



**PRIME MINISTER**

FOR PRESS

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ADDRESS AT QUEENSLAND CONFEDERATION OF INDUSTRY DINNER, BRISBANE

Thank you for the invitation to address you. Tonight I would like to take this opportunity to talk about the Government's actions in a number of areas related to Australia's economic wellbeing and prosperity, and particularly with respect to manufacturing industry.

Since coming to Government we have pursued a consistent and coherent economic strategy aimed at reducing inflation, and at providing the private sector with the room and incentive to grow. Given the situation Labor created, nearly 200,000 additional unemployed in one year, inflation at a peak of 19%, Treasurer succeeded by Treasurer, excess by excess - the Government's achievements have been significant.

We promised we would halt the growth and extravagance of big government. This we have done. Last year, the Government's share of gross domestic product fell for the first time in years. The number of Commonwealth employees has been reduced by 12,000. Under Labor's policies, they would have risen by 19,000.

We promised we would reduce inflation. When we came to office it was running - measured by the CPI adjusted for hospital and medical services - at 16.7%. By the end of June this year it was down to 10.2%, and other indicators show it has gone down further still. One major factor in this success was that we significantly reduced the Government deficit by half a billion dollars in each of two successive Budgets.

A second major factor was that, because of our policies, wage costs grew less rapidly in 1976-77 than in the preceding year. Because of our ability to reduce inflation and set the conditions for further economic growth we have been able to take a first step towards a sustainable lowering of interest rates. We promised we would restore the conditions necessary for company profitability to return to more normal levels. In the financial year just ended company profits increased by 23.5%. We promised we would reform the crippling tax system and significantly cut taxes. This too we have done. Because of our restraint on Government spending we were able to introduce personal tax indexation and major company tax reforms for corporate taxpayers in our first Budget.

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The same commitment to restraint enabled us to make a revolutionary reform to the personal tax scales in our second Budget; a revolutionary reform that restores the incentive to work harder and more productively, and to earn more. We saw how damaging Labor's high taxes were to the individual and the economy. We were determined as a Government to set the conditions in which all Australians had the opportunity to regain the prosperity and freedom of choice to exercise initiative and achieve their own goals. The new tax system introduced in the last Budget provided tax cuts for people at all income levels - every taxpayer will be better off. No one will pay tax on the first \$3,750 of income, and 90% of taxpayers will pay only one rate, 32 cents in the dollar on the remainder. The weekly tax payable by, say, a person with a dependent spouse will from next February be markedly less than that payable under Mr. Hayden's tax scales. If he earns \$120 a week, his tax bill will be down 65%. If he earns \$300 a week, his tax bill will be down 30%.

The tax reform will be of particular benefit to small businessmen. They not only will have their tax reduced, but as earners of widely fluctuating incomes, they will gain more than most people from the new standard rate applying over a wide income range. As a result of this tax reform and tax indexation, taxpayers will save \$1,371 million this year, \$1,857 next year.

It is clear that these are huge sums. They represent enormous savings - savings that were only possible because of the restraint we exercised over Government spending.

In 1977-78, unrelenting pressure on inflation will be maintained and further economic progress will be made. Demand and activity are expected to gather pace over the course of the year. Increased domestic demand will again be concentrated in the private sector, and gross non-farm product should increase by over 4% between the June quarter of 1977 and 1978. And we will do this despite the efforts of some people in the Parliament to undermine the economy.

I want to say that there are many things that are legitimate and proper political practice - in a democracy the Opposition is bound to criticise the Government, and the Government no doubt responds in kind. But there are areas where partisan politics has no place - and the value of the nation's currency is one of these areas. When a Parliamentarian - not an academic, not a commentator, but a former Treasurer - consistently makes statements which cast doubt on our external position, he is behaving with utter irresponsibility. He is deliberately trying to weaken the Australian dollar and our ability to attract international investment. Unfortunately, he has learnt nothing from his earlier spell as Treasurer. He is cynically trying to weaken our currency. He is subordinating the national interest to the pursuit of partisan politics, and there is no doubt about how the Australian people will respond. They will condemn him for it - and they will condemn his party.

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I have so far outlined the broad sweep of our economic policy and the contribution it has made to the improvement of the Australian economy. Now I would like to focus on two parts of our total approach - our industrial relations policy and our manufacturing policy.

We have taken constructive action to improve Australia's industrial relations framework, so unions and management can more effectively communicate and settle their differences. Our policy is founded on a commitment to negotiation, conciliation and arbitration and a determination to reform industrial legislation, so that the canons of equity, justice and protection of individual civil liberties in other areas of our law apply in this area.

In our first twenty two months of office, as we promised, we have legislated for secret postal ballots for the election of officers of unions registered under the Conciliation and Arbitration Act, and to require new elections at least every four years. As we promised, we have established the Industrial Relations Bureau and the National Labour Consultative Council. As we promised, we have amended the Trade Practices Act to ban damaging secondary boycotts. We have legislated to give the Government the necessary powers to suspend, dismiss and stand down Commonwealth employees in particular circumstances.

Our firm but fair industrial policy has met with considerable success. In the first six months of this year, Australia has had the lowest level of industrial disputes, and the least number of working days lost during this decade. In the first six months of 1974, 4,214,000 working days were lost through industrial disputes. In the first six months of this year, 718,000 days were lost - a reduction of 83% on the position three years ago. As a result of our secret ballot legislation, unions are making greater use of the Electoral Office to run their elections. In the twelve months since the legislation was introduced, there were 244 such applications.

But there is evidence that a few unions have not fully complied with the legislation. The Arbitration Inspectorate has found evidence of recent breaches by two unions - the Amalgamated Metal Workers and Shipwrights Union, the the Builders Labourers Federation. If the Industrial Registrar confirms that breaches have occurred, new elections fully conforming with the Act will have to be held - or the unions concerned will face prosecution. This valuable work of monitoring compliance with the Act will shortly be taken over by the Industrial Relations Bureau.

Despite these great improvements, disruptive industrial disputes - particularly in the construction, mining and maritime industries - are seriously impeding economic recovery. Though the statistics show a marked improvement, extremist union leaders have become more skilled in creating the maximum of disruption and dislocation while using smaller numbers of workers. The Government is determined to uphold the law in industrial relations. The time has passed when the law is applied in every area except industrial relations. The Government's firm stance over the air controllers and postal workers disputes should leave no-one in any doubt about our resolve on this.

We will be bringing down further legislation in this session, after due consultation with the National Labour Consultative Council, on the Industrial Relations Bureau and on the protection of the rights of individual unionists.

Over the last few years, manufacturing industry - an industry which provides almost one quarter of our national production, supplies one fifth of our exports, and employs over 20% of our workforce - has faced multiple problems. We are committed to establishing the conditions in which industry can confidently face the future - conditions in which it can take long-term investment and employment decisions with greater certainty.

Our actions give substance to this commitment. We have introduced the investment allowance, and just extended it for two years. We have introduced the trading stock valuation adjustment, and increased the retention allowance for private companies. These reforms have helped the acute financial strains the taxation system imposed on business. In this financial year, they will reduce tax payable by companies by about \$600 million, which significant exceeds the estimated yield of \$203 million from the increase in company tax.

Our industry policy aims at assisting the operations of private industry. This is shown by our actions in the recent Colgate-Palmolive application before the Prices Justification Tribunal to protect the rights of companies to determine their own level of advertising; by our instituting comprehensive consultative machinery with industry; by our establishment of a Ministerial Purchasing Committee to give preference to local industry. Our stand on protection is unequivocal. We will not reduce protection where this would lead to greater unemployment or reduced economic activity. We will provide industry with the degree of security and stability it needs.

Early in this Government's term, we wrote to the IAC to ensure that all IAC reports gave due consideration to the employment effects of its recommendations. The draft IAC report on Textile, Clothing and Footwear, however, made it clear that amendments to the Act were necessary if the Government's policy was to be implemented, and we acted immediately to restore confidence and maintain employment in these industries, and to guarantee the present level of activity for three years. The Government remains fully committed to the principle of independent inquiry into industry assistance matters.

The Government's changes will make sure, first, that the IAC will take into account the need for a balanced development of industry and the sustained growth of the Australian economy. Second, that any measures to achieve structural change will only be at a rate that the economy can absorb. Third, that any such changes will not lead to added unemployment or capital wastage. Fourth, the Minister will be able to issue supplementary guidelines to the IAC in special circumstances. Fifth, reporting guidelines for the IAC will be written into the Act.

In the current circumstances, we have decided not to send the IAC the five remaining references on metal products under the tariff review programme. Reference to the IAC would have damaged confidence and resulted in a major curtailment of investment plans in the industry.

Mr. President, major advances have been made in establishing a climate in which industry can plan and invest with confidence - in which new opportunities exist for business initiatives and new investment. While profits in some industries are still not high enough, profits are moving the right way - not the wrong way - as they did in the dismal years of 1974 and 1975. We all have a part to play in economic recovery - business leaders, unions and the Arbitration Commission. The private sector employs most of the workforce and makes most of the decisions. It develops the technologies which can underpin improvements in living standards. The Arbitration Commission needs to understand that a decision of the sort it made in the last national wage case, which gave an even greater degree of indexation than applied on average in 1976-77 - slows down economic recovery.

Trade union leaders must consider the unemployment consequences of their demands for higher pay for those presently in jobs. Because we have reined in Government expenditure, because people have been provided with much needed tax reforms which will foster enterprise and initiative, because business has been provided with assistance and room to grow, because the inflation rate has been reduced, the conditions for a return to full prosperity are clearly emerging.

For full prosperity to be realised, we all have to take a decision to co-operate with one another to mobilise effectively our abundant natural and human resources in the nation's interest. I have no doubt that people around Australia have taken that decision.

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