



278
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PRIME MINISTER

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There are just nine days to go to polling day, and as each day passes the vast differences between the Government parties and the opposition become more obvious.

Let me tell you what I see those differences to be. First, the Government has a coherent and proven strategy to beat inflation. By a combination of restraint in Government spending, firm control over the money supply, a responsible deficit and encouraging wage restraint we have succeeded in getting inflation down.

The three quarterly Consumer Price Index figures published so far this year show that inflation is now running at about 9%. And I expect that during the next 12 months it will be reduced to between 6-8%.

Labor by contrast has no anti-inflationary policy. Their policies of increasing the money supply through big government spending, big deficits and high wage increases are patently all inflationary. All Labor can claim to offer in the fight against inflation is abolition of payroll tax which, even if it did result in some reduction in prices - which is highly doubtful to put it mildly - could only have a once-off effect on the Consumer Price Index. Even that would be rapidly outbalanced by the inflationary nature of their fiscal, monetary, and wages policies.

The second difference between the parties is on taxation. We are firmly committed to low taxation, and we have taken major steps in this area. Tax indexation is one of the most fundamental steps that could have been taken to protect the taxpayer, and discipline Government expenditure.

Our reforms of the tax scale are just and equitable. They simplify the personal tax system in such a way as to benefit everyone, to reward initiative and enterprise for everyone, to encourage harder work and higher productivity for everyone.

90% of taxpayers will be on the same standard marginal rate of tax - 32 cents in the dollar. This provides incentive to everyone to increase their earnings, as the vast majority of people can earn more without falling into a higher tax bracket. In other words, it is now worth working overtime again.

I should also say that while the reforms establish 32% as the basic rate of taxation paid by the vast majority of taxpayers, the principle of progressive taxation is maintained. Because the first \$3,750 of everyone's income is tax free, taxpayers on higher incomes will pay higher proportions of their total income in tax than taxpayers on lower incomes. For example, the taxpayer without dependants earning \$4,000 pays 8% of his income in tax. On \$10,000 he pays 20%, on \$20,000 he pays 28.8% and on \$50,000 - 44.2%. The tax reform accords with the view of most taxation experts. It is overwhelmingly supported by the reports of the Committees of Enquiry Labor established when they were in Government. The Asprey Committee, the most comprehensive review of Australia's tax system in 40 years, concluded the Australian tax system relies too heavily on personal income tax.

The Mathews Committee concluded that 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."

Our tax cuts, as Mr. Hurford has belatedly conceded, are a significant social reform. 225,000 additional low income earners, people with taxable incomes under \$3,750 a year, will be exempted altogether from paying tax.

But just as importantly tax cuts are an integral part of our strategy to create more jobs for those who want work. The February tax cuts will provide a responsible and moderate stimulus, injecting \$26.7 million per week into the economy. Because this injection takes place when inflation is falling, it will have a positive impact on jobs, by lifting consumer spending. This will mean factories getting more orders, investment increasing further, and companies taking on more employees.

Unlike wage rises of a comparable amount, which Mr. Hawke says he would prefer, an increase in disposable income through tax cuts is not inflationary provided it is funded properly through a responsible deficit made possible by responsible expenditure restraint. It does not cost employers an extra cent. It does not cause prices to rise.

The tax cuts will, I believe, reduce the pressure for wage increases, and thereby contribute to reduce inflation and unemployment.

Labor, by contrast, is living up to tradition as the high tax party. They would recall Parliament early to repeal the February tax cuts which will benefit so many. And it's clear that their commitment to tax indexation has been swept aside. And all for what? For a payroll tax scheme which major employers have said will not work; which Mr. Dunstan's South Australian experience has shown will not work; and which Bob Hawke is busily sabotaging as fast as he can go.

The parties differ fundamentally on the need for growth and development. We have given every encouragement to investment in all our industries.

Because of our tax concessions, our fair but flexible foreign investment guidelines, our decisions on crude oil pricing and uranium development, and our success in reducing inflation, exploration and development are proceeding at a pace. Oil exploration is well up, particularly in this state. In the September quarter, private capital spending rose strongly by 6.6% seasonally adjusted. And the A.B.S. survey of expected capital spending for the current six month period tips a growth of 14% - a most encouraging sign.

On Monday, I was able to provide details of \$6,000 million of committed investment already under way or set to go. And there is more than that again tied up in other investment projects which are likely to proceed though not yet formally committed, such as the great North West Shelf development.

Labor's policies would effectively stop this trend to increased investment in its tracks. All the vital tax concessions to business and the mining industry would be removed. Draconian and quite unrealistic foreign investment rules would be imposed.

According to Labor's official platform, a capital gains tax would be introduced; and, of course, Labor's commitment to vast increases in Government expenditure would start the greatest investment-killer of them all - inflation - racing away again.

Perhaps the most obvious difference between Government and Opposition in the past fortnight has been the cohesion of the coalition team - and the bizarre series of contradictions and confusion in the Labor Party. Just consider some of these statements.

First, on wage indexation: Last Sunday week, Mr Whitlam said Labor would support immediate full wage indexation and urge the Arbitration Commission to accept this at its first hearing after December 10. Three days later, Mr Hayden said "I can't tell when and if full indexation would be brought in ... it is not appropriate or wise to say what the Government's submission (to the Arbitration Commission) would be."

On tax indexation: On Monday of last week, Mr Willis and Mr Whitlam, while being evasive on whether tax indexation would be retained or scrapped this year, said Labor would introduce full tax indexation next July. Two days later, Mr Hayden said tax indexation "could be implemented only when the economy could properly cope with it."

On payroll tax: In his policy speech, Mr Whitlam said Labor was going to abolish payroll tax. As recently as his Press Conference last Sunday he reaffirmed this as Labor Policy.

Yesterday, the President of the Labor Party, Mr Hawke, said abolition of payroll tax would proceed only if employers guaranteed to take on more staff. He added: "If they were not going to agree to stimulate the economy and employment in that way, then the Labor Government would have to look at alternative methods."

Other contradictions in Labor policy abound. Mr Whitlam attacks our promise to abolish estate and gift duties, while Mr Hayden and Mr Wran both say they favour abolition. Mr Dunstan attacks our decision to export uranium for peaceful purposes, while at the same time licensing a foreign multi-national to explore for uranium just 30 kilometres from Adelaide, and encouraging uranium to be mined and stockpiled at Roxby Downs.

In the background of all this confusion and disarray is poor Mr Hurford, who said he couldn't say what Labor's policy on tax indexation was because he had only read "The Cairns Post" - a shocking slur on a fine newspaper. Who said last Wednesday that Labor could not responsibly make any economic decisions seven months in advance of the 1978 Budget, and who, within days of that stunning insight into Labor's forward planning, rushed forth with a hastily conceived tax scheme for the low income earners Labor had overlooked in their policy speech.

Mr Whitlam, when asked yesterday about this latest switch in policy, surpassed himself by saying nothing new had occurred: "I have been saying it all along" he said. An ABC reporter present commented that puzzled journalists searched their notebooks in vain for any such previous comment.

One senior Labor Party spokesman was quoted as saying "It's our fault, we just forgot to mention it". I am sure the quarter million pensioners, widows, students and others affected will not quickly forget that Mr Whitlam "just forgot" them. Labor's half dozen economic spokesmen are slugging out a fine election campaign - among themselves. The campaign will culminate in one of them winning the post of Opposition Shadow Treasurer sometime after December 10.

There is also an absolute contrast between our policy of protecting Australian industry, of protecting Australian jobs; and the Whitlam Labor Party's obsession with reducing protection, with making unemployment a deliberate act of government policy by encouraging imports to undercut Australian manufacturers.

When Labor was in office, their policies eliminated the traditional advantages which Australian manufacturers had enjoyed for decades. Instead of having wage costs far below those in the United States, Labor's high wage policy forced up wage costs sharply.

Instead of industry benefitting from an inflation rate low by world standards, Labor set inflation roaring at a rate that rivalled that of some banana republics.

At the very time that industry's costs structure was being overturned, Labor introduced the notorious 25% across the board tariff cut. Even though they were advised that this would throw tens of thousands of people out of work.

On 27 June 1973, Mr Whitlam directed that a report be prepared within three weeks - on ways of increasing imports into Australia. On 15 July, he received the report and three days later he cut tariffs across the board by 25%, totally indifferent to the fate of the tens of thousands he put out of work with a stroke of his pen.

He cut tariffs despite the fact that the report showed, with the utmost clarity, that tens of thousands of Australian jobs would be lost. Despite the fact that the report went through industry after industry showing unemployment would be caused.

The Liberal Government is giving Australian industry the protection it needs. We have shown that it is possible simultaneously to give effective protection to industries and to reduce inflation. And we appointed an inquiry under Sir John Crawford to find the best ways of achieving long term structural adjustment of industry without unacceptable social costs.

But to talk of rapid structural change for industry now, when many factories are operating below capacity, when unemployment needs to be reduced, is in practical terms sheer nonsense.

Yet this is precisely the kind of unreal, impractical theory to which all but a minority in the Labor Party are firmly wedded, the type of gross generalisation reflected in Mr Whitlam's speech to the Press Club in July, when he said: "There is no doubt that Australian industry is lavishly protected ... that is the basic trouble with our manufacturing industry in Australia."

The Liberal Government has taken firm action where necessary to protect industries under threat, to protect the jobs of the Australians which depend on those industries continuing.

We have increased protection for industries with a total employment of over a quarter of a million Australians in major industries such as motor vehicles, clothing, footwear, textiles, plywood and many others.

We rejected out of hand the disastrous I.A.C. draft report on textiles, clothing and footwear. We have taken decisions to protect those industries for at least three years. Our policy reflects and protects the interests of the worker in those three industries - Labor's policy is the precise reverse.

As a consequence of that draft report, we decided to change the law governing the I.A.C. We have introduced legislation into Parliament to require the I.A.C. to report on: the assistance necessary to maintain present levels of activity in the industries they examine, how each industry's structure might be improved, the employment consequences of its recommendations, and their impact on decentralised industry.

We have done this because we believe the I.A.C. should be required to take broader considerations into account and not just a narrow concept of efficiency which all too often seems designed to put people out of jobs.

The Australian Confederation of Apparel Manufacturers recently sought assurances from the Labor Party that they would support our decision to maintain employment and productivity in the apparel, textiles and footwear industries for the next three years.

There was yet another telephone hook-up - an unhappy hook-up as it turned out - between Mr Whitlam, Mr Hawke, Mr Hayden and Mr Young.

They concluded that Labor would not be committed to maintain these three industries over the next three years. Labor's research officer summed up their attitude by saying Labor was "a free trade party" and was committed to the restructuring of industry.

This makes a mockery of Labor's statements of concern about the unemployed. In government, Labor threw tens of thousands of people out of work because of their decisions. They are still refusing to protect Australian jobs. They are threatening the jobs of over a quarter of a million Australians in the industries we are protecting.

What a contrast with our policies which give top priority to keeping Australians in jobs. The Labor Party has chosen sterile intellectual abstractions over jobs, over the interests of the working men and women of Australia. Understandably the working men and women of Australia feel that they have been betrayed by Labor.

This leads me to the final difference between the parties. That is the seeming unwillingness or inability of the Labor Party to represent the interests of Australian working men and women. Labor's policy on protecting jobs is one illustration of this, Labor's anti-development stand is another.

The fact that Labor could mount as the centre piece of their policy, a proposal to transfer resources from taxpayers at all income levels to large companies reveals the most fundamental loss of touch by the Labor Party with what was once regarded as its natural constituency.

Many of Labor's traditional supporters are frankly puzzled and bewildered by this proposal. Many of them will reject the Labor Party because they remember the consequences of its actions between 1973/75 and because they realise that Labor hasn't changed, and because of Labor's extraordinary tax proposal. A proposal which will have shattered many traditional allegiances.

Today, the Labor Party is a minority party. It is no longer even the Party of the unions. It is a Party of the union leadership of the union hierarchy, and of those whose views are not based in reality.

While this has been going on, the Liberal Party has been increasing its support amongst groups that some people regard outside our conventional constituency. Since we were elected the Liberal Government has undertaken some fundamental steps of social reform.

Commentators have found it difficult to fit these reforms into their conventional stereo-types of what they call conservative parties and Labor parties. Our social welfare policies, have had as their major priority, the directing of assistance to those people most in need, our family allowances, our reorientation of the children's services programmes towards day care of children of working mothers, our experiments, and our initiatives in the ethnic area.

The Labor Party's reputation as a party of social concern is based on past history rather than current facts. We have been the Party that has indexed pensions to increases in the Consumer Price Index. We have been the Party that has lifted the taxation burden for an additional 225,000 lower income Australians. We have been the Party that redistributed wealth by ending the tax rebates for children and replacing them with our family allowances.

Labor's tax proposals have underscored this contrast in the most pointed way. When formulating their policy speech, they simply forgot the impact of their abandonment of our tax reforms on 225,000 lower income earners.

So across the broad range of policies' the choices in this election are clear, clearer perhaps than in most elections that I can recall. And when the parties programmes are considered, it is apparent that on one vital issue, economic policy, there is, in fact, no choice. For Labor has failed to offer any credible coherent alternative to the economic strategy which the Government is pursuing.

I am confident that on 10th December, the Government will be handsomely returned to office for another three years.

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