



EMBARGO: AGAINST DELIVERY
CHECK AGAINST DELIVERY

PRIME MINISTER

FOR PRESS

9 MARCH 1979

MELBOURNE CHAMBER OF COMMERCE

I am delighted to be able to talk to the Melbourne Chamber of Commerce today. This is a time of increasing optimism and confidence in the business community such as we have not seen since early in the 1970's.

It has often been difficult to maintain confidence in the future in the face of the many and pressing problems the business sector and the community at large have had to deal with over the past several years.

The Government, for its part, has had to deal with the legacies of the economic policy failures of our predecessors, the heedless expansion of the public sector and the budget deficit, the irresponsible approach to monetary policy and the unthinking support for excessive wage demands.

We have had to grapple with fundamental distortions in the economy and put them to rights by the consistent application of a coherent economic policy strategy. Because we have relentlessly pursued a coherent and effective policy there is a growing optimism about Australia's economic future, inflation has been reduced, employment is showing the first signs of recovery, there has been responsible monetary management, Commonwealth Government spending has been curbed, interest rates have been lowered and, as you will know, business confidence is stronger.

The rising profits for the first half of this financial year support the growing confidence. A number of public companies have reported increases in interim after tax profits of more than 20 percent. For example: Amatil - 23%; Bank of New South Wales - 37%; Dunlop - 38%; Repco - 50%.

Overall, a sample of 79 major listed companies have reported interim pre-tax profit rises of an average of 19 percent, 49 increased dividends and only 4 reduced dividends. The stock market has responded by improving to the best levels for many years. At the start of March the share indices for the Melbourne Stock Exchange were more than 26 percent higher than in January 1978 and about 7 percent higher than January this year.

Official forecasts indicate that the growth in gross domestic product in 1978-79 will be greater than for some years.

Production strengthened in the December Quarter and business surveys predict that this will continue in 1979. Consumer demand is encouraging, reflecting a mood of growing confidence. Private investment is growing strongly.

Throughout 1978, private new capital expenditure grew, rising by 24 percent over the previous year.

It is clear that 1978-79 will be a much improved year for the rural sector. The gross value of wheat production for the current wheat crop is \$1,900 million, double last year's. For beef, world prices have increased strongly and may rise further. Beef exports to our major markets are expected to rise in 1979, while for the wool industry the Bureau of Agricultural Economics forecasts a 9 percent rise in sale proceeds for 1978-79.

Overall, farm incomes are expected to increase by at least 80 percent on their 1977-78 levels and as the rural sector improves and demands more goods and services of all kinds the business sector and all Australians will benefit.

The reduction of inflation has dramatically improved Australia's international competitiveness. In the three months ended February 1979, total exports seasonally adjusted were 13 percent higher than in the previous three months while the growth in imports was only 2 percent.

The improvement in our exports has been reflected in a strengthening in the trade account. We have better and more secure access to Japan. Our markets in Korea are growing. We have achieved the best access ever to the U.S. for our meat exports. Australians are penetrating the new and important markets emerging in China, South East Asia, and the Middle East and we do not intend to stop our attempts to get fair access for Australian products into the E.E.C.

During the last election campaign I said that Australia was ready to go with \$6,000 million worth of investment. Since then, the latest Bureau of Statistics "New Capital Expenditure" survey indicates an estimated \$3.3 billion was spent on investment in mining and manufacturing in 1978, 29 percent up on the previous year. The latest industry and commerce survey shows that \$7.5 billion of investment projects are either ready to go or in their final feasibility stages.

To aid investment we have approved \$1.8 billion of infrastructure financing for projects selected by the States. The projects which the infrastructure is intended to support will involve many times this amount.

There is a resurgence of investment in large scale resource development projects. New capital investment in mining was 51 percent higher in the year to December 1978 than in the previous 12 months and according to the latest AMIC survey larger mining companies expect to increase their investment by a further 32 percent in 1979.

In December 1978, the estimated capital cost of mineral projects firmly committed or in the final feasibility stage was \$4,000 million. This figure includes the following recently announced projects: the Gladstone aluminium smelter - \$500 million; the Alcoa alumina project - \$200 million; the Ranger uranium project - \$300 million. It does not include the North-West Shelf which is now being proved up in a \$50 million feasibility study.

We have encouraged the search for oil and the efficient development and use of our existing reserves. Our crude oil pricing policies and taxation and investment incentives have resulted in Australia's oil reserves being upgraded by some 600 - 700 million barrels, approximately a further three years' supply at current consumption levels.

The growth of oil exploration activity will continue in 1979. Industry estimates that between 83 and 143 exploration wells could be drilled this year -- even 83 wells would be the best result for seven years. Esso and BHP alone are committed to investing over \$1 billion in exploration and development over the next five years.

Overall, by 1985, it is estimated that about 30 percent of Australia's crude oil production will be derived from oil fields which have become viable as a consequence of our oil and gas policies.

This revival of exploration activity is of vital importance if we are to maintain a satisfactory level of self-sufficiency in oil into the 1980's and beyond.

Manufacturing industry is participating in the revival of economic activity in Australia. In recent weeks major new investments in manufacturing have been announced. I.C.I. has announced that it will construct a \$500 million petrochemical complex in Victoria and a \$400 million ethylene plant at Botany Bay.

GMH will proceed with a new \$210 million engine complex based in Victoria.

Australian Newsprint Limited have announced that they will construct a \$160 million newsprint plant at Albury-Wodonga.

The reduction in inflation arising from our economic policies has dramatically improved the competitiveness of Australian firms. Australia is more competitive than at any time in the last seven years. In the December Quarter, manufactured exports were 29 percent higher than for the previous December Quarter.

Order books are filling up: BHP's recent profit announcement reflects, in part, a much better performance for their steel sales within Australia which rose 17% in the six months to November 1978 compared with the corresponding period in 1977, and are now a higher proportion of total sales.

Our manufacturers are showing an increasing ability to compete against imports. This is an important change because over the past few years, manufacturing industry has been subjected to great stresses, caused by lower population growth rates, technological change, import competition, changing patterns of consumer demand, and wage cost pressures. In 1973-74 alone, minimum award wages increased by 37 percent for females and 27 percent for males.

In addition, under Labor, manufacturing industry had to face the 25 percent across-the-board tariff cut in 1973, appreciations of the exchange rate, and the scaling down of the export incentive scheme. These pressures led to adjustment problems in manufacturing industry and the report on the Crawford study group set up by this Government to examine and advise on these issues was released on Tuesday.

The Report will make a major contribution to our consideration of long-term policies to assist industry adjust to changing economic conditions. Many of the areas covered by the Report are matters to which the Government is giving continuous attention: export development; industrial research and development; investment incentives; productivity improvement and industrial financing.

The Government has already introduced taxation concessions to encourage investment, made significant improvements to export incentives, substantially increased funding for industrial research and development and instituted other programmes designed to improve productivity in industry.

In addition, we have greatly increased our efforts to secure better access to overseas markets for Australian goods, a matter heavily emphasised in the Crawford Report.

The Report will be a very valuable input to the Government's decision-making process. The Government is determined to achieve a greater improvement in the competitive position of Australian industry, an improvement which will enable manufacturing to play a much stronger role in the economy. Because of the importance of the Crawford Report, I am sure that it will be widely and intensively discussed.

The Government looks forward to receiving the response and comment from the community and especially from organisations such as this.

The economic progress taking place will encourage all Australians, but I emphasise that the Government cannot relax its efforts. We will maintain the policies that have been essential to the recovery and that are essential to allowing further progress.

We must consolidate the gains that have been won. In particular, we must make further progress in the fight against inflation. The advance made on this front is demonstrated by the reduction in inflation to 7.8 percent in 1978, compared with 9.3 percent in the previous year. Over the year to March 1975 - a mere 4 years ago - inflation reached 17.5 percent.

Last year's inflation would have been lower, but for the Government's responsible move to establish world parity prices for oil and the increases in food prices which are reviving large sectors of a rural industry that has been depressed for many years.

Given these two factors the fall in inflation from 9.3 percent in 1977 to 7.8 percent in 1978 is a significant success. This success is due to the determination with which we have applied the whole range of instruments of economic policy.

There has been some discussion recently regarding the money supply target. The Treasurer has always made it clear that this is not an inflexible target. What is inflexible is the Government's determination to maintain responsible monetary policy. This is an integral part of our anti-inflationary strategy.

The money supply will grow at a rate adequate to finance on-going recovery while still continuing to maintain the firm downward pressure on inflation. I will give one illustration. This year wheat farmers had record crops. The traditional method of financing the crop involves use of Reserve Bank credit. The unusually large crop has consequently had an unanticipated, once-off impact on the rate of growth of the money supply. In order to limit this impact we have required part of the additional financing requirements of the Australian Wheat Board in 1978-79 to be met by an issue of commercial bills. The wheat growers will still receive the same cash payments at no higher cost but our action will restrain the rate of growth of the money supply. And there is a capacity to finance further wheat payments in this non-inflationary way. The decision presently made will involve \$150 million and in the light of subsequent monetary conditions we will consider making a further funding of a similar or larger magnitude.

Our economic policies, our monetary policy, our control of the deficit, have created the conditions for the fall in interest rates which has occurred over the last 18 months. This fall has been a most significant achievement in circumstances where interest rates in major overseas capital markets have been rising.

Over the last year, while our interest rates fell, U.S. interest rates rose by up to 4 percent and in the U.K. by 5 percent.

Our economic policies are the only way to achieve sustainable increases in employment. Over the last two or three months, we have seen encouraging signs of increasing employment -- these are tentative early signs but they are all favourable.

Civilian employment seasonally adjusted has risen in each of the six months to December 1978 -- a total increase of 56,000 -- the first time this has occurred for five years. In the December Quarter 1978 seasonally adjusted employment in manufacturing increased -- the largest increase over these three months for five years.

Overtime has risen to the highest level since 1974. Similarly, the new vacancies notified to the C.E.S. shows a more heartening trend.

The Government is determined to help those who want jobs to get work. We have adopted wide-ranging policies to help the unemployed and particularly the young unemployed. More than 400,000 people have been helped by such Government programmes over the past three years and we are reviewing training, retraining and relocation schemes to ensure that they are as efficient and effective as possible.

A major concern is the lack of tradesmen for the future needs of Australian industry. That lack is becoming more apparent as we see the encouraging signs in the economy and we are presently considering a proposal recommended by the National Training Council to train people in the 18 to 22 years age group who want to become tradesmen, but who missed out on apprenticeships. It will include a technical education comparable to that required for apprenticeship and off-the-job training which is heavily practical in content.

The Government is also aware that there are jobs available and that there are people who could fill them, who sometimes do not seem to be taking up the opportunity. One of the problem areas is temporary and casual employment.

The Minister for Employment and Youth Affairs has expressed concern about the fact that people are not always taking up seasonal casual work when it is available. It is not unreasonable to ask whether persons who refuse the opportunity to take up such work particularly when prospective employers offer to pay travel expenses should nevertheless continue to receive unemployment benefits. The C.E.S. has been asked for a report on this matter and will advise the Government shortly.

Our economy is strengthening. The business community is more justifiably confident than it has been for many years. There is a resurgence of investment and development in mining and manufacturing. Our rural industries are revitalised. There are signs of new trends in employment and the balance of trade. The basis has been laid for a great future for Australian commerce and for all Australians. I know the coming years will be exciting and successful for Australia.