



(AS DELIVERED)

FILE

PRIME MINISTER

FOR MEDIA

MONDAY 9 JULY 1979

ADDRESS TO LIVESTOCK AND GRAIN PRODUCERS ASSOCIATION

Let me say at the outset that the Commonwealth is not in the business and my Government is not in the business of ending death duties merely to replace it with a capital gains tax. We have made that plain on many many occasions. Other political parties have the introduction of a capital gains tax on their agenda and high on their list of priorities. It is not on ours. We will not contemplate such a tax. We believe that getting rid of probate for farms, pastoralists, and for small businesses generally, and to a very wide section of the Australian community was something which was long overdue and essential for the continued successful and viable operation of small businesses, whether they be farming operations or manufacturing businesses or trading businesses of other kinds. We are not going to diminish the effect of those policies.

I am very happy to be here at this Second Annual Conference. It builds on the success of last year. With a large number of delegates from something approaching 100 branches, I believe it shows the vitality of the organisation. Amalgamation of farming organisations in recent years has, I believe, been good for rural industries because it enables rural industries to speak with greater vigor, with greater unity. I think that is very necessary indeed.

There are some things, if I am advised rightly, about your organisation which I envy very greatly. The rules for debate, the mover I am told has three minutes. Two subsequent speakers have two minutes. A reply of two minutes. If we could only have that we could get through the business of Parliament much easier with less noise and thunder and I hope with a little more accuracy.

I would like to say something about the position of rural industries as I see it, about the nature of Government policies and then about the broader implications of Australia's role and the kind of world that Australia has to live and trade in, and the direction of Government policies in relation to that.

Quite plainly prices for rural products are better than they have been. I am not going to say that farmers have never had it so good, because I know quite well that the better prices that have been coupled with a better season, had been desperately necessary for many producers. Many were facing bankruptcy and having to leave their properties. Farmers sons were wondering whether there was any future on the land. It was a grim position indeed. So the better prices that are now present are needed to repair the damage of previous years and to enable producers to

build up their financial reserves once again. As we know, in the beef industry what happened in 1974 when we lost all our access to Japan in the very year we were shut out of Europe. Again, there were restraints in the United States at that time.

Is there any wonder that prices fell catastrophically and that large parts of rural Australia were grievously damaged as a result. Average prices now may be two and half to three times the price of a year ago. I think that with the reduction of numbers in the United States and with the reduction in numbers in Australia, which may not yet have bottomed-out, that we ought to be able to look forward to a continuation of reasonable returns for some time. We can't guarantee what the weather will do, but apart from that, I believe that with the trade negotiations we have undertaken, we have done more to secure export markets for that industry and to secure its future than at any other time.

The wheat harvest was an excellent one with a gross value of over \$2 billion, more than double last year's. Again, the new stabilisation agreement that has just been negotiated will enable the industry to build on its past achievements.

The wool industry is much stronger and in a much healthier position - as is the sheep industry generally - than for a number of years. You will know that we have been able to lift the floor price to 318 cents per kilogram for the wholeper clean kilo clip average against the actual average of about 360 or 361 cents at the present time. I think that is quite a large margin between the average and the floor. But at the same time, the floor has been increased. The general level of wool reserves is about 350,000 or 360,000 bales, less than half of a year ago. All in all the industry is in a very strong position. Again, I can see no real reason why that should not continue. I think a very different position from the one which led a thousand or so woolgrowers to parade outside Parliament House one morning four or five years ago, when at the very time you needed stability in wool marketing, confidence in the price of wool, confidence in the Wool Corporation, the then Government reduced the reserve price by 50 cents. It didn't last. It didn't survive against the uproar that came from Australia and overseas. But that particular action showed something of the mind of our predecessors.

A number of other rural industries are also doing better. The gross value of agriculture output in this year is over 40 percent up on the year before. That is the biggest increase for many years. Admittedly, in some industries, from a pretty low base. It has been an increase that has been desperately needed in most parts of rural Australia. It has occurred and therefore it is necessary to do what we can to consolidate the gains and make sure that they are not lost.

I know you have expressed concerned about the levies in relation to meat for the meat export trade. The restrictive trade practices organisation, I think, is considering taking out 45D action. I think it might already have done so in relation to (inaudible). The Minister is also drafting conditions which would be attached to export licenses to make sure that the levies are paid to the extent that they are into the terms and conditions

of the legislation, and that they are not passed back to producers as the exporters had sought to achieve over recent times. I can well understand the annoyance of producers at the actions of exporters. I think that the 45D action and the action that the Minister has taken with conditions attaching to export licenses, will achieve a continuation of the previous means (inaudible) of those levies. I think a resolution also goes to the substance of the levies themselves. I would believe against the present incomes of primary producers, of the meat industry in particular, and I can speak in this instance as a beef producer--I think that those levies are not unjustified. We all know that there has been a continuous demand on the Government to reduce expenditure. We also all know here, that primary producers and exporters have more to gain by the containment of inflation and more to lose by the loss of the battle against inflation than almost any other section of the Australian community. Because, above all, what you sell, what we sell, is dependent upon prices that we can get overseas. To the extent that we can keep our inflation below that of many other countries, then our exporters are advantaged. If our inflation gets ahead of that than many other countries, then we are in a much worse position.

Therefore, against that general background and against the background of current prices in the meat industry, the Government felt that it was not unreasonable for producers to pay a larger share, or the industry to pay a larger share, of the cost of the various processes in meat inspection.

I know it is not liked, but at the same time I indicated that if industry gets into difficult times then the Government will pick up the bills as indeed we have in the past. We can do that again. But against the totality of expenditure restraint, the times we had in getting to an overall budget position that will be responsible when that comes out in August--the action that we took I believe was necessary. I also believe against the background of current incomes, that it was justified.

I would like to suggest that the recovery in the rural sector is certainly not an accident. It has come about as a deliberate application of Government policies over three and a half years. I think we can all recall in 1974 when farm costs rose by 30 percent in one year. Again, as deliberate application of a number of policies and as a result of Government policies which allowed inflation to run rampant in Australia. It has been necessary to control expenditure. It has been necessary to exercise the most rigorous restraint in what the Government itself does; how we spend tax dollars. It has also been necessary to reduce taxation--and we have, very substantially.

This year is the first for over a decade, and maybe much longer than that, in which actual income collected from income-tax payers will be less in real terms than it was the year before. That, I think, is a substantial achievement in terms of tax cuts. As against earlier tax scales, the total collections are \$3,000 million less than they would have been if the 1975/76 scales remained in force.

We have indicated very plainly that we are prepared, and will, help industries when it gets very difficult. There are special programmes, especially for the beef industry. But more than that, we have introduced long-term programmes which are designed to help producers re-build their assets, re-build their reserves. Income equalisation deposits maybe won't be much use for producers who wouldn't have had an income to invest, but under current circumstances, I hope they will be more freely used.

The revised system of tax averaging is of greater benefit to primary producers than ever before. The Primary Industry Bank has re-financed loans up to more than \$100 million. We have already made decisions to supplement the funds of the Bank, but that will be announced in a little while. There are still some negotiations in relation to it. The new Wheat Stabilisation Scheme has been approved. But above all, we have done much I believe to secure the position of Australia's primary producing exporters through trade negotiations with Europe, with Japan, and with the United States. This has been a deliberate campaign by the Government over the last two to three years.

So far as Europe is concerned, there are many who have said "why do you bother. They have shut the door against us and they are not going to allow that door to be opened". We believe that the justice and the merit of the Australian case will enable us to make some advance. We never expected a major advance, but we did expect to be able to get that door open, and we have got that door open. We have done that against the background of a very difficult negotiation over more than two years. We will be establishing means and mechanisms of a continuing negotiation with the European Community to build on what has in fact been achieved. I can well remember the first time I visited Brussels and had some discussions with the Commission. It took the best part of a day of long argument to get them to agree even to negotiate with Australia. Even to admit that there was a case. In the end they did. But much has been achieved since then.

Indeed, I think we have achieved a different attitude to the debate in the European Community itself, about the Common Agricultural Policy. Because now from Britain, from Dr. Gundelach, and from many within the Community, there is opposition to the very high cost of their agricultural policy. At the same time, there is a very real recognition that a country such as Australia or New Zealand has a very real case indeed. That is a significant turn-around.

The Multilateral Trade Negotiations with the United States and Japan will have again done much to reassure and guarantee markets for our major exports; for meat and for wool. In Japan we are already up to about 115,000 tonnes and the agreed amount, under the trade agreement, will be significantly above that.

The United States' position has also secured. I think it is worth noting that while many other Governments over about 30 years had spoken of getting the United States' wool tariff reduced, it is my Government that in fact has got it reduced. Others have spoken about doing it, but had never been able to achieve it. That wool tariff will be reduced by 60 percent as we know.

In these areas, then I believe, we have done much to secure the future of Australia's major export industries in a way that has not been done before. I think we should look forward to more secure prices and more secure trading positions, with the one provision that the countries with whom we have undertaken agreements stick to those agreements. I have not reason to think that they won't.

I would like to say something about the general position Australia finds herself in as a result of continuing high inflation around the world.

Since the years of high inflation in 1973, world trade has grown by three or four percent a year. While it continues to grow by as little as that, unemployment around the world will certainly stay high. In the 20 years before 1973, world trade grew by about 8 percent. In those figures, 8 percent falling to 3 or 4 percent, we see much of the difficulties of the western economic countries, much of the difficulties of the western system of trade and payments.

Unfortunately in many countries, inflation has not been adequately dealt with. There are pressures around the world and in Australia which at the moment tend to move inflation in other directions. But in the United States it is approaching 11 percent and rising on the last six-monthly figures. In Britain 13½ percent and on the admission in their own budget, going to 16 or 17 percent. In Germany, where it had been well-controlled, it has risen to 7.3 percent. That is a two or three-fold increase over the last six to seven months. The total picture of Europe, the OECD countries, is over 10 percent. Australia is running around 8 percent, but again with pressures to increase inflation, but I believe not by as much as in other countries. Those pressures have come significantly from increases in meat prices, which was good news for meat producers and very necessary for meat producers. But it is bad news for inflation. There have been other pressures also. The size of the wheat crop. That didn't help with the money supply, but arrangements have been made about that. Better metals prices have also added to the money supply. There are inflationary pressures from that course, as there are also from wage increases of course, and from oil prices.

I think others will be affected much worse than Australia in relation to oil supplies. I announced a major policy on energy a few days ago. The purpose of that was of course to make quite sure that essential producers, when it is necessary, will be able to get the supplies that they need. We have had people overseas examining whether or not there should be Government-to-Government purchases. That that would secure the supplies of Australian fuel. We believe that additional supplies of Avgas have been obtained which help to relieve significantly the particular shortages and difficulties in Queensland and in the north of Australia, because those areas were earlier supplied from Iran. Those supplies are now not so readily available. Southern Australia is largely supplied from Australian refineries.

The Government knows quite well, and will make sure that producers who need fuel at particular times will be able to get fuel if there are general shortages. Of course the Kurnell Refinery in N.S.W., which I believe would not have occurred if the State AWU hadn't been given encouragement over a long period to break out of the Federal Award, has led to very particular fuel problems in this State. That just shows, against the general background of a world shortage, how important it is to make sure that Australian refineries keep operating. Because if reserves are run down as a result of a dispute of that kind, I think it become very difficult to re-build those reserves.

Industrial relations is a matter of concern and it is of concern to the Government. One of the problems in the Telecom dispute over recent times is that it has taken two and a half weeks to get the dispute referred to the Full Bench and it wasn't being dealt with by the single Presidential member. Sir John Moore, as President of the Commission, did not have authority to take over that particular case in the national interest. That deficiency in the law will certainly be rectified when the Parliament meets, to make sure that the President of the Commission does have authority and full authority, to take over a case if he regards it as being in the national interest.

A number of measures that we have introduced have, I believe, assisted in a better industrial scene. Section 45D of the Trade Practices Act has been useful on many occasions, especially in protecting Australian exports.

We have a general position of seeking to support the various wage tribunals and the Arbitration Commission in particular. That doesn't mean to say we always approve or always like the decisions that those tribunals make, but the impartial umpire has been established in Australia for very good reasons. The rash of industrial disputes over recent times - not all over wages but significantly over wages - has come, as I believe, because there is a lack of willingness on a number of union leaders to accept arbitration; a great lack of willingness on the part of a number of union leaders to put aside bans and limitations and strikes and to allow the arbitration machinery to work. If this continues, it obviously maintains a very difficult position. It is totally irresponsible and totally against the interests of trade unions, the industries and the nation to go to industrial action as a first resort weapon, as so often is the case at the present time.

It is against that background that Tony Street called a conference with the ACTU last Friday -- because we believed, at least, that the ACTU would be prepared to support the system of arbitration and to lend its weight and influence in that particular objective. Mr. Hawke refused to do so and indicated that it was because of Government policies and economic policies which he indicated, in his view, had reduced the living standards of the working people of Australia. Well, of course, the facts are quite different because average weekly earnings have not fallen when measured against the CPI in any general sense. Both have marched, roughly, hand in hand, over the last two to three years.

Against that background, it is not possible to say that the system of indexation as it has been applied, has reduced the living standards of the working people around Australia.

PRIME MINISTER (continued)

It's quite plain that unless there is to be a greater acceptance of arbitration - conciliation and arbitration - and a greater acceptance of the decisions of that body must be accepted, then we are going to be faced with the kind of stand-up situation which I think you indicated, Mr. Chairman, when you introduced me a few moments ago.

If the Government is forced into that particular position well then we will be. We will stay until the end of the course. But I feel on a number of occasions when industrial disputes have arisen, in the early stages there is fire and thunder and support but after the first few days and after the week how many people are there still in support? How many people are still in support at the end of the second week or would be at the end of the third? The test will come then, as to whether a community, if it is forced into that position, is prepared to stand and support a Government that is in that particular position. Because let there be no mistake about it, if a Government embarks upon that course, if my Government does, it will stay the course 'til the end of the race. I only hope, Mr. President, that your organisation and every other organisation involved in the private enterprise way of life will stay with us in relation to it. Because it is easy before the test is there. But if you have a situation, for example, in which there were no telephones of any kind in this State, how many people would stay with that. It is a serious matter. There are elderly people in homes who need to be able to ring up the doctor. There are elderly people living by themselves who need to have contact. There are hospitals that must be able to get contact for emergency supplies. If the union movement therefore, is prepared to shut down a total system as a result of a Government taking some further resolute action, the consequences could be very severe indeed.

We need to understand these matters. It is the easiest thing in the world to say 'take out a club and knock somebody's head with that particular club'. But what we have to do is to make sure that this community works and to make sure that we try to get to a sensible resolution to industrial disputes. If a Government has to take action that leads to more difficult circumstances, if it has to proclaim some legislation which it has passed but has not yet proclaimed in relation to its own employees, then certainly it will be prepared to do so. But I just make the point that I have seen in one or two other industrial disputes over the last two or three years that a Government starting to take that course - very soon people start to say 'why don't you conciliate, why don't you negotiate, why don't you consult'.

Mr. President, I think this is a matter of common concern. I would agree with you, with the thrust of your remark,

it is the only issue that could cause Australia to blow the 1980s and to destroy the advances of the last three years. In terms of the full thrust of the Government's economic policies, they will be maintained. Even if we don't have inflation as low as we had anticipated, even if it rises a bit as a result of oil pricing and also as a result of beef - I believe it will be rising more in a number of other countries. If that is so, our exporters will still be becoming more competitive, will get into more markets and our industries also will be encouraged because our inflation is below that of other countries.

In the industrial arena, we can either consolidate the gains that we have won, work and support economic recovery, or we can destroy it. I believe that all in all we will show too much commonsense in Australia to blow it. Because we have opportunities and options available to us that are not available to all other countries. Our inflation is now lower than many. Our industries are more competitive than they have been for seven or eight years and are getting into export markets in many places. I wonder how many people here realise that we can build, design and construct fishing vessels and win contracts against competition from Taiwan, Hong Kong and Singapore. That's a mark of what at least one Australian industry can do. Our home and our export markets are therefore more secure. We have great minerals; coal, iron ore, bauxite, nickel. There is \$2,000 million worth of investment going into the coal industry now and another \$2,000 million going into the bauxite/alumina industry. Because of economic stability in Australia, because of policies which encourage that kind of investment, we are likely to attract more than our fair share of the world investment in major commodities in minerals. Because of political stability of a kind that you don't find in every resource-producing nation, we will again attract more than our fair share, even if there is low world growth. Because of a world shortage of energy, because of our possession of coal and natural gas and a significant quantity of oil - not as much as we need, but a significant quantity, we are again much better placed than many other countries.

For all these reasons, we have become a more attractive source for investment from overseas. We are a more reliable supplier than many other countries.

Against this total background, Australia has many many advantages indeed. I believe that we will capitalise upon those advantages. It is certainly the intention and the policy of the Government to make sure that we do. That means keeping our economy right, even if sometimes it is some immediate political cost to ourselves. Because we are not prepared to throw away these advantages. We are not prepared to throw away the gains of the last three years. We have taken sometimes difficult decisions. The mini-budget was certainly one of them. But it would have been greatly irresponsible not to do the things that John Howard then announced.

I believe very strongly that we have the right policies, that they are responsible policies. In particular, they are the kind of policies that Australia's export industries need. The kind of policies that Australia's primary producers need. For the future, I believe we can see a prosperous rural sector. That is not only good for farmers and pastoralists, it is good for all Australians. I am certain that we can look forward to the 1980s with great confidence.

---000---