



## PRIME MINISTER

FOR MEDIA

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### ADDRESS TO NSW STATE CONVENTION

Thank you very much for that welcome. I believe that the Liberal Party over recent months has been too much on the defensive and it's time we put that behind us because there is no need for it.

We only have to look at what has been achieved over the last three and a half years, the damage that had been done to Australia - much greater and more serious I think than anyone understood at the time, and see where this country has come. With a record held high in the international arena, with an economy which is the envy of most developed nations, despite the problems we still have, the Australian economy and what we have achieved is the envy of North America and the envy of many countries in Europe. If they can note that, I think it is time that Australians began to have some pride in their own country and where Australia is going.

We need to look at what we've done. The Budget has strengthened the economic health of this country. It will encourage growth and development and it meets the Liberal Party's commitment to continuing social reform.

Our economic strategy has been vindicated, because there has been a great deal of international praise for Australia's steadfastness and success.

The OECD compliments Australia's economic policy. They recognise the competitiveness of Australian industry which is going out and getting markets right around the world. A few years ago that just wasn't possible.

The GATT report, in its last annual document, noted that Australia is the only country to succeed in achieving improvement in international competitive positions over the last few years. That, I believe, is high praise indeed.

It is worth noting that private foreign investment last year was the best since 1971-72 and in the June Quarter alone, there was \$1,400 million of prospective new investment approved by the Foreign Investment Review Board: 285 proposals approved in less than 20 days of proposals and only 2 proposals rejected. That again is a vote of overseas confidence in this country. I think it is time that Australians themselves showed more confidence in Australia, more confidence in themselves and where we are going.

Inflation is much less than it was, despite renewed pressures within this country. 17 per cent to about 9 per cent at the present time. We need to understand that our competitive position is improving because Australia's inflation is under most of our trading partners, under North America, under most countries in Europe, and the margin in Australia's favour is increasing. There are things that are worth noting; that when Labor took office inflation was about 5 per cent - that is in 1972, the end of it, and that then was below the OECD average, it was under the Liberal/National Country Party Government. We had performed better than most countries overseas. But during their term they took Australia to an inflation of 17 per cent, 5 points above the OECD average. Now, up to the last six months, Australia's inflation of about 9 per cent is nearly 3 points below the OECD average. So whatever the world inflationary pressures are, Australia has coped with those pressures better than most countries.

I think it is worth noting, or asking ourselves, has the Labor Party really changed. Is the quiet Bill Hayden different from Whitlam's flamboyancy. It is not the people but the policies we need to look at. The policies which were revealed at the Labor Conference in Adelaide show that it is Mr. Whitlam all over again.

If we can remember back to 1972 we will remember what pains Mr. Whitlam went to to show moderation, to show reason, to show commonsense in the development and explanation of policies. But once an election was won, where was reason, where was moderation, where was commonsense. It was madness unleashed on the Australian community. And what has happened in the years since? They then had a policy of destroying the Senate. They still have a policy of destroying the Senate. Reducing the Senate's powers so that it could never protect the States, and the small States in particular. They will have a policy of making it a simple majority to alter the Australian constitution, again, denying any protection to the smaller States, establishing the circumstance where N.S.W. and Victoria alone could the constitutional face of Australia. That is Whitlam all over again.

The Labor Party say they can work with the union movement. Mr. Whitlam of course did and what happened? They lost six billion man days in one year alone. Two and a half or three times the average time lost, despite the discontent and the industrial trouble of the last few months, under Tony Street's administration. I think they can work with the unions just about as well as Mr. Hayden can work with Bob Hawke. And you know how well that is.

The first time Mr. Hayden - the first opportunity he had to show - how well he could work with Mr. Hawke, he dumped Mr. Hawke with the Socialist Left. Why we don't know. But if he is going to put himself captive to the Socialist Left over one weekend in Adelaide, then what would he ever do in Government? It would be a risk that Australians would never dare take.

They have made it quite plain they are going to abolish every law that would place any restraint on any trade union. Trade unions, often bad enough as it is, but they would have no legal restraint upon them and would be able to do anything in the name of industrial action. We only have to read the resolutions they passed, the policies they confirmed, to know that policy is binding on every member of the Australian Labor Party.

They would take unions above the law. I suspect that there are one or two of you who wouldn't really approve of doing that.

If we look at the economy -- an interventionist role again. Planning allocations of resources by Government and not by private enterprise. Maximisation of Government intervention. There was

no recognition that too much Government expenditure adds to inflation. There were literally dozens of proposals costing money, costing your taxpayer's funds.

They did it in 1972. I think we need to understand when they say are they going to spend your taxpayer's dollars they really mean it. That is one Labor promise you can take for granted that they wouldn't break.

They are going to an Australian Hydrocarbon Corporation to go looking for oil, investing your dollars. They wouldn't even know where to look. They want to establish a national investment fund, with your taxpayer's dollars. And a national superannuation scheme that we couldn't afford. A no-fault compensation scheme that we couldn't afford. And a national newspaper because sometimes the daily papers don't print what they like to see. I must admit they don't always print what I would like to see either. But I don't want to have my own newspaper to make up for the balance. I would sooner taken my risks with free enterprise newspapers.

They have so little faith at being able to raise money from proper sources for their political campaigns, even though some of their supporters, the communist unions like AMSWU, have an annual income of \$8 million or \$10 million a year, but they want to use your taxpayer's funds to pay for election expenses. I don't think that is reasonable.

They want to abolish staff ceilings on the Commonwealth Public Service and unleash the massive growth of the bureaucracy once again. That is Whitlam all over again.

What do they want to do about taxes? There was promise that Mr. Whitlam kept explicitly and absolutely: he said he would pay for the rest of his programs through inflation. Nobody really believed him. I can remember trying to make something of that in 1972. You might think that is a long while ago, but is only about a third of the time I have been in the Parliament. But they did pay for their promises through inflation, and inflation which wreaked great havoc on the Australian people. If they say they are going to do that again, I think we ought to believe them.

It is worth noting that taxes grew in three years of Labor by 125 per cent as a result of that. They proposed a capital gains tax. They found that too difficult. Mr. Hayden says it is not too difficult for him and he is going to do it. But he also says he wants a wealth tax on the wealth of the whole nation. Think of farmers who have an average profitability sometimes of about 2 per cent, and from the nature of things with drought and sometimes low prices, no profitability at all, but they still have to pay that wealth tax, profits or not. Again, that is Mr. Whitlam all over again.

One of the great achievements of this Government over the last two to three years has been to negotiate a painstaking agreement with all States - National Party, Liberal and Labor - to resolve finally and forever the argument that came after the Seas and Submerged Lands Act and the High Court decision which gave jurisdiction from the Commonwealth and upset a traditional view of that particular matter. We could have exerted Commonwealth power, but we believed that was an arena in particular, because there had been traditional State interests, where we ought to work in co-operation with the States and not just take the view "the power is ours, therefore, we are going to use it". We believed we should share that power. That Governments should work in co-operation. We have agreed on mining and fisheries and all matters offshore, and it is a sensible one, giving State territorial rights out of the three-mile limit instead of just to the low-water mark and all the rest. Legislation will be introduced into the Parliament at the end of this session -- certainly passed not later than the Autumn session.

But what will Labor do? Assert total Commonwealth supremacy offshore, upset all the agreements with the States, and move their own Federal bureaucracy out into the administration of mining and all the rest offshore. Again, total centralisation of power in Canberra. Whitlam all over again.

But then they are going to intervene to take action to prevent the continuance of activities of trans-national corporations. To them, that's just a large company with some people or some parts of it coming from overseas, that are against the interests of the Australian public.

They are also going to establish a body to spy on those organisations. What are they going to do with the information? Give it to the trade unions, the domestic trade unions and the international trade unions. Under these circumstances, how much foreign investment would be left? How many great resource projects would proceed? I don't believe any of them would. They would stop development dead in its tracks. That also is Mr. Whitlam all over again.

They would renege on uranium contracts and keep uranium in the ground. They would have a resource tax and make enterprises unprofitable. That is Whitlam, or Labor Party, all over again.

In other areas, and this is of course where the argument with Mr. Hawke came in, they have no economic policy at all. Mr. Hayden--the great economic Messiah, the Treasurer who had the most irresponsible Budget of all time, the Treasurer who devised the plan during the supply crisis to make the trading banks of Australia pay for the bills of Government. How many of us remember that? In my office I've got copies of the documents and the certificates that they were falsely and unconstitutionally and illegally going to use. It is Mr. Hayden who devised that plan and perpetrated it.

But he has no economic policy. There is no mention of inflation and the importance of combatting inflation in their policy, in their platform. No recognition of the wages problem. Would you like me to read their economic policy to see if you can understand it. "With the understanding and co-operation of the trade union movement, development of economic policy which would encompass wages, incomes, non-wages incomes, the social wage, taxation reform and elimination of tax avoidance, and which will achieve a more equitable distribution of our national wealth and income, with the commitment to the maintenance of real wages by quarterly adjustments and the passing on of the benefits of the increases in productivity". Even Mr. Wran called it a hotch-potch. Mr. Hawke, in always a bit plainer in what he says, called it a gutless sell-out to the Left. It is a meaningless policy. It is a non-policy.

This policy would spell the death-knell of this country. It is our duty as Liberals to make sure that people understand this. To make sure that they understand that the cloak of moderation is just the same - hiding an animal that has not changed. But it can't change because it is an organisation that has been captive of the Socialist Left for years and it is still is.

But also as Liberals we have a responsibility to see that people can understand what we have achieved. To see what we have done. To make sure that they can understand the basis and the purpose of our policies and where we intend to take Australia through the next decade.

The Budget I believe is a good one. Because it maintains the strength of our anti-inflationary policies. I haven't heard anyone say, and I'm glad they haven't, that they want a Budget more anti-inflationary than this one, because no objective is more important for the economic well-being of this nation.

The deficit is down. But also within that responsible overall framework we have been able to provide responsible and sensible concessions for business, to take new initiatives in that area and also to reassert the Liberal Party's pre-eminence as a Party of social reform and make significant advances in that area also.

With the economy, the Budget builds on existing achievements. But it also responds to new pressures and dangers coming from the increase in oil prices and increase in beef prices.

We haven't just sat down and said: "Look, overseas effects are difficult. There is nothing we can do about it". We have responded to those events as we should. I don't think John Howard liked introducing that mini-Budget much. I certainly didn't like the publicity that led up to the first two weeks before it. I haven't particularly liked the publicity over the last three months. But with our responsibility to the people of Australia, our first responsibility - even if it meant some cost to ourselves - was to govern this country responsibly. If that meant we had to trim our sales because of changing economic circumstances, then so be it. We had to do it. I can just imagine the kind of publicity we would have had if we had done nothing in May. People would have said there are new inflationary pressures, the Government has done nothing about it. The economy is out of control. They won't be able to reassert themselves. They haven't said that, because they know we took the responsible path as we should.

We have restrained Government expenditure again in this Budget. There are still rigid ceilings on the Public Service and they will remain. If the recruiting programs of Labor had stayed in place, there would have been 70,000 additional Public Servants, all doing some work and all costing an awful lot to provide programs for them to administer. It is the first time in the history of Australia, as I believe, that the Public Service has been reduced in size by something over considerably over 10,000 and held, was kept down, to that reduced size for a period of years.

I know that my most distinguished predecessor at one stage reduced 10,000 people from the Public Service but within ten months they were all back in the Public Service and a few more besides.

We have shown more continuing determination than that. Since 1975-76, Government expenditure has been virtually held in real terms.

Because there has been a little argument about how much expenditure restraint there has been, let me refer to the figures John Howard used in his Budget speech. In the three years before 1972, real expenditure by the Commonwealth grew by 4 3/4 per cent a year. In real terms. That I think was a bit much in retrospect. In the three years of Labor it grew by over 10 per cent in real terms. That I am certain was much too much, as we all know. In the last three years it has grown by 1 per cent or less a year. A very great deal of restraint indeed. It is the first time, I believe, that Commonwealth expenditures have been held, certainly constant, over a considerable period.

That is all the more noted, when you understand that there have been some areas of expenditure where we have had to provide more funds and where I am certain you would have wanted us to provide more funds. How many of us understand that in 1968 there were 176 welfare recipients for every 1,000 people in the workforce. Now, for a variety of reasons, because returned men from the last World War - many of them are turning 60 and are eligible for the Service Pension - because in any case we have an ageing population, there are more people of pensionable age. There are now 100 more. 276 welfare recipients for every 1,000 people in the workforce.

But I haven't heard anyone point to expenditure restraint saying we should deny pensions to repatriation people. I haven't heard anyone saying that we should extend the pension age for women. I haven't heard anyone saying we should reapply the means test for people over 70. I haven't heard anyone saying that we should reduce the general level of pensions to people who are old and who have worked for this nation in the past. I don't believe there is anyone here who would say it. There is an inexorable demand for additional funds in that area. An equally strong demand for additional funds in defence. Each year we have provided more in real terms. This year \$281 million more and that is a very considerable increase.

Under Labor, they averaged 7 per cent of the defence budget on defence equipment. They were using up the defence forces. They were using up defence infrastructure. We have build that up considerably to over 15 per cent of the vote going on equipment - not yet enough, but much better than it was. Under Labor, manpower was taking 60 per cent of the total vote. We have dropped that back to nearly 50 per cent, so that more funds are going really to improve and advance the quality of Australia's defence. That is a good thing.

Partly as a result of other economic policies, there have been one or two real breakthroughs within the defence area. I can remember two years ago Jim Killen bringing a submission to Cabinet to award a major shipping contract to a French firm - \$70 million or \$80 million. And we all said, after looking at it - "look, can't we give an Australian firm, Australian corporation, one small opportunity to tender for this contract. Does it have to go overseas".

So we went back to Australian industry. Yesterday Jim Killen announced the successful tender, Vicker's Cockatoo Docks, and did we have to give any -- did we have to provide any subsidy? No, because they quoted under the French contract. In other words, for a highly sophisticated piece of defence equipment costing about \$70 million an Australian concern has been able to beat the world. Isn't it time we started having a little pride in what Australia can perform, instead of knocking Australia at every opportunity as so much of this community seems to do.

As we believe there has been a great demand for additional sums to support industry, that also has been provided. Because of increased demands on the Budget in areas such as social welfare, which I know is a favourite one for people to say cut expenditure - but they don't like it very much when you say precisely where. Greater demands from social welfare, greater demands from defence, a greater requirement to support industry so that jobs can be provided in a real way, the expenditure restraint that we have encompassed is all the more remarkable.

This Budget reduces the deficit substantially indeed, from nearly \$3,500 million to under \$2,200 million. That is a reduction of 3.4 per cent of gross domestic product to 1.9 per cent of gross domestic product. Now, I took out some figures and compared that with what's happening in North America and Europe and that is a much lower percentage of the gross domestic product, or deficit, or the gross domestic product than in Japan or Germany, the United Kingdom or Canada or many other advanced western countries. It is a tremendous achievement. It means that this is really is an anti-inflationary Budget. It means that Australia can look with pride at what this Budget achieves in that particular area.

The domestic deficit is down more than half to a little under \$900 million. This means a further downward pressure on inflation. It strengthens the Australia dollar. Remember how Mr. Hayden was trying to knock our policies, undermine confidence in the Australian dollar. That sort of comment today would be laughed out of court, because our policies have led to a continuing strengthening of the dollar on international markets and greater and greater investment from overseas as confidence in our policies grows.

This is all creating conditions for continuing business expansion.

We have reduced taxes. The surcharge comes off on December 1. If there is anyone who thinks that tax cut is a hoax, why don't they just write out a check and send the tax cut back to the Treasury and see how they like that. I am sure we can find some arrangement so that Treasury can receive it. But from the 1st of December \$4.45 a week for a person on average weekly earnings. John Howard said in May that we couldn't take of the surcharge and restore indexation at one time. We do remain committed to the re-establishment of tax indexation.

That is taking all factors into account. We can be helped in that if there is a degree of restraint in the decisions of the Arbitration Commission. Over the last day or two one or two people have tried to say as incomes go up, taxes will go up and that is wrong. But it is not a very novel idea. I think when people get an increase in their wages, an increase in their incomes, they know they are going to have to pay tax on that increase. To suggest that they shouldn't be paying tax on their increase, and that there is some kind of hoax or fraud involved in that, is the greatest piece of humbug that I have ever heard of.



But the truth of the matter is that for every additional dollar earned, as a result of taking that surcharge off, taxpayers will pay less tax on those additional dollars than they would have payed if the surcharge stayed on. People can argue that they would sooner have tax indexation and the surcharge off. That is fair enough. It's a legitimate argument. They can argue that the tax cuts should have been greater, and that is a legitimate argument. They can argue about economic responsibility. But they can't argue that what was done wasn't plain and straightforward and easily understood.

The Budget embodies special policies for business, for the rural community. It advances our energy policy further. For the business community there are new initiatives designed to encourage the development of more efficient and export-orientated and competitive industries. I am sorry for the technical term, but Division 7 tax, the retention allowance first lifted from 50% to 60% in an earlier budget, now lifted to 70%. That will be a great help for small business people.

Export expansion grants have been greatly increased from \$20 million to \$170 million - one Budget to the next. There was some backlog in the past, but the program has been much successful than we dreamt of because Australian firms have been much more successful than we believed in getting out into export markets. That is an expenditure that I think the Treasurer won't cry about, because it indicates the success of Australian industry and if they are going to be selling that way it means they are going to be employing more people in the process.

Industrial research and development grants are up significantly. Export market development grants are also growing very greatly.

There are some people who have been claiming that we have no policy for employment. I think that is about the falsest thing of all. We certainly don't want a program which leads to false ideas, to phony jobs. The Labor Party were having a RED scheme and it didn't work, and even they abandoned it. False jobs destroy confidence. They waste funds and could lead to less overall employment than would otherwise occur.

Our policies for a stronger private sector result in policies for jobs. Low inflation enables firms to compete and to sell and therefore they need people to work. The research and development programs in industry enable new products to be built and that provides jobs. Export incentives obviously provide jobs. As firms export more, produce more, they need to employ more.

The great infrastructure program - an initiative of this Government - enabling the States to borrow overseas to support major resource projects, in coal loaders and electricity generation and many other things, all of that provides jobs. Nearly \$500 million dollars alone in this one year, will be borrowed overseas to support major infrastructure developments backing up the investment programs in Australia's great capital resources and all of that provides jobs.

The investment allowance, the training programs, the amendments to the Industries Assistance Commission in which we said they ought to take into account the social and employment consequences of their decisions. I don't know that they always do it as much as we would like, but we have put it into the act, and that is a program for jobs. All of this is because of our concern for employment. But real employment that will last, provide rewarding work for people and add to the wealth and the strength of this nation.

I think our help to small business is particularly important because as I said earlier, the United States' experience has shown firms employing 20 people or less generated 66 per cent of all new jobs in the United States between 1960 and 1976. If that can happen there it can happen also in Australia.

We support employment by getting this country moving. Creating a climate for private investment and enterprise. In coal alone, there are announced projects worth \$2 billion. In bauxite and aluminium there are announced programs of a further \$2 billion. Under mining and manufacturing investment, under the surveys of the Department of Industry and Commerce, total \$12½ billion of firmly committed projects or projects in the final feasibility stage. W.D. Scott had a detailed survey and they said the figure was nearly \$30,000 million of major investment ready to go over the next five years. That is their survey - \$30,000 million. I don't back it up. I just state the figure for what it is worth. It is absurd to suggest that the Government is not concerned with jobs, it is not concerned with employment, I would believe that we are more concerned than many others because we are prepared to stay with policies that are real instead of being prepared to erect a shop window that doesn't really mean anything very much at all. That might give a false hope and a false expectation. We are not prepared to indulge in that kind of deception.

For the rural community, special depreciation allowance has reappeared for the storage of grain, and hay and fodder.

The national water resource program expands by 25 per cent this year. Our energy programs are designed to achieve conservation, alternative sources of energy, greater exploration and development. Import pricing of oil is a vital ingredient in pursuit of those three objectives. But we also encourage the use of gas, a greater use of coal. The Budget continues that path; special investment and write-off policies for the conversion of industrial heating equipment. We are going to provide the same incentives to exploration onshore as we have been providing offshore to make ourselves more self-sufficient if that is possible.

Our expenditure restraint has been stringent, but I believe fair. We haven't lost sight of social reform and the needs of people less well off in the Australian community. Family allowances will remain one of the major social reforms of all time. It was this Government that indexed pensions. In the last three years, 15,000 beds and places have been provided, homes for aged people in our population. Over the last two Budgets record sums have been provided under the Handicapped Person's Assistance Act, to give handicapped people a better deal than I believe they have ever had before from the Australian community.

The Budget builds on what we have done in the past. Because inflation is higher than we were advised at the time of the last Budget, indexed pensions and benefits will again be indexed twice-yearly and not once a year. There will be increased income support for those eligible for fringe benefits. Again, helping many of the lower income people in the community. Eligibility for pensioner health benefit cards are being extended to single parent beneficiaries. There have been many advances and changes in repatriation benefits for returned servicemen.

The Budget builds on the strength of the economy. It responds to dangers that there are in the present situation. It is clear that Australia is living in a difficult and an economic terms, a somewhat dangerous world. Inflation is rising in North America and in much of Europe. Because of that I believe world trade is going to remain sluggish. In the last seven or eight years it has grown by only about 4 per cent a year. In the preceding 20 years it grew by 9 per cent a year. In those figures alone we find much of the reason for higher unemployment in North America, in Europe, and in advanced developed countries.

I don't think there is going to be much change in that, because under policies being pursued in North America, being pursued in Europe, inflation will remain too high and therefore growth in world trade too low.

That doesn't mean however, that we need to be gloomy about Australia's future, because if we continue on our present path, keep our inflation rate below that of many other major countries, it is Australian industries that will become more competitive, it is Australian industries that will capture better markets and more markets in Australia and overseas. Then again, if we continue to capitalise on the great resources within this nation, in energy and in minerals, we can attract to Australia investment of a kind which is not available to many other countries. Even countries with the same resources often don't have the political stability or the economic commonsense or the attractiveness as a reliable supplier of this nation.

Therefore, because we possess great natural resources, because we are an energy supplier, because we have policies that bear down on inflation, because we are attractive to foreign investment and devise policies which deliberately seek to attract people from overseas, we can expect to get in Australia greater economic activity, greater movement within our economy than might otherwise occur. That means I think, that even if the world trading is difficult in the years ahead, if we run our own ship properly, if we keep a tight control over our own expenditure, and keep inflation below that of major countries overseas, we can look after Australia and get through a difficult time much better than most other countries.

If we can have pride in our own achievements, pride in what has happened within this economy, a confidence in ourselves as many people overseas are plainly showing confidence in Australia, voting with their dollars the confidence in Australia, then the 1980s can indeed be a good period for Australia.

There are many things I think we can do. I believe that much too often we find people within Australia who knock this nation, who say we can't do it, that other people can do it better. I have given one example of a ship that we can build better than anyone else for less money than anyone else. There are many other examples. We produce world-class cars, but how many people still want to buy the car with the foreign label on it, because they think it might be better and they will pay three or four times the price. Why can't we have pride in what we do ourselves and what we build ourselves through the skills of our own people.

It is up to us as Liberals, all of us, to know what we have achieved in controlling inflation, in our energy policies, in our taxation reforms, in our support to business, in our social reform. We need to make sure that everyone else knows about this. We can't expect necessarily to have all the things that we've done on the front pages of the newspapers, because it is only bad news that is news. The good news we will have to spread abroad ourselves.

The successes we have had have been hard won. Do you think we liked making the decisions in May not to remove the tax surcharge. But we had to do it because it was necessary. It has been taken now off in this Budget, now that the economy can afford it. Our first obligation is to keep Australia on the road to economic recovery and we will meet that obligation. Even if that means a degree of unpopularity in the short term. Because we are not a short-term Government, full of short-term ideas which will shortchange the Australian people.

We are a Government responsibility and stability, committed to doing what has to be done to advance Australia; committed to our own Liberal philosophy of free enterprise, of independence of the human spirit, of encouragement to individual initiative, and of care for those who really need assistance from the community, from Government.

The Budget maintains economic progress. It is a Budget for lowering taxes. It is a Budget of smaller Government, of increased incentive, of an increased role for private enterprise and initiative. It reaffirms the national Liberal initiative in social reforms. It is a Budget to proclaim, it is a Budget to sell, it is a Budget as I believe, for all Australians.

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