



PRIME MINISTER

FOR MEDIA

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QUEENSLAND STATE COUNCIL

The past few days in Queensland have been exciting for me because this State is very much on the move in the great new mining areas. The Government's policies of the last three or four years have given confidence to investors and provided markets for products of Queensland mines.

The problems are the problems of growth and problems of development. And they are the kind of problems we want.

In Queensland, moving out into the pastoral areas in the West of this State, those people who three or four years ago had no hope for the future, who despaired at what the next year might bring, now have confidence for the 1980's.

Rebuilding their assets, receiving good prices, with the policies of the Government working for their advantage, and for Australia's advantage, is again an exciting thing. Queensland is coming alive under the combined policies of the State and Commonwealth Government.

I would like to look at the objectives we have for Australia. In the daily application of policy -- and in the decisions that have to be made -- we can lose sight of the major objectives. We can lose sight of our broad purpose. We can lose sight of what it is all about.

But we need to recall 1975: with an economy destroyed; with unemployment up by almost 200,000 in one year alone; with manufacturing industry in despair; people on the farms in the pastoral areas had no hope for the future, because of inflation, and because markets had been lost. At a time of growing oil crisis throughout the world, oil search in Australia stopped dead in its tracks. This was because of the deliberate policies of the previous Government. The dollar was in difficulty, again because of the policies of that Government.

Now in 1979, a great many things have been changed for the better. Great progress has been made in this State and in other parts of Australia. There has been remarkable recovery in many industries. Private employment has grown for the first time for seven or eight months - that is the best record for many, many years. Manufacturing industry is experiencing

a great move forward and investment has risen. In the home market our manufacturing industries are getting a better share of the market. A recent survey of the Metal Trades Industry has shown that employment, on their surveys, was up nearly five per cent in March, compared to a year earlier. In manufacturing industry, employment has started to grow again. There have been great new developments in the petrochemical industry, and engine plant developments of great size in the motor industry.

In export markets, manufacturing exports were up by nearly 30 percent in the December quarter 1978, over the same quarter of the previous year. That is because of the improved competitive base of Australian industry, which is now able to get out and sell, able to capture markets that had earlier been lost.

Following the decline in the rural industries, there has been great resurgence in the beef industry. This means so much to the State of Queensland, and to the small country towns, after the depression of recent years. Why did we have that Depression? In 1974 we lost all our market in Japan. A market of 120,000 tonnes was cut to nothing in the next year because of policies that had been pursued in Australia. At the same time, markets in Europe were lost. The Government of the day sat with that loss, and did nothing about it. Now, because markets have been regained, because inflation is much lower than it was, there is a great resurgence in the beef industry. This affects large parts of Australia, giving confidence for the years ahead.

The wheat industry has had a good year. The wool industry is strong, and we have been increasing the floor price. Reserve stocks are lower than they have been - some people are even saying they are too low. Prices have been moving strongly. Remember, when the industry needed help in 1973 and 1974, the then Government sought to reduce the reserve price by 50 cents, a great contrast with today's policies which are now building confidence in that industry.

There have been difficulties in the sugar industry because of dumping by Europe on world markets. At the same time, as we move to improve the logistics of that situation, we have been given the first indications in recent days that the European community may well consider joining the International Sugar Agreement, provided the U.S.A. also does. That is the first time there has been a prospect of a sensible, world-wide agreement for many, many years.

Many other parts of the rural industry are also doing better than for a very, very long time. I am not going to say that the rural industries have never had it so good. Somebody else said that, and he said it at a time of a very real depression. But we can say with complete accuracy that rural industries are very much better than they were. The prospects for the future can give people in the beef, sheep, sugar and in other elements of the rural industry cause for confidence as we move into the 1980's.

The great mining industry is also coming alive after the dismal years from 1972 to 1975, when there was hardly a new project started in this State or in any other part of Australia. Now we have \$2 billion dollars of investment in the coal industry. Over the last two or three days, with Senator Kathy Martin, Senator David McCubbin and Dr. Llew Edwards, we saw what was happening -- great new developments, new investments, which are going to add to the jobs in this State, going to add to the capacity of rural towns, going to add enormously to the export wealth of Queensland and of Australia. They result from policies pursued over the past three or four years. To see the new mines of Gregory, Blackwater and Norwich Park being developed and opened up, to see the great drag-lines operate, is exciting indeed. It brings to life the cold hard statistics of investment in Australia, which, just as a statistic, tend to be slightly meaningless and slightly lifeless.

To talk to the people working in those industries, to see the growth and development of new towns, to see the port at Hay Point - all of these things bring to light what is happening in Australia. Exports of black coal in 1975 were worth \$830 million. This year they are worth \$1510 million, with prospects of great expansion in the future. It is not only coal. In bauxite alumina and aluminium there is nearly \$2 million of expansion in many different places right around Australia. By 1985 a ten-fold rise is projected in aluminium exports - again a great story of confidence, great story of investment, a great vote of confidence in the policies being pursued by your Government.

In oil, great developments are taking place. In the preceding period oil search was stopped because of foolish policies that killed incentive at a very time when we needed to undertake a much greater search to improve our own self sufficiency. This year sufficient exploration wells will be drilled to ensure the best result, even at the lowest end of the estimates, for seven years or more.

That again means we can point to the 1980's with confidence. As a result of our policies, the balance of payments is improving, strengthening the value of the dollar very greatly indeed.

Now none of this happened by accident. People sometimes say that in the rural industry there was a market upturn, that would have happened anyway. But if there had been some market upturn overseas, while costs were rising at 30% a year as occurred in 1974, Australia's pastoralists and farmers would still have been sent bankrupt. Indeed, those markets overseas did not just occur. They came about as a result of our deliberate trade policies.

We have got inflation down and we are going to keep on the policies that will pursue that path, vigorously and firmly. We have controlled expenditure. It is very easy for State governments or organisations right around this Commonwealth to suggest that we the Commonwealth should spend more, as though

we are some kind of cargo cult, as if we just have to wave a wand, and find the resources to meet those requests. They need to understand that what we spend as a Federal Government we have to take from all of you, and from hundreds of thousands of other people like you, in taxation. Certainly if people want higher taxation, governments can spend more. But I seem to detect the view around that people also want lower taxation. Just as a family has to match its expenditure to its revenue, to its wages and its earnings, so too does a Nation, or else it will get into trouble. The longer it spends more than it earns, the longer it believes it can spend money that it does not have, that it has not produced, the more it will get into trouble.

We are going to make sure that our expenditure is approximately matched with what we can collect from revenue. Our public service is nearly 60,000 less than it would have been had the policies of our predecessors stayed in force. In absolute terms the public service is over 12,000 less than when we took office. I think it is the first time there has been a continuous and sustained reduction in the public service of any government of the Commonwealth.

Dr Llew Edwards advises me that there has been a ceiling in the Queensland Public Service for the last couple of years. But with that exception I believe that the Public Services of some States are still growing quite dramatically. And so it may be that some attention needs to be put in that direction.

What we have done has involved rigorous, difficult and often tough, and in the short term at least, unpopular decisions. But we need to understand again that when people ask things of government, they are asking us to spend something of yours. There is not much difference between asking us and putting your head over the fence and asking your neighbour. I believe people should not ask things of government which they are not prepared to ask their neighbours to support as well. By asking us you are only doing so by proxy, and we need to understand that. As a result of the last three years there is a much greater understanding throughout the Australian community that Government expenditure, State, Commonwealth and Local has to be reasonable and has to be restrained. I am quite convinced that Government can only govern well if it is prepared to undertake a quite rigorous application of priorities, to make sure that taxation dollars are spent where they are most needed in the national interest, and to assist people who are less fortunate than others.

There are still continuing problems. We have to work at the problem of the continuing deficit. That has been reduced substantially in relation to the size of the economy, but it is still too high, compared with what we would like. There are some things which we need to understand, which make it difficult to reduce all elements of government expenditure. Ten years ago we had 168 pensioners welfare recipients for every 1,000 people in the workforce. Today that same 1000 people in the workforce have to support a much greater number of welfare recipients, about 270 instead of 168, largely

because of an ageing Australian population. The demand for additional expenditure goes on inexorably as more people go into over-age brackets. In addition to that, when there has been a slack time in the economy, additions to revenue lag behind recovery. The lag is perhaps about 18 months to two years behind the recovery in the economy itself, and that again puts pressure on a government's deficit.

Sometimes it is necessary to trim the sails to adjust various elements in the economy. We need to understand that does not represent a change of policy. It represents a maintenance of policy, maintenance of the steady path we have set ourselves at the outset. Our new mini budget was one of such adjustment. I make no apology for it, although all of us would have much preferred it not to have been necessary. There were many changes after the August Budget adding to inflationary pressures. The wheat harvest was great for wheat producers, but bad for the money supply. Beef prices are good for beef producers, but again bad for the Consumer Price Index. The disturbances in Iran were much greater than expected and increased the oil prices. Capital inflow is something that we want, but again bad for the money supply. So, while there are many good effects from these changes, at the same time they have to involve some counter action by the Commonwealth to maintain its downward thrust against inflation. It would have been totally irresponsible to have policies that would have resulted in tax cuts involving something over a \$1,000 million applying from the 1 July. As much as we would have liked that, and much, as I am sure you and others would have liked that, it would have been an addition to the inflationary pressures around Australia which would have damaged confidence, investment and the future of Australia, which would have done damage to the main thrust of our policies. That has to remain our first and foremost obligation - to maintain our steady path

One thing that has contributed a great deal to the recovery over the last two to three years are the trade policies and the trade offensives - sometimes the trade brawls, at least in terms of negotiation - that we have had recently. I can remember when we first decided to negotiate with the European Community, when we first decided as a government that it was just not good enough for Australia to sit back and say we will take whatever Europe dishes out. It was not good enough to say that we are not going to argue for access to their markets, that we are going to accept it, because they are great and powerful, because they have 260 million people and what can 14 million people do about it. When we first decided to take on Europe, there were people who said "Oh, look we shouldn't do that. We won't succeed". But Australia has. The critics said we were a little country. They said we were a country of no account, that we should ignore the most affluent and the largest single market that the world has seen. Well, we decided we could not ignore that market. We decided that we had to negotiate. I can well remember when I began those negotiations in Brussels. It took four hours of determined argument even for them to concede that they would negotiate with us about the problems. On that occasion, they initially rejected our right to negotiate, our right to be consulted, our right to put our point of view. But the point was won. Negotiation

has continued. There has been an initial agreement between their principal negotiator, Dr Gunderlach, and Vic Garland, which indicates a considerable degree of success.

This does not mean that the market suddenly has become totally open. But the door is ajar. This is a basis from which we can work to the future, a recognition that we have a right to challenge their market, and a recognition at the same time of the export subsidies totalling about \$12 billion a year, which often compete against our direct interests in other markets. Sometimes their export subsidy on sugar was worth more to them than the total price our sugar farmers get in Queensland. We had to be concerned with these issues. However, the agreement that has been negotiated, opens the door, and gives us a base to work on. It is accepted that there will be continuing consultations into the future. All in all, the negotiations have been a significant success.

In the United States we have won much greater certainty for our great primary exports, much greater certainty for our beef exports, than ever before. In Japan, where in 1974 under the previous government a market of 120,000 tonnes was cut to nothing, there have already been painstaking negotiations. The final details of the settlement with Japan, when revealed, will show that that market is also secured into the future. With other markets such as Korea, it means that our great primary exporters can look to the future. There is more certainty about the access they need to affluent markets around the world than I think they have ever had in the history of Australia. And none of that would have occurred if it hadn't been for the trade offensive by Doug Anthony and myself, and Vic Garland and their officials arguing for our interests in many different countries.

We also need to look at the world we live in. Because Australia, above all countries, is vastly dependent upon world trade and access to markets, what is happening in the economies of Europe and North America is important to us.

Sometimes we might have been too optimistic about the way other major significant countries would be managing their own economies. We might have been too optimistic for there being a greater reduction in inflation in the major countries of Europe, the United States, and therefore greater growth in markets and in world trade than there has been. Since the escalation into higher rates of inflation right around the world in 1973, the normal rate of growth in world trade has been halved. For the preceding 20 years there was an improvement of about eight percent a year. Since then it has run at four percent per year. From that one change alone you can see much of the problem of unemployment in many advanced countries. We might have believed that the policies and rhetoric of past summit conferences, involving the seven largest economies, would have had more results than in fact they have had in overcoming inflation.

But that has not been the result. In North America, in the United States, inflation is over 10 percent and rising; in Canada it is over 10 percent and rising; in the United Kingdom it is nearly 11 percent and as a result of their last Budget they themselves are predicting over 17 percent. In Germany, inflation is still low by our standards, although at six percent it has doubled. Australian inflation is around eight percent with pressures to move it up. With this high rate of inflation the Western system of trade and payments, upon which the prosperity of Europe and North America and many other countries including Australia depend, is plainly under threat. Because with this inflation, there will not be an adequate market growth to overcome the problems and difficulties of unemployment.

That therefore places a great deal of importance on the summit conference to be undertaken in Tokyo. I have no doubt that the conference will devote a great deal of time to energy problems. It might well be called the energy summit. But that is still not the most important problem in front of that conference. Inflation is even more important. The summit countries are great and powerful. 600 million people who are the wealthiest and the most powerful, the most technologically advanced that the world has ever seen. What they do in the management or mismanagement of their own domestic affairs plainly affects all of us, for good or for ill.

Past summits have produced statements, but there has not always been action to follow those statements. This summit needs concerted follow-up action to bear down on world inflation much more vigorously than has been the case in the past. So far I believe there have been two countries that have taken action against inflation - Germany and Japan. I am personally hopeful that the United Kingdom might join those two and argue to strengthen the anti-inflationary courses. This would help to move all countries to a much more vigorous approach. We will have to wait and see the results. But what then of Australia against this environment. Our inflation is lower than much of Europe. It is lower than North America and it is not moving up as much as theirs. That means our industries are becoming more competitive instead of less, as was the case during our previous period of inflation, when our inflation was above that of most other countries. If our inflation is relatively less then our home export markets will be secured and I believe expanded.

We also have other great advantages because of our mineral wealth - coke and coal, iron ore, bauxite and nickel. We are a great country to attract investment. We have many commodities that the world nations need and for which they will be looking to Australia as a source of supply.

Because the world needs energy, and because we have coal and natural gas, we have the capacity to move through difficult periods and to improve the Australian economy, even while the world economy itself is pretty sluggish, even while it is not doing well. Because we are a more attractive source of

supply, and because we are a more reliable source of supply than many other countries, we are getting there and in fact receiving more than might otherwise be regarded as Australia's fair share of world investment. This is because of our political stability. I believe great world investment will continue in Australia even if there is relatively low growth in world trade and in world markets.

For all these reasons Australia has many advantages. We can weather whatever difficulties there might be in world trade and the world economy, as long as we keep the wit and the will and the determination to arrange our affairs well and to continue with the policies of recent years. In this great design, I have not got the slightest doubt that we shall succeed in making Australia an even better and an even greater nation.

But governments cannot do it all. We can set the course, we can set the rudder fair, but all Australians need to take up the opportunities that result. We can set the economic climate for investment and for profit. But it is you who need to invest, it is you and other Australians who make the profits. We can negotiate markets but it is our producers who have the task of exporting, who must provide the goods to fill the markets. We need to recognise clearly the limits of Government action, the role of governments and the role of private enterprise. Government can open the door for opportunities, but it is private enterprise that must exploit and develop them.

Some things that governments do stimulate and encourage activity within a country, but if a government goes too far, it can stifle and destroy. We cannot make all decisions for all Australians, and we should not try to. Men and women have to seek their own destiny and make their own futures. We need to recognise the inevitable pressures on government to spend more and to resist that with a total determination. Our expenditure must be linked with those things we can finance responsibly.

And in our philosophy we want to encourage the free spirit and enterprise of the Australian people, to promote independence and development. So often governments have raised false expectations. They have led people to believe that governments should do it all, with no effort by people themselves. That is the way I believe that many once vibrant nations have taken, to their almost total destruction.

Our task has been to rebuild Australia's strength, to encourage independence. Our Liberal vision is of a vigorous imaginative people with pride and achievement, unequalled in achievement, unequalled in opportunity. We are the custodians of that freedom, we are the custodians of that opportunity. Our policies are steady, our resolution is firm and our conviction absolute. With faith in our hearts we shall succeed and boldly advance Australia.