weight of support of Australian employees.