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EMBARGO: 2.00 p.m.

## PRIME MINISTER

FOR PRESS

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### ADDRESS TO ADELAIDE ROTARY CLUBS

It is a great pleasure to be able to speak to you today.

The latest economic indicators have been most encouraging. This week, the June quarter Consumer Price Index was announced - the increase was 2.4 percent; over the year, excluding Medibank effects, the index rose 10.2 percent, substantially below the 15.8 percent increase over the year to June 1976. The annual inflation rate is now approaching single digit levels, and the devaluation price effects are being contained.

As we approach the second Budget of our first term of office, it is now clear that the first Budget last August achieved a great deal. Expenditures were largely held within Budget estimates for the first time in some years; the deficit was substantially reduced; the growth of the money supply was held to the budgeted target; investment increased; and most significantly, the economy began to grow again.

Last week, the latest Commonwealth loan closed, and I can say that it was a very successful result which will make a very useful contribution to financing the Budget deficit in the current year. The Treasurer will be announcing the loan figures later today.

The Government still runs a large deficit which must be financed in a responsible way - and these two successful Commonwealth loans will help in this task. They will make the job of containing money supply growth to responsible levels easier, they will help the longer run fight against inflation.

One sector of our community which has always been well represented in Rotary is small business. Small business is a vitally important sector of our economy. It employs more than 40 percent of the work force, it constitutes more than 90 percent of all business enterprises. But during the past five years, small business has been under considerable pressure. Some of the problems of the small businessman arise from inflation, industrial trouble, and - in some cases - lack of managerial expertise. But perhaps the most serious problem has been the difficulty many small businessmen have found in raising adequate capital to finance their growth and development.

Unlike the large public company, small business cannot raise money from the stock market or by the issue of debentures to the public. And businessmen are sometimes unable to raise the required finance. The Government is most concerned to ensure that small business has access to sufficient funds to finance growth. For after all, growth of small business is vital to full economic recovery for this country. The Government has already moved to assist the financial position of small businessmen. Various taxation reforms have made available to small business substantially increased profits and cash flow, thereby, placing them in a better position to finance growth out of retained profits. First, we have introduced a generous investment allowance - a special tax deduction of 40 percent of the capital cost of eligible new plant. Second, the initial stage of our scheme for trading stock valuation adjustment reduces the tax paid by businesses by discounting the value of trading stock for tax purposes by half the inflation rate, so for the year just ended, the tax value of stock will be discounted by 5 percent. Third, with the needs of small businesses particularly in mind, the retention allowance for private companies - that is, the proportion of after-tax business income that a private company may retain free of the special tax on undistributed income - has been increased from 50 percent to 60 percent.

In addition, small businessmen, like all taxpayers, have greatly benefitted from the introduction of tax indexation. We are also taking steps to see what action might be taken to ensure that loan capital is readily available to small businessmen.

Last year, the Government published a report by Professor Johns on the availability of finance to small business. His survey concluded that there was a gap in the supply of medium term and long term finance to an important number of Australian enterprises. In the light of that Report and other representations we have received, we have set up a task force to examine this matter further and I hope to receive their report shortly. In addition, we have appointed Professor Johns to be the first director of the new Bureau of Industry Economics. Part of the work of that Bureau will be to undertake detailed research into longer run economic issues of relevance to the small business sector.

We have also acted to improve coordination of Commonwealth and State assistance to small businessmen. Under the new cooperative scheme, the States are providing counselling services, management courses, and in some cases, guarantees for bank loans. The Commonwealth is providing research and information and coordinating the whole scheme to ensure a proper pooling of resources and minimise duplication. Consultation between the Government and manufacturers has also been increased by the establishment of the Australian Manufacturing Council, which meets for the first time in Canberra today. These measures taken as a whole should leave no-one in any doubt of the Government's desire to encourage the growth of small business. One other factor which undoubtedly would further stimulate small business would be a significant fall in interest rates. As a farmer, I am well aware of the benefits which would flow from an easing of the interest burden.

Government bond rates have had to remain high as part of our concerted anti-inflationary programme, but as inflation is brought further under control, there are prospects of some fall in rates occurring. Those businessmen among you who are involved in manufacturing industry will know only too well how much erosion there has been in recent years in our international competitiveness. Greatly increased costs, sluggish productivity and poor industrial relations have resulted in a loss of export markets, and increasing competition from imports in domestic markets.

It was factors such as these which led to our decision to devalue last November, and we confirmed our determination to fight inflation.

It is also clear that recovery of the economy is still being retarded by overpriced labour costs. Do you know that based on ruling exchange rates at the time, average weekly earnings in Australia in 1971 were 17 percent lower than in the United States, but that now they are over 13 percent higher in Australia than in the U.S. A survey issued last week by the Australian Chamber of Commerce and the National Bank showed that two-thirds of companies wholly or partially absorbed the last two wage rises without increasing prices, but that half of these companies did so by reducing their number of employees. Never was it more true, as Mr Frank Crean to his credit once observed, that "one man's wage rise, is another man's job."

It will simply not be possible to reduce unemployment to acceptable levels unless union leaders and the Arbitration Commission take a realistic attitude to wage increases. In the long term, structural change in our secondary industry is inevitable. And the Government will be encouraging future development in manufacturing to flow into those industries which have the best long term prospect for growth. But for the present, the Government is determined to alleviate economic and social disruption, and minimise the erosion of employment opportunities. We have determined, for example, that 80 percent of the local market for passenger motor vehicles should be reserved for local producers, this level is regarded as necessary to avoid disruption of the industry. The local industry's share of the market has declined this year below 80 percent. This has coincided with a fall in demand for new vehicles and the result has been retrenchments of employees, as occurred in the past week in this States. We are most concerned at the damaging effects this may have on the South Australian economy, and the hardship caused to employees to the car industry and their families. We have therefore acted to introduce quotas on imported vehicles, and we have sought reports from the I.A.C. so that we can take action if necessary to prevent further major dislocation in this industry.

On my recent trip to Europe, trade was a central issue in all my discussions with leaders of the European Community. One matter of primary concern to me was the increasing difficulties which the protectionist policies of the E.E.C. were causing Australian exporters of agricultural products. Virtually all our primary products other than wool are denied access to European markets. And what is worse, European surpluses are exported at such vast subsidies that our goods are being undercut in many of our other traditional markets around the world. Recently, these policies of exclusion have been applied not only to agricultural but to Japanese manufactured goods and steel from Japan and South Africa. The attempt was also made to make Australia reduce our exports of steel to the E.E.C. by 25 percent - on the grounds that Australia was an unfair trader. I would not voluntarily contemplate such cuts and the request has since been withdrawn.

The E.E.C. with its 260 million people is the world's largest trading bloc, accounting for 40 percent of the world's trade. In 1960, our exports to members of the E.E.C. accounted for 40 percent of our total exports. Now that proportion has been reduced to 14 percent. Not because we are any less efficient, than we were, but because of the restrictive policies of the E.E.C. As a result of my discussions last month, the European Commission has agreed to a series of bilateral trade discussions commencing later this year. And as a sign of the of the vital significance of these talks to us, I have appointed a Minister, Mr John Howard, to lead our negotiating team. Mr Howard will, as the Constitution requires, head a new Department, but it will be confined to 20-30 people and effectively constitute a secretariat for the negotiating team.

The matter of primary concern to the Europeans, however, was not agricultural goods - but uranium. Their most pressing shortage is energy. And they have reached the decision that they must rely on nuclear energy if they are to meet the needs of their factories and homes over the next two decades. Their nuclear industry is already well developed, over 10 percent of the energy produced in Belgium, Britain, Sweden and Switzerland, last year was derived from nuclear reactors. European leaders made it very clear to me that they looked to Australia - which holds one fifth of the world's uncommitted reserves of uranium - to be a stable long term supplier of uranium. My response was that we were considering the report of the Fox Inquiry and had not yet reached a decision on uranium exports, but that their needs would certainly be taken into account.

I was also able to outline to them the comprehensive system of safeguards which would apply to any uranium we might export. They constitute the most stringent safeguards so far adopted by any country, and will be applied both through compliance with the requirements of the International Atomic Energy Agency, and through bilateral agreements, between Australia and each user-country.

The European's wish for us to be a stable long-term supplier of uranium bore striking similarities to our request that they be a stable long-term customer for our beef and other agricultural products, and I do not think the logic of this comparison was lost on them. The development of our uranium resources of course affects not only the Europeans, it also affects all Australians, some very closely indeed. The benefits of mining are obvious, particularly to the economy of the Northern Territory. But we shall not determine this issue until other fundamental issues have been resolved. In particular, no decision will be made on mining until we are absolutely satisfied that the environment will be fully protected, and that the needs and interests of the Aboriginal people are safeguarded.

The issue of uranium is not the only matter on which the interests of the Aboriginal people require urgent attention. For too long, the interests of Australian Aborigines have been overlooked by the rest of our society, their plight as among the most underprivileged Australians is not always appreciated. Sickness and malnutrition are rife in many Aboriginal communities. Child mortality rates and life expectancy for adults are far worse than for other Australians, and over 50 percent of the Aboriginal workforce is unemployed. The Government is giving a high priority to tackling these problems, and in doing so, to restore self-confidence and dignity to the Aboriginal people.

The Land Rights Act, proclaimed earlier this year, is an historic achievement, and the Law Reform Commission is currently studying the feasibility of recognising Aboriginal customary law as part of the law of the land. Substantial sums are being paid for Aboriginal health services, and our aim is to train more Aborigines as field health workers, to ensure that there is adequate communication between those providing and those receiving the service.

The Minister for Aboriginal Affairs, Ian Viner, recently announced that we would establish an Aboriginal community health service using the community itself and traditional healers to provide the service. This is an appropriate point perhaps to lay to rest speculation which I have read in the press about an early election. I can tell you that there will be a national election in November - an election for the National Aboriginal Conference. This new body has been set up on the recommendation of a Committee of Enquiry, all but one of whom were Aborigines.

The N.A.C. will operate under a charter which has already been tabled in Parliament, and will provide a forum in which the views of Aborigine communities can be expressed at Federal and State level. Another body, the Council for Aboriginal Development, will also be established. This all-Aboriginal body - half elected by the N.A.C. and half nominated by the Government - will be the formal adviser to the Government on Aboriginal affairs. We have introduced a number of initiatives which together amount to a national employment strategy for Aborigines.

We are establishing a programme of community development employment projects. This programme is directed towards Aborigines who live in remote or separate communities, and who do not form part of the open labour market. The projects approved under this programme will provide work, including part-time, contractual and cooperative work, as an alternative to income support by way of unemployment benefit. Aboriginal Councils or incorporated groups will receive lump sums which will enable them to determine the work projects to be undertaken - and allocate resources to them. You may be aware that in response to the Government's initiative, two Aboriginal communities in South Australia have already decided to work on community development projects instead of receiving the dole.

The Government is also taking steps to expand the number and variety of employment opportunities for Aborigines in both the private and public sectors. A national campaign will be undertaken with a view to persuading employers at top management level to train and employ Aborigines in their establishments. Support of this will be provided under the National Employment and Training Scheme. I would be particularly delighted if Rotary would ensure that all its members were aware of this Scheme and urged to support it.

Mr Chairman, thank you for inviting me to speak here today. Gordon Davidson has been extolling the virtues of Adelaide Rotarians to me for as long as I can remember. Rotary is an organisation which I personally hold in high regard, its reputation is largely based on its manifest concern for the underprivileged in our community. This is a concern which the Government endorses and shares.

I congratulate your social service programmes and I wish you even greater success in the years ahead.

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