



PRIME MINISTER

LUNCHTIME RALLY, SYDNEY

23 NOVEMBER 1977

Since we were elected, every effort of this Government has been directed at bringing growth and prosperity back to Australia. There has been no easy way out of the crisis which Labor had pulled Australia into. Tough and sometimes unpopular decisions had to be made. We have had the courage and determination to make them. Australia has now been taken to the point of takeoff - Australia is just a step away from major growth and development. Confidence is returning; Australia is ready to go with billions of dollars of new development projects.

This election presents the people of Australia with a clear choice. A choice between the coherent economic strategy we have been successfully pursuing, and Labor's disastrous combination of dogma and political opportunism - a combination which is totally incoherent, totally inconsistent, totally at odds with its announced aims. A policy which would halt recovery in its tracks which would destroy Australia's prospects of growth and development.

This recovery is under way because our strategy is working; because we've controlled government spending and had some success in gaining wage restraint - inflation is now running at 9%; interest rates have come down; and tax reforms have been made a reality.

Labor is in total disarray over economic policy - the Federal Party and the N.S.W. Party for instance are saying totally different things. Mr Wran has publicly acknowledged the vital importance of our tax reforms. He thought them so vital that he urged us to introduce them sooner than February. He said they were "long overdue". These vital tax cuts are the very tax reforms that Mr Whitlam now wants to take away. Mr Wran has cooperated with our programme getting interest rates down - indeed he has urged other premiers to use their influence on rates within their states. By contrast Mr Hayden attacked us when we recently reduced the rate on the Australian Savings Bond.

Mr Wran has recognised our success in getting inflation down. As early as last May, he publicly acknowledged that inflation was down to 10% - effectively putting the lie to the spurious figures bandied around by Mr Whitlam and Mr Hayden.

We have pursued an economic strategy designed to stop indirect taxes increasing. Mr Wran did the same, as did all the other premiers. This stands in stark contrast to the stated intentions of Mr Hurford who told us in June that Labor would seek to find further revenue from indirect taxes.

Mr Wran has made it clear that he intends to follow one of our major new initiatives - the abolition of estate duty, and that he will do the same with state duties. Mr Wran is not alone in finding it hard to keep in step with the stumbles of his party's economic policy.

On Sunday morning, Mr Whitlam began by saying that Labor would merely postpone the tax cuts coming in on February first. Sunday lunchtime he said "he had made a mistake" - that Labor would never bring in those tax cuts. Sunday afternoon, he said tax indexation would be "postponed" until income tax receipts rise sufficiently to offset the cost of payroll tax. By Sunday night, he was saying perhaps he'd "expressed himself wrongly". Mr Whitlam now says he would "expect" full tax indexation sometime soon, but Mr Hurford is checking it. Poor Mr Hurford - he's already been thrown out as Labor's economic spokesman, and now he's been sent scurrying off to try to deal with Labor's great gaffe.

The second plank of Labor's economic programme is its wage policy. In his policy speech, Mr Whitlam committed Labor to "restore integrity to the wage indexation guidelines." That speech was only hours old when Mr Hayden said that meant support for full wage indexation .. but only for people on less than average weekly earnings.

By Sunday Mr Whitlam was saying that Labor wanted full wage indexation for everyone. Mr Hayden confessed he might be wrong. "I feel I'm on shaky ground", he said.

He said questions on wage indexation should be directed to Mr Willis-
"I work in the economic area" - "it's a demarcation problem".
So much for Mr Hayden as an economic manager.

If he believes wages policy is outside the economic area, he certainly is on shaky ground. Labor has so many economic managers that there's always a threat of a demarcation dispute. The way all the Labor Party economic managers are carrying on should not surprise anyone. It is typical of the way they carried on in government.

The basic reason for Labor's confusion is that they are distressed by the certain knowledge that our economic policies are working - because we've ended the big tax ripoff and cut taxes for every Australian taxpayer from February first. They know that because of our tax reforms, 225,000 more Australians on low incomes will no longer pay tax. No one pays tax on the first \$3,750 of income - over \$5000 with a dependent spouse. They recognise the strength of our reforms which have meant 90% of Australia's taxpayers pay the same rate of tax. And many people will be paying 32 cents in the dollar on overtime instead of 45 cents - up to \$16,000

Our tax reforms accord with the view of most taxation experts - they are overwhelmingly supported by the reports of the Committees of Inquiry Labor set up when they were in government. The Asprey Committee the most comprehensive review of Australia's tax system for forty years concluded that the Australian tax system relies too heavily on personal income tax. The Mathews Committee concluded that recent high marginal tax rates encouraged tax avoidance and evasion. The Jackson Committee warned that "we have a general impression that the reward differentials after tax are decreasing and may no longer be sufficient to encourage individual enterprise and effort in industry".

Mr Hawke you might remember was on that Committee. Perhaps he's forgotten. Our tax reforms have faced these problems head on.

They restore the incentive to succeed, to make it worthwhile to work overtime again, to reward the drive and initiative which has got this great country as far as it has. They give people a greater say over how their own money is spent.

In two years, our tax cuts have saved individuals \$3,300 million. In addition, we have extended vital tax concessions to business and to mining companies to provide incentive to invest, explore and develop. If these are added, total tax saved to individuals and corporate tax payers in two years is \$4,300 million.

Now we will build on this. Everyone knows of families who have been harassed and put through great distress by death duties. Businesses have been broken up; widows have had to struggle along with less; families have had no choice but to sink themselves deep into debt.

We have decided that this distress and worry for the bereaved must cease. As from Monday, all estates passing between man and wife, parent and child, will be totally free of federal estate and gift duty. Further we shall see to it that over the life of the next Parliament, all estate duty and gift duty is entirely abolished. Yesterday Mr Whitlam attacked this decision by claiming that it would not benefit many people.

He said "Estate duty is paid on a person's estate if it is worth more than \$90,000". He was clearly implying that no duty is payable for an estate of any lesser value. This claim is utterly false. The \$90,000 minimum only applies to estates passing to a surviving spouse. Apart from primary producers, for estates passing to a child or grandchild, the minimum is \$40,000; for all other estates, the minimum is only \$20,000.

Mr Whitlam is a Queen's Counsel. He obviously knew the truth; he obviously chose to conceal it. He knows this timely reform will relieve much inequity and social distress. So he deliberately tried to mislead the Australian public.

Every year, about 13,000 estates have to pay estate duty, many having several beneficiaries. That means that tens of thousands of people are affected each year by estate duty, many of them entirely dependent on the deceased's estate for support. But it seems all this means "nothing" to Mr Whitlam.

While we are reducing the personal tax burden on the Australian taxpayer, Mr Whitlam would increase it massively. Mr Whitlam has said quite clearly that he wants to pay for the abolition of payroll tax by increasing the burden of personal income tax on Australian taxpayers.

Let us look at the implications of what he has in mind. First, consider the present financial year. Mr Whitlam has said that he would repeal the law which provides for tax cuts in the first half of 1978 and for the introduction of the standard tax rate system.

In 1977/78 that repeal would increase government tax collections by about \$400 million. But that would not be enough. He would still be left with a very large sum to find to meet the cost of about \$850M for removing payroll tax over the first half of 1978. Where would he find that? His alternatives would be to let the government deficit expand even faster than he has already proposed, and remember he has already stated he would increase government spending by \$800M in that period, or to raise even more from personal income tax by increasing the rates of tax.

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Either course would be bad news indeed for economic recovery, for infaltion, and for employment. But until Mr Whitlam comes clean with what he proposes, taxpayers must assume that they would be asked to pay even more tax, and to pay in the first half of next year.

Let's look at the next financial year 1978/79. Labor would need \$1900M to compensate the States for abolishing payroll tax in 1978/79. By repeal of the standard tax rate system, Labor would get an estimated \$1470M from increased taxes. Again there is a significant short fall to make up. A short fall of about \$430M.

It is not surprising therefore, that Mr Whitlam has said that tax indexation would be postponed until income tax receipts rise sufficiently to cover the cost of compensating the States for abolition of payroll tax. By abandoning tax indexation in addition to the repeal of the standard tax rate system, Mr Whitlam would increase tax collections by an estimated \$1900M - which would approximately meet his target to cover payroll tax.

There can be no doubt about it - Mr Whitlam is planning a massive increase in personal tax. The arithmetic is crystal clear. An increase which would leave every taxpayer whatever his earnings, a lot worse off. An increase which would force 225,000 low income earners and pensioners to keep on paying tax from February 1st. If Mr Whitlam has some other "grand design" let him state it. Until he does, taxpayers must assume the worst and that is why I say that those on average weekly earnings stand to lost \$6 a week under Mr Whitlam's proposals.

Mr Whitlam always has been a man who believed in big government. By abolishing payroll tax, the States would surrender their major independent source of revenue. A source of revenue which after much hard bargaining they managed to extract from the Commonwealth less than ten years ago.

Our tax policies have increased people's freedom to spend their own income, have restored incentives, have eased the pressure on wages, have helped to halve inflation, and will be an important element in the recovery of employment.

They are an essential part of a responsible strategy for economic recovery. Mr Whitlam would destroy this aspect of the economic strategy that has got Australia moving again. Just as he would undermine every other aspect of that strategy. Particularly through Labor's extravagant promises - \$800 million expenditure in the first six months - and an array of other costly programmes six of which alone would cost \$3,000 million.

This huge lift in government spending would fuel inflation, erode confidence, stop growth and increase unemployment. Massive government expenditure is Mr Whitlam's answer to unemployment.

But in the circumstances which we face today, such expenditure schemes would worsen the prospects of achieving sustained reductions in unemployment. Mr Whitlam proposed an expensive job subsidy scheme. This government has exhaustively examined every possible option with respect to unemployment.

The plain fact is that massive job subsidy or make work schemes do not work. Labor knows this they tried it when they were in government and they failed. They themselves abandoned their disastrous R.E.D. scheme. The Labor Party scheme to subsidise employers wages is riddled with faults and contradictions.

It will involve paying out very large sums indeed to many employers without them increasing the number of people in jobs above what would have happened anyway. Businesses who are going to increase their employment anyway will merely be subsidised by the government. That is, wasteful expenditure going to increase profits of companies who are already most probably in a healthy financial position.

Our forecasts are that employment will grow in the next 6/7 months the period when Labor proposes to operate the scheme. Tens of thousands of people, who would be taken into jobs anyway will now be subsidised - at great expense - to the Australian taxpayer.

It must also be understood that this job subsidy scheme would mean the government would be paying out large sums even if total employment were not increasing. My reason for saying this is that it is quite normal to expect that some stronger firms would be expanding jobs and some contracting. Those expanding will get a wasteful subsidy - the others will be unaffected. This normal turnover of staff can proceed with no impact on unemployment.

For this reason alone it is quite false for Mr Whitlam to claim that the cost of his scheme would be slight. It is in fact an expensive scheme and in costing his proposed spending for the second half of this financial year, he should be honest and add a substantial sum to his \$800 million.

A further problem with such a scheme is that it is open to abuse. For example, what procedures would work to stop some groups deliberately running down their employment in one subsidiary, and expanding it in another, with subsidised labour. The contradictions in Labor's thinking are well shown out with this scheme.

Although Labor is prepared to admit wage costs are too high for people to be employed, they are persisting with a policy of increasing wages more rapidly.

Their policy on full wage indexation worsens the chances of people looking for a job. A wage subsidy scheme is not and cannot provide a sustainable solution to unemployment problems. There is no answer to be found in wishful thinking or blatant political opportunism. The real answer is growth and development. It's creating new jobs - real jobs. Not jobs artificially created for only six months, through a great expansion of government spending. It's having a responsible wages policy. It's being willing to stand by a fair and just industrial relations policy.

The policies Mr Whitlam outlined last week are the direct opposite of those Australia now requires. It is vital in the battle against unemployment that wage and salary restraint be continued. Labor's policy of full wage indexation would increase wages - and fuel unemployment. The extreme left wing unions who dominated the Labor Party Conference this year have forced Mr Whitlam to come out for full wage indexation. As in 1974, Mr Whitlam wants the government to take the side of those who want to accelerate the wage spiral again. This will be disastrous for small business all around Australia. It will destroy thousands of jobs. It is the opposite of what Australia needs.

The programme which the government has developed over the past two years - and the new initiatives which I announced on Monday - do meet Australia's needs. Several of the programmes I announced are of direct benefit to the city and suburbs of Sydney. Let me briefly mention just a few. I do not have to tell you about the deficiencies in Sydney's public transport - the life of a commuter is not a happy one. We have decided to continue and expand an existing programme by paying the States a total of \$60 million a year for five years, to help improve the standards of our trains and bus services.

We have also decided to contribute some \$70 million over five years to upgrade critical sections of mainline railways. For this modest outlay, many interstate services will be significantly improved. For example, the fast goods capacity between Sydney and Melbourne will be doubled. Our new national water resources programme will make available funds to improve city and country water supplies and such other vital projects as the mitigation of floods.

The inner-city area will be helped by our emphasis on providing first class technical colleges. Some inner-city colleges are of a standard which simply is not acceptable to this government. They will be modernised or completely replaced.

Everyone will be helped by many of our other programmes, such as the reduction of off peak long distance telephone charges to 40 percent of the normal rate.

Considerable progress has been made over the last two years in restoring Australia to economic health. Towards making Australia a more just and more equitable society. It's been hard work and there are still problems to be overcome. But we are seeing the tangible results of that work. Australia is ready to stride into a new era of prosperity and development. The fundamental question which this election will decide, is whether we will build on the achievements which we have made, or whether Labor will be allowed to throw it away. Seeing how people have been working hard for the government across Australia, there is no doubt that we'll be doing the job in 1978 and beyond.