

## ABC COUNTRY HOUR -- COLIN MUNROE

## Question:

Last night's Budget has been variously described by Mr. Hamer as severe, by Mr. Hayden as brutal, by Mr. Hawke as horrendous. How do you see it?

## Prime Minister:

I believe it is a responsible Budget and one that is very necessary for Australia in 1978 and beyond. We've made considerable progress in getting inflation down, in getting stability into wages and the economic structure of this country. But we all know that inflation is still too high. Now as a result of this Budget, the Treasury forecasts after a rate of inflation of 5 percent, by next June or earlier. You know that's not a politician's forecast, that the Treasury forecast. That will put us below the OECD average, all of the countries, it might only be Germany and Japan with lower rates of inflation than that and for Australia's exporters, getting inflation down, keeping it down, is of enormous importance. I think Australia's farmers will never forget the year 1974 or so, when farm costs went up 30% in one year. Now we've stabilised farm costs. Outlook for farmers of all kinds I think is better than its been for many years. There is optimism in the bush of a kind I haven't perceived -- I don't think I can remember it for maybe ten or fifteen years and stability in costs is essential to enable exporters to get the advantage of markets overseas and of the better prices we are now seeing.

## Question:

Prime Minister, I take your point, but it has been suggested that last night's introduction of quite severe indirect taxes will have the effect of slowing the movement of the economy. That it will improve much less quickly than you would perhaps like.

## Prime Minister:

I don't think that's so, because the health financing changes, together with the reduced sales tax on motor cars, which a lot of people are forgetting and that's a very substantial benefit to any purchaser of a car; these two measures will more than outweigh the CPI effects of the indirect taxes and taking the Budget as a whole, the total effect on the Consumer Price Index will be in the right direction. Whatever the CPI would be in December, the impact of this Budget will be to reduce it by about half a percent from what it otherwise have been. So the movement downward in inflation is reinforced by this particular Budget.

Prime Minister: (continued)

Now, if the movement down in inflation is reinforced, I think that brings us closer to the time when you can get a more significant movement downwards in interest rates. So far we have had very significant movements down in finance company rates, in Government Bond rates. We haven't seen the real result, we've had a half a percent result in the home building area - the permanent building society - but we haven't seen the result in bank overdraft rates and I think that's what people are looking for.

Question:

It would seem the Budget places greater reliance on the Conciliation and Arbitration Commission to keep wages and indirect taxes out of the CPI. Now what if wages and salary earners go outside the Conciliation area?

Prime Minister:

Wage earners, salary earners, in Australia have got two choices. They can take one of two choices: they can show greater sense and moderation in their wage and salary demands, and thus help this nation get more people back into employment; or they can press for higher wages and salaries, for themselves, for those in work, at the expense of those out of work and if they do that I can guarantee that unemployment will stay high. Against the kinds of wage demands that we've seen, against the situation in which wages went up under Labor by 50% over a two-year period, there is nothing that can be done about unemployment unless there is moderation in wage demands. I think one of the great tragedies of the trade union movement is that the leadership hasn't been prepared to argue for moderation; argue for a restoration of the profitability of industry whether its farming or other that's quite essential for people to be employed.

Question:

How much reliance are you placing on overseas investment to get the Australian economy moving?

Prime Minister:

I think reliance is probably the wrong way of looking at it. Could I put it this way? If we get the basic underlying taxes in the Australian economy right, inflation down, interest rates down, stability in Australia, reasonable industrial relations, then that's good for investment from Australians in Australia, internal investment, and that will occur under those circumstances. Because we are a resource rich country, we will also attract more than our fair share of investment from overseas under these circumstances, because you know with inflation under the world average, this is going to be good for exporters and it will be good for investment and both of that is good for jobs.

Question:

16 cents a gallon on petrol, let alone any other costs that may be incurred in diesel and in that area. It's been said by various primary producer organisations this morning that the effect will be traumatic and its also been pointed out that perhaps the Treasurer has ignored that fuel is an essential and not a luxury in rural Australia.

Prime Minister:

It is an essential and its certainly not a luxury in rural Australia. But at the same time, I am a farmer myself and I don't do much work, I don't do any work on the far, but I do look at the balance sheet at the end of each year. So I do know exactly what part fuel goes to make up costs of running a property.

Question:

16 cents a gallon, sir, is going to knock around your balance sheet.

Prime Minister:

It will put up the cost of fuel, but I know the proportion of the total costs fuel is, and it maybe is not as high as is sometimes stated. But, it's significant, but against that you've got to look at the benefits that are coming to the rural community from much lower inflation and as exporters they benefit from that as they well know, enormously. Getting interest rates down will much much more compensate for any additional -- the rural community as a whole -- much much more than compensate for any increases in petrol taxes.

Question:

You talk about help to primary producers. It has also been said this morning that is little help to primary producers in the Budget and that great reliance has been placed on the weather in fact.

Prime Minister:

I don't think so, no. The weather is important, and one of the good things about primary industries at the moment is that most of Australia is looking forward to better seasons than we have had for a very long while. But, we've done a number of things; better access to markets overseas, for beef, especially in Japan and the United States which is utterly critical to a large part of rural Australia and in addition to that with the real prospects of a return to better incomes, the benefits of tax averaging which is much much better than anything there before; the benefits of the income equalisation deposit scheme will start to be of real benefit to farmers. I think that the income equalisation deposits have had \$60 million to \$70 million invested in them

Prime Minister: (continued)

over the time, but with the return to better incomes, I would expect those deposits to grow greatly.

Question:

On the point of IED's and tied in with the Primary Industry's Bank, there was no spelling out last night of interest rate for the Primary Industry Bank and there has been extreme criticism this morning that IED's should be used to fund that Bank. It's virtually farmers lending money to themselves.

Prime Minister:

You mean farmers don't want the IED's used?

Question:

That's the message I get.

Prime Minister:

I have had it put the other way around, that farmer organisations did want IED's used in the Primary Industry Bank and that's the view that had been put I think when farm organisations were discussing these matters in the Cabinet room with us. So, if they are now saying they don't want the IED's used, I think that's...you know it's not going to restrict any person's right to withdraw their IED's under the circumstances and I would have thought it was a pretty natural development.

Question:

Isn't it a fact though, that the Primary Producers would be lending money to themselves. They put money into the IED's, they get a certain interest rate, a small one, and then they borrow back from the Primary Industry Bank - well it's been measured at 11%, what is the interest rate?

Prime Minister:

The interest rate is I think around about that sort of order. But it's the term of the loan which is going to be the great advantage in the Primary Industry Bank and if you look at the finance that is available for farmers, its the terms of repayment that is the most important factor in the burden on a particular farmer. Now the interest rates have got to be related to some extent to the general level of interest rates and as we get interest rates down overall, obviously the interest rates on Primary Industry Bank loans would come down as would other bank loans come down. But I can't understand the argument that IED's have a small interest rate paid on them and the money is being lent back at a higher rate of interest. There is a very considerable tax advantage in IED's which farmers well know and that's the very precise reason why the interest rate is small.

Prime Minister: (continued)

The advantage would be inequitable in relation to other people in Australia if it was getting a commercial rate of interest in view of the tax advantage.

Question:

If I could leave the question of the IED's and the Primary Industry Bank there and ask you whatever happened to decentralisation?

Prime Minister:

The best decentralisation in one sense is profitable Australian industries; profitable Australian rural industries, because this means much more to Australian country towns than anything else. But we did establish last year a Decentralisation Board and more funds are being provided to that to encourage enterprises in decentralised centres. Quite obviously, in this Budget, there are no massive funds to be put into that particular Board but there is an increase, it is gearing up, it is starting to make funds available and its work will be proceeding.

Question:

Telecom: Virtually running their own business, does this mean that the Government has given away any idea of reducing telephone and communication charges to country people in Australia.

Prime Minister:

No. I think you will note that the off-peak charges were reduced a short while ago and that is a help. In the country areas a good deal of business can be done out of hours. Agents business and this sort of thing and that's the way its gone for a long period. The Government remains of course very much involved in policy but I think it needs to be remembered that while Telecom technically makes a profit their capital requirements are so large they still have to borrow very considerable funds for their total capital program.

Question:

More of your time if I may. You moved in the Budget a possible reintroduction of the beef export levy, but it will be held over for a while. Is there a chance there will be a mini-Budget with that sort of thing introduced in it?

Prime Minister:

I don't think I would regard that as a mini-Budget. What we are concerned about is the profitability of the beef industry and while the prospects look very much better now than they did twelve months ago or even six months ago, and everyone knows the reason for this, with the industry running along normally and profitably its fair enough for some of these things to be recouped from the industries concerned.

Prime Minister:

When the industry had been hit, we thought well it should be a charge on the Government, but we didn't want to put a charge on, at this point, because it is earlier in the stage of recovery of the beef industry. We wanted to make quite sure that the recovery trends were confirmed before moving in that kind of direction.

Question:

If the strengths of your Budget, as you see it, don't take effect, you've mooted that there could be a reduction in the Public Service and in fact unemployment could increase. This must concern you.

Prime Minister:

Of course unemployment concerns us. But everyone in Australia has got to understand what causes unemployment, and Governments can do something about it but Governments at the same time need the cooperation of other people in relation to unemployment. If leaders of the trade union movement are to continue to press for wages running ahead higher than the Consumer Price Index, the prospects for getting unemployment down are very much diminished. In spite of all the arguments we've put to the Arbitration Commission over the last two years, in the twelve months to June, average wages increased more than the Consumer Price Index. Now that doesn't indicate any restraint at all on the part of the leaders of the trade union movement. And again, it's worth noting that this is something of very real concern to exporters, farmers, manufacturers, producers everywhere because it's the productive life of the country which enables the jobs to be provided.

Question:

What do you think you will be able to say when you sit here next year in August, to the people of rural Australia at the end of this 1978-79 Budget year?

Prime Minister:

I think we will be able to say to you, this much does depend upon forces quite outside my control; you've had a good season, all the omens are for a good season so let's take that as read. At the opening of the wool sales the prices were edging up, so the prospects for wool and for sheep prices remaining good are very very high. The cattle market is firm and I believe it will get even better throughout the course of the next 12 months. I know some people haven't been able to sow their wheat because it has been too wet, but for those that do, the crops should be good and the price will be good. So I believe we will be able to look back and say we've got inflation down further, significantly further, we are now well below the OECD average. There are only one or two significant countries with a lower rate of inflation than Australia. We are becoming more competitive. Our markets overseas are consolidating. You've had a good year and I'll look forward to the future with a great degree of confidence.

Question:

And does that air of confidence carry through to the community as a whole.

Prime Minister:

I believe so and I hope so. And out in rural Australia I really believe this confidence is already abroad. I don't know how much you've been out and about over the last two to three months but there's a tremendous different atmosphere from six months ago or twelve months ago.

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