PRIME MINISTER

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OPENING OF CANEGROWERS' EXECUTIVE BUILDING
INNISFAIL, QUEENSLAND

Australia is moving ahead. I would like for a moment or two to try and put into perspective the progress that I believe we have made over the last three to four years, because sometimes the changes are not well understood.

Factory production is up more than four per cent over the past year. Profitability is up right around Australia. It could be better, but it has improved significantly over previous years. Private foreign investment for the last year was the best since 1971-72. There are so many things to be done in Australia that I welcome foreign investment, especially in partnership with Australian concerns.

In the June quarter, prospective expenditure approved by the Foreign Investment Review Board totalled $1,400 million of new investment and new proposals being undertaken in this country. That is a record for one quarter. It shows that other people are prepared to show their confidence in the well being of the Australian economy with their dollars. In one sense that might be the most substantial vote of all.

Inflation is down as you know. There are some upward pressures at the moment, as you also know - some for good reasons and some for bad. I think everyone wanted an increase in beef prices.

I don't know that anyone thought they would rise quite as much as they did. Obviously there are inflationary consequences. No one really wanted the increase in oil prices but then no one foresaw the political turmoil in Iran which has cut 2 million barrels a day from world oil supplies.

While there are these increasing inflationary pressures here, they are overseas as well. Before, when inflation around the world started to move up, Australia compounded the inflationary problem, and our inflation rate became worse than most OECD countries. Now we are significantly better placed. Inflation in the United States, on the basis of the last six months projected onto an annual basis would be growing at about 14%. In the United Kingdom it is over 15%. The OECD countries are just a fraction under 12%. Australia is at around 9%. John Howard has made it quite plain that there will be upward pressures in the last part of this calendar year;

.../2

and, then, on the advice available to us, the downward thrust should reassert itself throughout next year. That is the advice we were given and that is the basis of present planning.

But I do believe that Australia has contained better than most countries, the increased inflationary pressures that are so damaging for farmers and exporters. Whereas before, our inflation became worse than the averages in many other countries, now it is significantly lower. While that remains, the competitive position of our exporters, of our primary producers and of our manufacturers, will continue to improve. Another way of looking at this is by comparing the rate of price acceleration in Australia with that in other countries. In the United States inflation is rising at the rate of 28%; in the United Kingdom it is 38%; in the OECD area as a whole, 26%; Germany up to 92%; and Australia 2%. That is a better performance than most, and one that we ought to recognise.

Farm unit costs in 1974/75 - which I can well remember, better as a farmer than as a politician, because they hurt very much as a farmer - increased by 30%. In 1978/79, in spite of some problems, farm unit costs increased by 7% overall, and that is the lowest increase since 1971/72.

As a result, the dollar has strengthened. Competitiveness has been restored. We were able to award - against Australian and wider competition - a contract to a Cairns firm for the building of patrol boats. That is a wonderful thing.

Two years ago Defence put forward a proposal to pay $70 to $80 million for a major supply ship for the Navy, built in France. We said, look what about Australian firms; to which the response was that it would cost so much more and the subsidy would be enormous. We said, well find how much it will cost, see how much the subsidy would be, because we would be prepared, if necessary, to give some subsidy to Australian firms. A short while ago Jim Killen received the tender price from Australian firms, from Vickers, and no subsidy was needed. It can be built for millions of dollars less than the world's best.

It is time we understood that we can do these things in this country. We can compete with the best; and we can very often beat the best competition from any nation. If we understood that better, we might have more pride in our own achievements - the kind of pride that is exhibited by the Canegrowers in erecting this building and showing confidence in the future of your own industry.

I have already been talking about what is going to work for this country - what will provide employment for this country: becoming more competitive; being able to sell more; being able to have our rural industry more profitable, and our manufacturing industries being able to compete in world markets. These are the kinds of initiatives that can provide the jobs and opportunities that Australia needs.

Over the last twelve months, civilian employment has risen more than 60,000, the first increase in civilian employment for a long while. There are a number of reasons for it including major new investments. In coal there has been announced 2 billion dollars worth of investment in the committed or final feasibility stage of development around Australia, much of it in this State. In bauxite, alumina and aluminium there is $4 billion of investment in the firmly committed or final feasibility stage with another $2.7 billion in the examination stage. Now these investment developments occurring right across Australia are providing tremendous opportunities for employment for many thousands of Australians. This again is the result of policies which make us very competitive, which have Australia moving forward with confidence.

But there are some undesirable aspects and dangers ahead. I have mentioned inflation. I have mentioned the need to create jobs of the right kind. There are some dangers that have been caused by international developments. We did not foresee what was going to happen in Iran. We cannot, with any guarantee, say that there will be continuing political stability in oil producing and exporting countries. But I do believe that the pressures that have occurred have been better contained in Australia than many other places, to the advantage of Australian exporters and primary producers. The last Budget continues the application of these policies.

Sometimes we are accused of not restraining Government expenditure. In the few years before 1972 it grew at just under 5% in real terms and I thought that was too much. After 1972 it grew by an average of more than 10% in real terms - reaching 25% in 1974-75 - and I am certain that was too much. Over the last three to four years it has grown by less than one per cent a year - this is all in real terms. I think it is the first time that expenditure has been controlled by the Commonwealth in that way - maybe in the history of the Commonwealth. It is certainly the first time in a couple of decades.

There have been staff ceilings imposed on the growth of the Public Service and rigid control over Government expenditure, although in one or two important areas we have had to provide additional funds. This year alone there is $280 million more for Defence, because Defence needs more money spent on it. Many people in North Queensland would share that view.

Ten years ago, there were 176 social security beneficaries for every 1,000 people in the workforce. Today there are 276 for every 1,000 in the workforce. That is largely a function of an ageing population, even though we are a young country. Nobody has suggested that the payments to those people should be cut merely because they are a larger burden on those who do work. Nevertheless, additional sums have to be found.

The Budget deficit as a percentage of the gross domestic product is estimated to be under 2% this year. This is a lower percentage than Japan, the United Kingdom or Canada - and the lowest percentage for many years in Australia. It is important for a country to live within its means. You cannot go on borrowing excessively year after year.

.../4

The reduction in the deficit, as a percentage of what we produce - the gross domestic product - means that the borrowing requirement of the Government to meet the gap between revenue and expenditure, is less than it has been for many years. That puts less pressure on interest rates in the market. That is one of the reasons, I believe, why the business and financial world has accepted the last Budget so wholeheartedly as something that will take Australia forward with strength. It is one of the main reasons why the Budget has truly been accepted as an anti-inflationary Budget.

There are aspects in the Budget which are designed specifically to support industry and to build on past years. The taxation arrangements for small companies, for private companies, have been modified, with the retention allowance increased over the period of this Government from 50% to 70%. Anyone running a private company will not have missed the importance of that. Export expansion grants have been vastly increased, from $20 million to $170 million. Part of that increase is picking up a backlog in payments. A large part of it, however, is because of the increased competitiveness of Australian exporters getting out into markets which earlier they had thought were quite beyond them. These, again, are the signs of a growing and strengthening Australia. If manufacturers can get into the world markets, it means they have to produce more. If they are going to produce more, it means they will employ more; and that again is what we want. Many of our policies are designed to achieve just that objective.

For the rural community, the anti-inflationary thrust of the Budget is one of its most important aspects. But it does also provide additional support for rural industries. It is worth noting that in effect the special depreciation allowance for storage facilities for grain, hay or fodder has been re-introduced and farmers will understand what that means. I well know that rural industries would want those special depreciation allowances re-introduced to cover the wider range of investments that were possible on previous occasions. But on top of what we have done through tax averaging, through income equalisation deposits, through the Primary Industry Bank that has been operating so successfully - we have provided the special depreciation allowance in the limited area which I mentioned. The water resource programme is being expanded this year and that is important.

Energy and the problem of oil and oil pricing has been mentioned today. Because it is so important, and because I am also a primary producer and I do understand what it means, I want to take a moment or two to explain why I believe that we are following the only policy that is possible. I do not withdraw from my invitation at the outset; if there are views that you and this industry want to put to us, I would want to listen to those views.

But there is a reason, there is a purpose, an objective behind the energy policy, which we are certain is in the best interests of Australia and of Australia's energy users. There are three main aspects of this policy: Conservation, the development of alternative sources of energy and exploration and development of oil and gas reserves. Whether we like it or not, the decision to go on to import parity pricing was a major element in this policy. Conservation without a pricing policy to go with it would not mean very much. I don't think anyone wants to go back to the days of ration tickets and the associated black market. Price is the only way that will lead to the conservation of scarce energy sources without rationing.

I believe the most effective way to encourage the development of alternative sources of energy, is to give a price incentive to do so. If you want greater exploration and development, then securing adequate returns for the explorers and developers may be the only way. Since the introduction of our pricing policy, Esso and BHP have committed upwards of $1,000 million to a programme of oil exploration and development. That would not have happened without the pricing policies that we introduced.

We are encouraging conversion to other forms of energy. The Budget continues this thrust by extending the share capital rebate to apply to on-shore petroleum exploration as it has applied to off-shore exploration. That should encourage and also be a great incentive to greater oil search. The conversion of industrial equipment from oil to other forms of energy is also fostered in the Budget by allowance for accelerated write off.

I know that the sugar industry is highly mechanised, and that fuel supply is vital, and an important element in costs. I also know that there have been some problems with stocks, and with distribution, but as I am advised, little disruption to harvesting.

The 1979 fuel demand has been well above normal levels. That may have contributed to the difficulties. Demand for distillate in Queensland was up by over 17% in the first half of the year compared with the first half of 1978. That might be due to rural industries doing better, and to the demand just growing, but it is a substantial increase.

The difficulties were exacerbated by the breakdown of a ship, and some problems at the Ampol refinery in Brisbane. The Navy therefore, released a further 2,300 tonnes of distillate to ease the problem. 100,000 tonnes will be brought into Queensland, north of Gladstone, between now and the end of the year.

.../6

There have also been problems with avgas. In Queensland, and I don't think many people would know this, demand has increased 26% in the first half of this year compared with the first half of last year. That 26% extra fuel was actually delivered. It has been used. There has been a distribution problem and some severe shortages in certain areas. But 4,500 tonnes has arrived in Queensland over the last week. We are hopeful that the position is containable and will be eased.

We are particularly concerned about the special needs of farmers during crucial times of the year - harvesting, spraying, sowing. If people want distillate and cannot get it, that is not good. We cannot have a situation where an industry, a vital industry, is held up because of lack of fuel supplies at a particular time of the year. That is well understood. The agricultural sector therefore will be amongst our highest priority, if any form of allocation should become necessary. But our objective is to try to see that an allocation system as such is not necessary, by being able to match supplies to the demand.

We have established a National Petroleum Advisory Committee to advise the Government on allocation, if that is forced upon us - if there are further political difficulties in the Middle East. I don't think anyone could avoid that situation. If another 2 million barrels were taken out of supply by political acts of some kind then that is obviously going to pose difficulties to Australia and many countries. We don't expect that, we don't foresee it, but I just make the point that it happened once before. If that kind of instability occurs again there will be real problems. Don Eckersley, the National President of the National Farmers' Federation, will represent rural industries on that Advisory Committee.

If we tried to have a situation in which you had a different price for the same product it would lead to enormous difficulties and would plainly lead to problems of identification and problems of black marketing, from one industry to another. A two price system could be very difficult to sustain.

It is also worth pointing out that a year ago we introduced a fuel price equalisation scheme. The first stage of that scheme has equalised freight to within four cents a gallon. The commitment is to reduce the freight differential to two cents a gallon. The present system costs us about $50 million a year. To take it to the next step - as we are committed to do during the course of this Parliament - would cost about an additional $100 million a year, or something close to that. That, therefore is a significant effort to try to equalise the high cost of freight to people in the remoter parts of Australia.

We don't have within our control the retailers' margins in those areas of Australia. You will often find that petrol and distillate prices are much higher in remote areas because a retailer's margin is very much higher. If you wanted to do something about that you would have to go to Brisbane and not to Canberra.

.../7

The sugar industry I know has been through some difficulties. There are always risks from weather, from international prices and in particular the dumping policies of certain countries. But there are encouraging signs. The Korean long-term contract of 1.2 million tonnes is better than the previous one; and in 1979/80 some reduction in world stocks is expected. Indeed this year is the first time in many years in which production is expected to be less than consumption. So perhaps the industry is going to achieve a long term balance of the kind that is very much needed.

The International Sugar Agreement, we agree, is of great importance to the industry. Australia will be persevering with this to try to make sure that not only the United States but also the European Community will ultimately join. You might be interested to know that a Bill providing for United States' ratification and for a domestic support programme has now passed the necessary preliminary stages of the United States' Congress. Congress is in recess at the moment and it has not yet been introduced into the House of Representatives.

If the United States' processes are grinding forth too slowly, they are at least moving in the right direction. Mr. Gundelach with whom we have been negotiating in the Multilateral Trade Negotiations said to us privately, and has since said publicly, that if the United States joins the International Sugar Agreement, then in his view the European Economic Community will also join the Agreement. That, of course, would be of enormous advantage to the sugar industry in this State.

You know better than I that Europe spends $800 million in export subsidies on sugar - about $350 a tonne.

All in all, they have spent $12,000 million in subsidies of one kind or another, about $4,000 or $5,000 million subsidising the export of commodities that compete quite directly with exports from Australia. That just shows how important our trade offensive into Europe has been. Some have said we should forget it. But it is too important to us. It is not something that we can, should or will put aside. Until we can get Europe to participate with greater responsibility in international trade we will keep up the pressure wherever we can.

As a result of what we have done over the last three years the problems of the European policies are now better understood in Europe and much more criticised in Europe than they have ever been. I think that inevitably at some stage there will have to be a change. With sugar, what we have to try to do is to get America and then Europe to join the International Sugar Agreement.

Ethanol has sometimes been suggested as a fuel substitute and there could well be long-term prospects for that if fuel prices continue to rise. We are spending nearly $2 million on research at the present time. In about 18 months it will be possible to make a better assessment of ethanol production in Australia.

The sugar industry is of enormous importance to the future of Australia. It plays a significant part in this district and obviously this district is vastly dependent on a profitable sugar industry. It is of great importance to Queensland.

I am honoured to have been asked to be here at the opening of this building with you. I have very great confidence both in the future of this industry and in the future of Australia.

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