



PRIME MINISTER

FOR MEDIA

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ADDRESS TO THE QUEENSLAND BRANCH OF THE INSTITUTE OF DIRECTORS

Queensland, of course, has always been in the vanguard of development in Australia, and as we approach the 1980s, the contribution to be made by Queensland business leaders in ideas, in innovation and in action, will I hope, have telling significance for all Australians.

As we approach a new decade, Australians are rightly interested in the prospects that this period holds for all of us. I believe there is a strong consensus in the community that over the last four years we have been able to haul the economy back from a position where its weakness was threatening the well-being of all Australians.

We are now in a position where our economic stability and strength give us due optimism for the 80s. I want to say something to you today about the processes that have been at work to effect this revival and the prospects which are in store for us in the years ahead. I believe that a combination of factors is now at work in our economy which will create opportunities for further economic achievement and social well-being. But to these opportunities must be added the will of government, business and industry leaders to see that today's prospects become tomorrow's realities.

It is little more than four years since Australia and its economy were wilting under the excesses of Labor government. No regard had been paid to the size of the public sector. Commonwealth budget outlays increased dramatically. In fact, the expenditure of all public authorities rose by 105% in three years. Welfare costs reached unacceptable levels and health costs in one year rose by 113%. All this was matched by an increase in personal income tax revenue of 125% in three years.

The money supply grew rapidly, as did the level of wages. Profits fell. These were changes which shook the very basis of our economic structure. They were changes felt by all Australians. Understandably, the economy was incapable of absorbing them.

These factors contributed to an inflation rate in one 12-month period of over 17% more than five percentage points above the OECD average. By September this year we had reduced that rate by eight percentage points, to almost 3 points below the United States' rate; and seven percentage points below that in the United Kingdom.

This is a significant demonstration of the success of our economic policies. I present this picture of the Labor years for two reasons. In the first place the Australian Labor Party is making a token claim for the right to govern Australia and manage the national economy through the 80s.

Yet its recent ALP conference in Adelaide demonstrated that its policies on wages, the growth in government spending and the size of government are not just a translation of the period when they were in government; in many instances they are more ambitious, more provocative and potentially more reckless.

Indeed the need to control inflation is not mentioned in any of their policy statements as an over-riding economic objective.

The second reason I make reference to the Labor record is that only by having it at hand, can a full appreciation be gained of the nature of the task we face, and a proper measure made of the success that we have achieved.

The objectives I outlined to you in 1976 are still valid today. They are central to achieving continuing and sustainable economic growth. The Government has played its part. In the last three years there has been little real growth in Commonwealth government expenditure compared with the three year increase under Labor of 44%.

We have begun initiatives which increase the rewards for effort and encourage investment. We have simplified the tax scale which allows for a significant increase in earnings before the taxpayer moves into another bracket.

This in itself is an incentive to greater effort as overtime or additional part-time employment can generally be worked without attracting a higher tax rate. The overall result is that from this week, 90% of taxpayers are paying tax at the lowest marginal rate of 32 cents in the dollar.

As well, we have raised the minimum income level at which tax has to be paid. Now up to half a million Australians on low incomes no longer pay any tax at all.

We have abolished federal estate and gift duty. We have introduced the investment allowance. We have raised the private company retention allowance. Our new energy policy is providing the necessary incentive to oil exploration.

Our attack on inflation; our seeking of reasonable wage increases; our reining in of government expenditure; our success in reviving investment; all have been matched by an increasing public awareness that Australians in the 80s should continue to reject a disturbing dependence on government in favour of a greater sense of individual responsibility.

Many indicators suggest that our efforts of the past four years have produced significant results. Our inflation rate at the end of last September was 9.2% compared with the OECD average of 10.6%, USA 12.1% and the UK 16.5%.

This has helped make our industries internationally competitive. Costs are down. Exports are up. Private capital inflow into Australia in the last financial year was the highest since 1971/72.

Factory production, as measured by the ANZ Bank index, has increased by 9.4% in the year to September 1979. In fact, the increases that are taking place are broadly based and have been achieved in 26 of the 30 categories measured by the Bureau of Statistics. This trend is confirmed in other areas.

Real investment by business increased significantly last year. Civilian employment in the year to September grew by nearly 80,000. Gross value of rural output this financial year is expected to increase 65% on '77/'78 levels.

We are now placed to enter the '80s with prospects for the future much better than those in most of the industrialised world. This assessment can be made because of our strength on three major fronts. In the first place our economy is one of the strongest in the world at a time when the world economy is plagued by the problems of inflation and slow growth. Secondly we have abundant raw materials, materials the world wants and needs.

Thirdly, our energy resources place us in a uniquely privileged position. Coal, natural gas, LPG, crude oil, electricity and uranium represent an impressive total endowment of energy commodities.

This is true at a time when the threatened extremism of some countries gives the problem of energy shortage a greater urgency than might otherwise have attended it. Our objective in the '80s must be to combine the strength of our internationally competitive economy; the wealth of our natural resources and the availability of low cost energy development to secure economic growth for a long time to come.

The Government is determined to accelerate this process. We believe we are advantageously placed to undertake a major national development programme. The first step towards this was taken last November at an historic meeting of the Loan Council which approved a new borrowing programme to finance future national development.

We are determined that the private investment and development should not be impeded because of inadequate facilities, whether they be power-generating plants, coal loaders or ports. In particular with the emerging international energy position, the Government's responsibility is to capitalise on our natural resources and secure the future supply of electricity.

The development of coal processing electricity projects in Australia is not only central to our energy policy, but also it enables major processing of our own minerals to be undertaken in Australia which will reap enormous benefits for all Australians.

With this in mind, we approved, 12 months ago, 12 national development projects estimated to cost \$1.7 billion. Of that, almost half - \$896 million - was for the development of power generation facilities in Queensland, New South Wales, Victoria, Tasmania and Western Australia.

Four of the remaining seven projects were designed to facilitate either the export of our energy reserves or the domestic use of alternatives to liquid fuels. These initiatives were added to at the June meeting of the Loan Council where approval in principle was granted for the electrification of the railway system here in Brisbane.

Yesterday, I announced that for the first time the Commonwealth would be making at Friday's Loan Council meeting three submissions of its own for Loan Council approval.

One of these is a proposal for the electrification of the Melbourne-Sydney railway link. This represents a comprehensive initiative by the Commonwealth to create a major transport facility utilising electricity - an alternative coal fired energy resource which we must increasingly take advantage of in the next decade.

In fact, the national development programme must seek to make the use of coal fired electricity for many purposes one of the central goals in the '80s. Without foreshadowing State initiatives I can say that that principle is embodied in the proposals for discussion this Friday, where a further \$500 million of projects for electricity power generation and almost \$200 million for railway electrification, excluding the Melbourne-Sydney project, will come up for decision.

As an indication of the momentum that is gathering in the national development programme, the Commonwealth last month invited the Premiers to bring forward further proposals for coal based electrification projects. All these programmes complement development projects in mining and manufacturing totalling more than \$10 million which are now either ready to go or for which feasibility studies are already well advanced.

We are indeed well placed to capitalise on the advantages that a healthy economy and our abundance of natural resources will bring to Australia in the next decade.

But Australia has always been rich in human resources as well. We are going to need these resources in the years ahead. Our skilled labour; our development and application of new technology; our entrepreneurial skills provenly successful in innovation, production, programming, managing and marketing; all these are essential parts of our future plans. The Australian character itself is no less important. Its competitive instinct must be encouraged. The competition in the '80s will extend beyond our own shores. But we are ready for these challenges and will welcome the rewards that can flow from an outwardly looking competitive approach. In business and in government we will need to adopt a truly international approach.

The strategy of looking mainly to the domestic market was appropriate in the earlier stages of our industrial development.

It is not a strategy which will take us successfully into the 80's. There is no going back to it.

The fears of the 80's only exist for those who want to meet the new decade with the solutions of the past.

The changes that have occurred in the world economy: the emergence of new economic power blocs; the increased export capacity of developing countries in both manufactures and services; all require their own form of adjustment by everyone.

None of these changes are temporary. Those who imagine them to be so, merely yearn for a past where business and industrial life was safe and more comfortable. We all know there are no profits to be made in the past.

Our economic machinery is geared to move us confidently into the 80's.

That is not to say there won't be challenges and the need for change for business and industry in the next decade. But we must never forget that challenge and change also contain undeniable opportunities. Australian industry is already successfully making adjustments in a wide range of areas. There is already, underpinning many of the industrial projects of the future, an outward-looking, forward-thinking, progressive sense of management.

I am not suggesting rapid and dramatic change. Rather, I am advocating a continuing adjustment that is gradual and manageable; an adjustment that is already occurring throughout many sectors of the economy. One of tomorrow's challenges lies in identifying the best markets. Rapid industrialisation has occurred in the economies of East and South East Asia, and China has emerged as a major market not only for foodstuffs but also for raw materials.

This has resulted in a continuing shift in the direction of our exports. In the last financial year our exports to Asia had more than trebled what they were at the beginning of the decade.

This trend will continue as real incomes rise in the East Asian and South Eastern region, producing a quickening in demand for consumer goods, industry and development in these areas.

The position with imports is much the same. In the last financial year they had reached a level more than four times greater than what it was at the beginning of the decade. This continuing rise in imports from Asian countries has resulted from the improved quality and competitiveness of their products coupled to a conscious effort made by the Government to promote trade with Asia.

You will recall that last year Australia sponsored and hosted the ASEAN Trade Fair in Sydney and a second such fair will be held in Melbourne next August.

There is growing trade between Australia and Asia and this is to our mutual advantage. Newly industrialising economies will need for their growing industrial bases a wide variety of imports - coal, iron ore, alumina and aluminium, iron and steel, agricultural and specialised industrial machinery, management and technical consultancy services.

Australia has the capacity to meet these demands. There has been one interesting by-product of the changing international economic order. The increase in price of liquid fuels was initially thought to have only negative consequences for Australia.

Yet now it offers major opportunities for us which are already being accepted. For example, as countries find their energy costs mounting, aluminium smelter projects are moving to Australia where our massive reserves of coal provide us with low-cost energy and the opportunity for processing raw materials here in Australia. So you can see that far from being intimidated by the decade ahead we should be inspired.

Real growth often occurs most rapidly when circumstances invite us to face hard decisions; invite us to take opportunities; invite us to exercise initiative.

Government has a responsibility to create the climate in which this can occur, so that there will be rewards for risk-taking.

For four years we have dedicated ourselves to the application of responsible policies. They have been designed to reduce inflation and inflationary expectations. They have sought to restore a stable climate in which business can make decisions and help create employment.

I believe our policies have resulted in strong gains. These gains have not been easily won. The complexities of today don't admit the simple solutions of the past.

The 80's in business and industry will be the decade when we must look outward, not inward; when we must be aggressive in our market thinking, rather than tentative; when we must take advantage of our geographical position rather than lament our geographical isolation.

I am confident that in the 80's our Government can provide the climate and the freedom in which business and investment will prosper.

The buzz of debate about the future of our industries has become incessant.

Where we go in the 80's is essentially up to us as individual entrepreneurial Australians.

Today I have tried to present to you a prospectus of development for the 80's.

It is full of challenge; rich in potential rewards.

I am sure that business and industry, as in the past, will play a vital role in securing progress and achievement in the 80's.

We are entitled, with some optimism, to look forward to the lasting benefits this will provide to all Australians.

Thank you for the invitation to be with you.