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## PRIME MINISTER

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### N.S.W. STATE CONVENTION

This Convention comes at an important time for Australia and especially for New South Wales. There is a great deal of inspired speculation about an early State election, but where are all those editorials calling an early election undemocratic, and demanding that Mr. Wran end the speculation forthwith? Whenever Mr. Wran cares to declare himself, Peter Coleman and his Parliamentary team will be ready.

One thing we can never afford to forget is that Labor always tries to maintain a cloak of responsibility when their Government hangs by a thread -- when they are seeking support. But it's only a facade.

Mr. Whitlam went out of his way in 1972 to appear reasonable and moderate and we all witnessed what he unleashed on the Australian people once he thought he was home and hosed.

When Labor think they're safe in power they drop their disguise. The real Labor Party comes to the fore: the Party that was behind Mr. Whitlam; the Party that is behind Mr. Wran; the Party committed to socialism whatever the cost to Australia.

But even when the Labor Party is desperately trying to preserve their facade of responsibility their mask still slips. It slipped in Sydney a few weeks ago. It slips every time Labor mounts another one of their so-called spontaneous demonstrations against the Budget.

In Sydney after being harangued in inflammatory language by Mr. Hayden and Mr. Wran, a mob attacked the Sydney Stock Exchange injuring people and causing thousands of dollars of damage. And what happened in Darwin yesterday -- on a day that should not have involved any political partisanship at all. Doug Everingham, a Labor Shadow Minister, a so-called responsible Labor Leader, addressed a protest meeting. As soon as he had finished he joined the special guests at the opening of the Northern Territory's Assembly and the people he had addressed joined the crowd and jeered while the National Anthem was played, seeking to disrupt a historic occasion in the development of the Northern Territory. That's the kind of crowd that Labor whips up -- because they recognize that they would lose in a rational reasoned debate -- so they resort to disruption.

The ALP constantly flirts with political actions which go to the outer fringes of what is permissible in a democracy and by so doing, it gives legitimacy to extremist minorities who resort to violence.

While the ALP has been devoting its energies to a futile and dangerous attempt to whip up mobs against the Budget, Peter Coleman and his Parliamentary team have been working closely with the Party organisation to develop new policies emphasising the Liberal commitment to freedom of choice, the encouragement of enterprise and initiative and getting power close to the people.

Major policy statements have already been announced on education, industrial relations, planning and the arts, and more are in the pipeline. In addition, Peter Coleman has taken up the challenge of the new Federalism.

The new Federalism is not a policy which dictates to any State what policies it must pursue, what course it must take. It is one which makes sure that the States have the capacity to set their own priorities by allowing them to raise taxes if they think fit, or reduce taxes if this is in the interests of their citizens. And Peter Coleman has made a firm commitment under the new tax sharing arrangements to give New South Wales taxpayers a special reduction in tax.

As the election approaches, the State Liberal team know they can count on the full support of their Federal colleagues and on the wholehearted support of all the Party workers whose efforts made possible our success in last year's Federal election.

What a success that was -- in New South Wales, every sitting Liberal who contested the election was re-elected. That was a massive endorsement of the Liberal philosophy and a great credit to all those on the State scene who worked so hard.

Ken Anderson deserves a great deal of that credit -- and I would like to pay a special tribute to him. This will be his last State Convention as your State President. He has made an outstanding contribution -- both to the Parliamentary wing of the Liberal Party and to the Party organisation. His experience and advice will be very much missed by all of us.

It has been Ken's work -- and the work of men like him -- that has enabled the Liberal Party to form a lasting partnership with all parts of the community -- with employers and employees, with old and new Australians, with city and country.

The Liberal Party has been able to reflect the fundamental aspirations of Australians and provide leadership in achieving them.

This Party has been able to reach out confidently to grasp the promise held out by the resources of our land and the talent and character of the Australian people.

It has been the ability of the Liberal Party to combine realism with a commitment to ideals that has been the key to our success. We should never lose sight of this fact. Without a sense of realism, idealism is futile -- our aspirations would be dashed against rocks whose existence we refused to recognise. But without a commitment to ideals a party is doomed to failure.

The greatest failure of all would be for a party to be elected to Government merely to warm the Treasury benches; without a vision of a better Australia, swayed by every political breeze, putting expediency before responsibility.

In the three years since this Government was first elected we have been able to combine realism and idealism. We have not been afraid to say that success demands that we realise our resources are limited and that we cannot hope to do everything at once.

The Budget was premised on this commitment to responsibility, and the recognition that without getting the fundamentals of our economy right all the dreams Australians share about our country's future would never be fulfilled.

To get the right Budget, we had to control the deficit. This required difficult and sometimes painful decisions but because we faced up to our responsibilities the increase in Government spending this year will be the lowest in a decade.

The Budget will enable us to: get inflation down further; achieve lower interest rates; strengthen domestic and overseas confidence in Australia; keep investment and the national product rising; revive employment opportunities.

Inflation at an annual rate of 5 percent is within our reach by mid-1979. This means that we will have brought our inflation down much faster than most OECD countries in the last three years. It will also mean that, once again, Australia's inflation is significantly below that of the OECD average.

We are determined to keep our inflation moving down. International markets and trade are growing more slowly than a healthy world economy requires. Competition becomes more intense in these circumstances and Australia must stand out as one of the strong economies in the world. This means we must have low inflation.

Our approach was wholeheartedly endorsed this week by the Secretariat of G.A.T.T. in its annual report. The report said and I quote:-- "The inescapable conclusion is that the industrial countries can only move towards increased growth and employment -- and towards sustainable payments positions and more stable exchange rates. By reducing their inflation rates to the levels experienced until the mid-1960's".

With lower inflation our industries will get a larger share of domestic markets and an increasing share of export markets. Domestic and overseas investors will both be encouraged and with the increasing competitiveness of Australian goods and increased investment we will have more economic activity and more employment.

Our policies are based on a real concern for the unemployed, unlike those policies put forward by politicians in the Labor Party who try to use the unemployment issue for their political advantage, promising fraudulent, illusory cures for their own political gain.

We know that there is no quick or easy solution. We have the courage to stick to policies that will lead to lasting increases in employment and I would like to repeat the view of G.A.T.T.: "The inescapable conclusion is that the industrialised countries can only move towards increased growth and employment... By reducing their inflation rates to the levels experienced until the mid-1950's".

What G.A.T.T. is saying in fact is that employment can only be improved if countries follow the kinds of policies adopted by your Government.

Increased Government spending is not a realistic option. It would simply result in an acceleration of inflation -- the speedy withdrawal of overseas investors and a sharp rise in interest rates.

Instead of taking this path of false stimulus, what we are doing is reinforcing the private sector's recovery by lowering inflation and hence getting interest rates down. This is the path to substantial and sustained stimulus to the economy -- to growth which will give permanent jobs to Australians.

Home buyers, farmers, businessmen, builders, consumers and investors will all benefit from the lower interest rates which flow from this policy. Let me demonstrate the advantage to home buyers. On, say, a home loan of \$25,000 being repaid over 25 years, each one per cent reduction in interest rates will mean a saving in the order of \$17 a month -- \$5,000 over the period of the loan. The half per cent reduction achieved earlier this year presently yields a saving of \$9 a month. I am confident that it will not be long before further savings are available.

Because of our policies, overseas investors are now much more confident about Australia's future. Many overseas business leaders have talked to me about their plans to invest in Australia.

The Government has been heartened by the net private capital inflow for the first six months of 1978, particularly since it involves substantial direct investment, providing finance for Australian projects. This Budget will provide the basis for stronger capital inflow.

Australian households and families are benefiting from our economic and taxation policies. The income of Australian households rose by almost 10 percent in 1977-78 -- considerably more than inflation for the period and because of our tax reforms household income after tax rose even more -- by 11.9 per cent

This year there will be a further real increase because of economic growth and because of our personal tax reforms. Through these reforms, taxpayers this financial year will be paying \$3,000 million less in personal income tax than they would have paid if the 1975 Hayden tax scales still applied.

This is a substantial saving for everyone - even allowing for the temporary tax rise this year. Let's take the example of a man on estimated average weekly earnings with a dependant wife and two children. He is \$13 per week better off this year than he would have been if the old Hayden tax arrangements were still in force: \$6 less income tax, and another \$7 because the family allowance is so much more than the old child endowment. His disposable income is substantially greater because of our reform of the tax rates, our introduction of tax indexation, and our enlightened policy towards the family.

Even with the temporary income tax increase, the growth in personal income tax collections in 1978-79 will be significantly less (6.7 percent) than in 1977-78 (9.7 percent). In both years, tax collections will have risen more slowly than personal incomes, reversing the trend towards a rising tax burden which has persisted so long.

There have also been large tax reductions for companies and business. This financial year -- for example -- the investment allowance and stock valuation adjustment will have a cost to revenue of over \$700 million. In the light of these figures, no one can doubt the Government's fundamental commitment to lower tax.

So far I have been talking about what the Budget will do, but this is only one way of evaluating the Budget. Another way is to ask what would have been the results of the Budget Mr. Hayden advocated.

Mr. Hayden called for an elastic Budget deficit of \$3,600 million -- a deficit based on wild assumptions about the receipts from his dubious retrospective revenue proposals, a deficit which would, in the end, have run out to \$4,500 million or more. But then that is what we would expect from Mr. Hayden. It's exactly what he did last time when he was Treasurer. And we must never forget what else Mr. Hayden attempted to do when he was Treasurer.

The man who now poses as a moderate responsible leader was Mr. Whitlam's partner in trying to coerce the banks to turn over their depositors money to the Labor Government so that Labor could continue in power without Parliamentary approval.

The people of Australia will remember how all the Liberal leaders responded to this attempt. In a sober and considered statement issued in all their names in 1975, they condemned this scheme as taking Australia on the first step to dictatorship. If this attempt had been successful, it would have destroyed Parliament -- because the fundamental basis of Parliament's control over the Executive is its control over the spending of money.

It's no wonder Mr. Hayden was Mr. Whitlam's favourite Treasurer. Mr. Hayden was Mr. Whitlam's partner in the attempt to destroy Parliament and undermine the Constitution.

The deficit Mr. Hayden now wants would create economic havoc. If he had had his way inflation would have set off once again; the financial community would have rejected the Budget - making it impossible to finance in a non-inflationary way; there would have been a net outflow of capital from Australia, seriously weakening the balance of payments; confidence would have been smashed. After a very short time, unemployment would have increased.

The size of Mr. Hayden's deficit is disastrous in itself. But the specifics of this economic policy are even worse. He wanted to abolish the investment allowance, destroying investment when what we need is more of it. He said that this would raise \$400 million this year. He couldn't do that unless he was going to abolish the allowances retrospectively for those who bought plant and equipment in good faith.

In one swoop, Mr. Hayden would impose a \$340 million levy on the profits of our crude oil producers, but in fact the oil companies profits after tax won't amount to \$300 million under the present system. Such a move would drastically reduce exploration and development projects just when we are fighting to increase our production of oil.

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Mr Hayden has also raised that old socialist perennial, the capital gains tax. You all remember that Mr Crean was going to introduce this in 1974, but when he looked into it, he gave it up -- it was too complex.

But Mr Hayden isn't the sort of man to be daunted by complexities. He would have introduced the tax immediately -- and made it provisional and retrospective. It's no wonder he was Mr Whitlam's favourite Treasurer.

Yet another of Mr Hayden's proposals is to raise \$200 million from the top two or three per cent of taxpayers. To do so he would have to tax all incomes over \$25,000 per year at the rate of 72 cents in the dollar. That's a great way to boost incentive and initiative!

Mr Hayden has reaffirmed the A.L.P.'s commitment to socialist dogma yet again. The theme of everything the Labor Party proposes is to attack the private sector of the economy; penalise the energetic; and set back productive enterprise. They don't care that the dead hand of socialism inevitably stifles the productive capacity of the economy and saps the energy and initiative of the Australian people.

While the ALP has been floundering around in its socialist morass, we have pursued the path of economic responsibility and we have been able to make fundamental social reforms. Some of our reforms are so envied by Mr Hayden that he is trying to re-write history, claiming that Labor introduced them.

In a recent speech he claimed that Labor introduced the indexation of pensions. Well, to refresh his memory, the automatic indexation of pensions was introduced by this Liberal Government in 1976. By the time Mr Hayden is through, he will be claiming that the Labor Party introduced: family allowances; the supporting parents benefit for sole fathers; fundamental reform of the tax scales; tax indexation; our youth employment training schemes; the export incentive scheme; federal/state tax sharing; Aboriginal land rights; a new deal for our migrants; compulsory secret ballots for union elections; the home savings grant scheme; a new deal for the handicapped; self-government for the Northern Territory; three successful constitutional reforms; agreement with the States on national companies legislation; abolition of estate duty and gift duty and for rural industry, the Primary Industry Bank, income equalisation deposits, fuel equalisation, improved tax averaging and many specific programmes supporting Australia's wool, meat, dairy and sugar industries. It's no wonder Mr Hayden wants to claim our achievements as his own.

The policies of this Liberal Government will continue to respond to the feelings and wishes of Australians. We want the views of the working men and women of Australia and the views of all groups in the community. We look for advice from the Liberal Party branches. We shall constantly strive to improve our programmes to meet the changing needs and aspirations of Australians. Sometimes the path we take may not yield a transient popularity, but this isn't what Governments should be about.

We have a vision of Australia's future, of a country of growth and development, of prosperity and enlightenment, of stability and security and of compassion and effective help for those in need.

A country in which the quality of freedom and opportunity for individual Australians has no equal anywhere in the world. This is a vision which does meet the fundamental needs and aspirations of individual Australians of families of young and old alike.

By making the start we have in initiating important social reforms and in pursuing the necessary policies to return the economy to strength and sustained growth, we can work to realise our vision for Australia in the 80s and beyond.

This is not just a task for Government -- it is a task for all of us and I know I can count on your support in this great challenge which lies ahead.

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