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PRIME MINISTER

FOR MEDIA

13 APRIL 1980

ADDRESS TO FEDERAL COUNCIL

In this important year, I welcome the opportunity to address the 1980 Federal Council and, through you, all members of the Party throughout Australia.

We meet at the beginning of a new decade, as members of a party in government which has given to the nation an impressive legacy of achievement. In spite of international difficulties, ours is a future in which change will provide challenge; in which challenge will provide opportunity; and in which the seizing of our opportunities will secure our success. Our successes of the recent past, give us the confidence to tackle the future together - successfully.

We meet at this council with an entitlement to proclaim our achievements; with a justification for projecting our capacity to lead Australia in the years ahead. In an election year, let us recapture the spirit which has won acceptance in the minds of successive generations of Australians. Let us reaffirm our philosophy in action which has brought continuing growth and well-being to our nation. Let us mobilise our commitment to Liberalism which alone can harness the creativity and capacity of all Australians.

This is not the time to hesitate in our conviction. We should not slacken in our pursuit of electoral victory, this year or in any year. Liberalism in the future, can only be as strong as the willingness of those who, believing it, are prepared to fight for it. Because a great future of opportunity is unfolding before us, there can be no excuse for apathy in the face of political danger; for simplicity when confronted by political guile; for weak and uncertain action in the face of attack.

With our ideals to inspire us and our commitment to drive us, we will lead Australia to new levels of international and domestic achievement. The spirit of the times is one of practical Liberalism. This involves being conservative enough to be able to identify accurately what is best in life and therefore worth conserving. But it also involves being practical enough to be flexible and versatile in adopting new means and new attitudes to ensure the safety of Liberal principles. And it is these principles which will give us our vision in the decade ahead.

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They will inform our attitudes, guide our policies and secure our victory. That is our task as a party in the 80's. In that task, the role of every Party member, in every State, in every arm of our organisation, will be central. This is especially true of Federal Council. Since the inception of the Liberal Party more than 35 years ago, Federal Council has played a role of great importance to our continuing electoral success. At it, the views of the membership have been refined into the Party's platform which has enshrined our Liberal principles. These have served us well. For more than 35 years, from this forum, our Party has proclaimed our commitment to the individual - to the securing of his freedom; to the exercise of his initiative; to the expression of his individuality; and to his acceptance of responsibility.

From this forum, we have exalted the role of individual Australian men and women, while our political opponents have exalted the role of collective government. This weekend, as in this forum, we debate and deliberate, our concern is not with abstract theory, unrelated to the changing demands of the 80s. Ours is not a party wedded to inflexible and unchanging dogma. Our way is to combine a vision of the future with existing realities so that Liberal government continues to be practical, effective and efficient.

In 1975, we inherited problems of economic organisation and management, induced by the government of the day, and beyond its competence to solve. These problems threatened to test severely the will and capacity of Liberal government. During the last four years, we have met that test with resolution. We have matched our resolution with achievement. From the outset, we sought to correct the imbalances in the economy. Then, as now, our first preoccupation was the fight against inflation.

A society that does not attack the source of inflation is little better than one which ignores breaches of the law. For inflation robs people of their freedom and their security. In absolute terms, we have been successful in reducing inflation from as much as 17% in the Labor years to the present level of 10%.

Viewed in the international context, our record is superior to that of many other countries. In the 12 months to January 1980, the U.S. inflation rate, as measured by consumer prices, was 13.9%, an increase of 4.5 percentage points over the level of the previous year. In the U.K., it was 18.4%, an increase in 12 months of 9 percentage points. The latest published Australian figures show an increase in the 12 months to December 1979 of 2 percentage points from 8% to 10%. One result of our success against inflation has been a substantial increase in our international competitiveness. Relative to some of our trading partners, our costs are down and we can now compete successfully on world markets.

The Government has aided this improved position by its programme of investment allowances; export incentives; and research and development grants. And published statistics tell the story. The volume of manufactured exports last year was 28% above the level of the previous year. And our rural industries, even in the face of potentially serious drought conditions, are experiencing better returns, aided by the containment of domestic inflation and strengthened by the Government's success in securing better access to overseas markets.

Indeed, the economy's performance in some areas has been somewhat stronger than that foreshadowed when we drew up the last budget, and this improvement in our expectations is a vindication of Government policies. Pleasingly, our economic performance has been reflected in an improved employment position. While unemployment is still too high, total employment in Australia in the year to February 1980 rose by over 155,000. These are significant achievements.

They are the result of difficult decisions taken by government. They have involved difficult choices for many Australians. But we are now seeing that difficult decisions often contain the most rewarding solutions; that difficult choices often provide the most rewarding outcomes.

Our central strategy of containing inflation has been supported by a necessary restraint in Commonwealth Government spending; a reduction in our budget deficit and an end to Government-induced erosion of private sector viability. By sensible management, governments can create an environment in which economic growth will develop and flourish. But, in the end, it is the private sector which is the engine of growth and progress. It is only when governments recognise this that they then seek to contain their own spending.

In the 3 years to 1978-79, Commonwealth budget outlays showed virtually no growth in real terms. Yet, in the 3 years to 1976, they averaged a growth of over 10%. Is it any wonder, to accommodate this growth, that taxes went up; and as the Labor government grabbed more and more of the national wealth, individuals suffered, industry was squeezed and investment dried up. Another significant barometer of the Government's spending restraint is its success with Commonwealth employment levels. From June 1972 to June 1975, the number of Commonwealth Government employees rose by 52,000. We have reversed this trend; we have imposed effective staff ceilings; and since we came to office the number of Commonwealth employees, in areas subject to staff ceilings, has fallen by 10,000.

The lesson is simple. It is a lesson being learnt increasingly around the world - that government intervention in the economy, in areas where it does not belong, is damaging to economic growth and jeopardises national well-being. It is a lesson, the truth of which is well proven by our Government's performance. It is telling evidence of the extent of our performance that a new sense of confidence, pride, direction and optimism is at work in Australia. This optimism is soundly based, but it would be foolish to imagine that in the so-called lucky country, the luck is self-perpetuating.

We have to do more to secure our future, than leave things to chance. All things do not come to those who sit and wait. Certainly, we are fortunate with our natural resource endowments. But, in the 80's, more than fortune will be needed to find these resources; to develop, process and market them; and to manage the enterprises which result from their development. Yet this is a challenge which should invigorate all Australians. For we have entered the new decade with a formidable legacy of achievements. The foundations for national development are well laid.

But such foundations are hard to build, easy to destroy. We began that building process when we first came to government in 1975. Indeed, ever since the Liberal Party gained office in 1949, it has given the highest priority to the creation of strong and viable industries of all kinds which can compete and expand in international trade. Australian wealth was created this way. Our standard of living has depended more on the success of achievements of our industries than on anything else. But it cannot be overstated that for continued national development, certain pre-conditions have to be met; a number of things have to be done.

First, and most importantly, we need a strong economy. Our success in reaching this objective has provided the foundation from which we can begin to seize emerging opportunities. Secondly, it is only economic strength which gives us the capacity to attract the necessary capital, technology, expertise and skill for the kind of development that lies ahead.

For these commodities, we will have to compete successfully on the international market and only a strong economy can attract them or, indeed, afford them. Thirdly, a nation can only attract investment when it offers a stable political environment in which consistency and continuity in the objectives of government policy-making enable businesses and large corporations to plan for the long term. Fourthly, for balanced development in the future, we will need an increasingly efficient and competitive capital market. A market which encourages the mobilising of equity and fixed interest capital; which helps Australians to become partners and participants as investors in our development projects.

A great programme of national development lies in front of us. Australia will be capital hungry in the 1980's. Funds will be needed from overseas, but we will also need to mobilise Australian savings for long term investment purposes. And here lie new opportunities for Australians. I can think of no more effective use for the investment of our present savings than in the development of our national energy resources; in the support of outward-looking and aggressive manufacturing industries and in the provision of modern finance and servicing industries.

The future is indeed promising for those with ideas and a willingness to implement them; for those with initiative; for those willing to accept challenges and seek the rewards for investment that will accrue from them.

This leads to a further element for our future development - the provision of adequate facilities which can accommodate the investment programme which lies ahead. This is the challenge we faced on coming to government. We knew that special measures would have to be taken. Because investment in Australia had ground to a halt, much had to be done to get it going again. And the government wished to see that Australia's resource potential was realised without undue delay.

In 1976, I had discussions with Sir Charles Court about the need for infrastructure investment - investment in ports, pipelines and power generation plants which would be necessary if projects were to proceed. At an historic Loan Council meeting in November 1973 the Commonwealth and States agreed to State borrowings totalling almost \$1800 million for facilities designed to accelerate national development.

Much of this was for the development of our coal reserves and the provision of electricity generation based on coal. Within a year, the Iranian crisis of 1979 starkly focused the attention of the community once again on the world oil situation and in particular, on future energy costs and supplies. This underlined the wisdom of our decisions in November 1978. The price of OPEC oil rose by over 100% in 1979. Inevitably, the world oil situation was finely balanced as industrialised countries confronted a real energy challenge. But this challenge has provided opportunities for Australia - opportunities we are prepared for and which we can successfully meet.

World energy consumers are looking to politically stable countries with economic policies which secure reliable and cheaper supplies of energy. This creates for us, in Australia, a wider opportunity.

Because of international energy shortages; because of the existence here of competitive alternatives to petroleum products, the decade ahead will see national development gain a new momentum. Recognising this, at the Loan Council meeting in December 1979, we built on the initiatives taken in 1978. The Commonwealth approved a further borrowing programme of eight hundred million dollars. This meant that at two Loan Council meetings within 14 months, the Commonwealth had granted approval for the borrowing of over \$2,500 million for Australian development projects. All but \$100 million of this was for energy-related projects. \$160 million was for coal loaders in Queensland and New South Wales and over \$400 million for the Dampier-Perth gas pipeline.

But the bulk of the programme, a massive \$1,300 million was for project to increase oil substitution and our electricity generating capacity. The availability of adequate supplies of electricity will be an essential component in Australia's development in the years ahead. Large reserves of easily-mined coal in eastern Australia are able to provide electric power at very competitive rates.

The production costs of this electricity are considerably lower than power prices in other developed countries; much less than those in Japan; and also cheaper than power costs from new generating plants in the United States. Recognising this, the Commonwealth further proposed at the December 1979 meeting with State Premiers, that in co-operation with the Victorian and New South Wales' governments, investigation and planning should begin for the electrification of the Melbourne-Sydney rail link.

It was also agreed that a joint study with all the States and the Northern Territory be undertaken on the practicability of electrifying significant parts of the government railways systems in Australia.

Both studies are on schedule and results are expected to be with governments by the middle of next month for consideration at the June Premiers' conference. The availability of cheap electricity will be a vital factor in future industrial development. If inadequate policies and the absence of proper government initiatives were to result in limiting electricity supplies, industrial development in Australia and the processing of our raw materials would be jeopardised. New South Wales has already had to turn away a proposal for the construction of an aluminium smelter because existing power resources were fully extended.

On the basis of the experience in some Australian States, a power station can take 8 years to come on line, double the time for the construction of an aluminium smelter. Hence, while State governments have an overall responsibility for the provision of electricity, land, harbours, and other elements of infrastructure, the Commonwealth, through these new borrowing programmes, has taken unprecedented steps to facilitate the development of industry and resource processing in Australia.

Already, in the bauxite, alumina and aluminium industries requiring massive inputs of electricity, \$4.5 billion of projects are either under construction or are about to go. All of these are expected to be completed by the mid 80's. As well as this, a further \$6 billion worth of projects in the aluminium industry are seeking an investment home in Australia. Such initiatives represent the encouraging prospect, in an energy scarce world, of the increased use of electricity as an alternative to expensive petroleum products.

But in addition to electricity generating projects, the Commonwealth recently announced an inquiry into electricity generation and the sharing of power resources in south eastern Australia. This important matter was first raised by the Commonwealth at the Premiers' Conference in 1977. It is a concrete example of the Government's concern to ensure that Australia's domestic economy and future commercial opportunity should not be limited through any lack of electricity supply facilities; or by inadequate co-operation between the States.

This is all the more important with increasing overseas interest being shown in energy-intensive industries in Australia. Parallel to this development is that related to the second aspect of our abundant coal reserves - their export potential. The International Energy Agency estimated that Australia's annual coal exports will rise from 38 to 200 million tonnes by the year 2000.

As part of this, they estimate an increase in steaming coal exports from 6 million tonnes a year to potentially over 100 million tonnes by the year 2000. That is why, at the Loan Council meeting in 1978, in anticipation of the magnitude of this increase in demand, the Commonwealth approved \$160 million for the construction of coal loaders in Queensland and New South Wales. A year later, we sought the co-operation of these two States in a study to determine the requirements that will facilitate the expansion of exports in steaming coal.

This co-operation has been forthcoming and discussions have already taken place with coal industry officials in Japan, South Korea and Thailand. The study will identify the necessary transport and port facilities required so that increased export demands can be met as they arise.

Co-operation of this kind at government level and between government and business is essential if national development is to be harmonious, continuous and productive. The existence today of this co-operation is in stark contrast to the Labor years, when business was bullied, enterprise was stifled; and development stopped. One example of this is the massive North-West Shelf discoveries, made in the early seventies.

While companies were keen then to proceed with development they were prevented from doing so by government policies. When we came to power, we co-operated with the companies concerned, and the Western Australian government, to encourage the successful development of this vast resource, and to provide the climate for it to go ahead. Upon completion, it will be a huge project.

As well as supplying Western Australia with a much needed alternative to oil use, it will provide great economic benefits to Australia as a whole. All this is part of the catalogue of development either under way or about to take place in Australia.

Yet this is only part of the story. In my election speech in 1977, I announced to the Australian people:

"Australia is ready to go with \$6,000 million of development."

In the two financial years which followed that statement, actual investment was even higher than I predicted, at \$6,400 million. I indicated then, that:

"In the coming 3 years, we can look to other vast developments."

This has now been proven.

Most recent figures indicate that almost \$17 billion worth of mining and manufacturing projects are about to go ahead in Australia, or are in the final stages of preparation. \$12 billion of these relate either to investment for energy projects which will provide alternatives to oil use; or investment in industries in which non-oil energy input is a large proportion of total cost.

And even these figures, if anything, understate the likely exploration and development expenditure in Bass Strait and the North-West Shelf and do not include the giant Rundle Shale oil project in Queensland. This project could involve a total cost of many billions of dollars and has the potential to reduce greatly Australia's dependence on scarce and costly supplies of imported crude oil.

So that when we say, "Australia is on the go", it is not a slogan, but a statement of action. It indicates the readiness with which the private sector will respond to an appropriate economic environment. Now, the demand for Australian products overseas, and the increasing interest being shown in Australian investment, indicate a new respect for, and confidence in our economy. This confidence stems from our capacity as a government to secure economic growth, and Liberal Party policies are unashamedly directed to this end. But this is not the sole objective of our policy initiatives.

Rather, it is a means by which other goals are more easily achieved. For the end result of all that we do is the well being of individual Australians. Our policies are designed to enable all Australians to save, be independent, to manage their own affairs, to make decisions about their families; and to secure their own futures through the rewards of their own endeavours. In this sense, Liberal policies are policies of opportunity.

But they are also policies of concern for those who are disadvantaged and in need of more particular help. In meeting needs, one of the more pressing challenges of the 80's will be to strike a balance between providing adequate welfare services and meeting the desire of the taxpayer to retain as much as possible of his own resources to support the living standards of himself and his family.

In the last four years, while practising government restraint, our welfare commitment has not been compromised. On the taxation front, we have, a number of times, increased the income at which tax first becomes payable by individuals or families. In this way, approximately 500,000 Australians have been exempted from paying tax on their income. As a direct result of the Treasurer's announcement on March 6, a further 50,000 Australians will be relieved from paying tax. But since we came into office, the Government has also cut marginal tax rates with the result that 90% of Australian taxpayers are now paying tax at the lowest marginal rate. By this simplification, a majority of taxpayers are able to increase their earnings through overtime or part-time work without moving rapidly into a higher tax bracket.

These reforms are consistent with the Government's aim of lowering taxes. They also complement the Government's concern for the family. We have introduced family allowances designed to help low income families. By July 1, the spouse rebate will have increased from \$400 - \$900 during our term of office. The sole parent rebate has risen from \$200 - \$560 since we came to office, and in this period we have extended the supporting parent's benefit to include supporting fathers. This is very substantial assistance to single income families. Further, we have concentrated assistance on the needs of handicapped children. We increased the handicapped child's allowance by 50% soon after we came to office.

At that time, it was only paid to the severely handicapped. In 1977 we widened the eligibility for the allowance to include substantially handicapped children whose family income is low. And in 1978 we recognised the special needs of handicapped students when we extended the allowance to cover students over 16 and under 25 who are not in receipt of an invalid pension. Care for our aged is an important concern of the whole community as it is governments. Governments, like the community at large, must ensure that there is dignity in old age.

In significant moves designed to achieve this, the Government has replaced the complex means test for aged pensions with an easily understandable income test. To improve levels of accommodation for the aged and the disabled the Government has spent or allocated some \$210 million in the last four years. So far this has meant the building of over 500 new self contained hostel and nursing home projects. The Government has already approved a further \$225 million over the next three years for these projects.

In all industrialised economies today, unemployment is a vexing issue. We have attempted to face this problem in a practical and productive way. As a result of Government policies, the improved economic health of the nation has resulted in 155,000 more jobs in the 12 months to February this year. The Commonwealth has devised a range of schemes to assist the unemployed according to their different circumstances; in particular their different abilities, state of education, training and work experience. By the end of the financial year, about half a million Australians, many of them young Australians, will have been assisted in this way.

Amongst these schemes is the provision of \$150 million over five years for special programmes designed to enhance the skills, employment prospects and the interests of young people as they move from school to work. Many young people find it difficult to get stable employment because they lack the required experience or qualifications. The Government's Special Youth Employment Training Programme provides incentive to employers to take on young unemployed people and bring them to a point at which they can adequately compete for jobs.

Recently, the Government has strengthened its training programmes for the unemployed by increasing the incentives to employers to take on apprentices. This gives the young unemployed the opportunity to acquire the necessary skills, to actively participate in the programme of national development that lies ahead.

If the Government's initiatives for the unemployed are supported by teachers, parents and the community at large then their prospects of even greater success will be significantly enhanced. I believe the Government has demonstrated, in this sensitive area of unemployment, commendable purpose. We have had the courage to stay with policies which we know will work, and which in the long-term will create the economic climate in which increased permanent employment is possible. We have not succumbed to the easy temptation to pursue policies which might appear to assist the problem, but which will achieve nothing.

Which brings me to the Labor Party's 'make work' schemes. We have estimated that they would cost the taxpayer about \$1,000 million on the pretext that they could provide a quick fix to what is a demanding international problem. To suggest this is to talk economic and employment nonsense. Worse, it seeks to exploit the emotions and aspirations of young people as instruments of political success. Where such schemes have existed, they have resulted in an explosion in costs and an increase in unemployment. For example, in the U.K., unemployment support schemes rose from 24 million pounds in 1975-76 to 410 million pounds in 1978-79. In that time, the unemployment rate increased from 3.9% to 5.7%.

Now the Labor Party seeks to foist on the Australian community \$1,000 million of this kind of proven failure. The great deception is the assertion that these policies would benefit the unemployed. But such a rampage in expenditure would accelerate inflation, destroy the profitability of industry and reduce overall prospects of employment. And if anyone had \$1,000 million to spend, would they let it be spent on resurrected, re-named RED schemes.

These schemes were abandoned by Labor in the 70's. Recycled again, under a new name, they would fail again. But their very existence is part of the attempt by Labor to project an image of reasonableness and responsibility. We have seen it all before.

In three areas alone, unemployment, housing and health, they have committed themselves to expenditure in the order of not less than \$1500 million on the most conservative estimates.

When we get through the whole list of Labor promises, what would the bill be then? It would accelerate far beyond the national capacity to pay. The Labor Party commitment to a national trading corporation; an Australian manpower office; a national fuel and energy commission; an Australian hydro-carbon corporation; and a national investment fund. All of these and many other examples of costly intervention would create big government deficits and high inflation, the problems we have struggled for four years to successfully surmount.

And this expansion is threatened in areas where governments should not be squandering taxpayer's funds. What is just as bad, is that the very existence of these government authorities would tend to drive out private enterprise; damage investment and development as they did before; and unwind the process of national progress that has been set in place so painstakingly over the past four years.

Such threats to our economic prosperity as are posed by our political opponents should not be lightly dismissed. They were endorsed by resolution at the A.L.P. conference in Adelaide last year. They are binding on all members of the party. They have been multiplied in their potential impact by the lurch to the left in recent months of the A.L.P. Indeed, the Leader of the Opposition is the left's most eminent and willing prisoner. The wages policy he endorsed in Adelaide was described by the President of the A.C.T.U. as a "gutless sell out to the left". There was no anti-inflation policy. Mr Hayden's commitment to untrammelled power for the unions; his silence in the face of unacceptable militancy by union leadership; his intervention in the Queensland branch to give power to the Socialist left; his dumping of Dr Klugman after Mr Hayden had criticised him for being too concerned about Communism; his support by the Socialist left of the Victorian Labor Party; his own commitment to bigger and more centralised government - all this completes the destruction of any image of moderation and responsibility that may have still resided with the Labor Party.

In fact, Mr Hayden is unrepentant about the extent of the Labor threat. In March 1979, he argued that "there was nothing revolutionary or even particularly radical about the Whitlam programmes".

In an interview with the Sydney Morning Herald ironically called 'Insight into the 80's', which became an insight into the real Labor Party, Mr Hayden said:

"I would have thought that the things I have outlined in terms of revenue are somewhat more radical than had been outlined up to 1972. Unequivocally, I have committed my organisation to a capital gains tax, a resource rental tax, a levy on domestic oil producers, a number of initiatives in the tax area, and other measures of that nature...."

(31 December 1979)

This is doctrinaire Socialism gone mad. Mr Hayden summed his own position up more adequately than anyone else could when he said last year:

"The challenge to traditional, democratic Socialism... is the rapid spread of philosophies based on lower taxes and smaller government."

(F.E. Chamberlain Lecture,
2 March 1979)

Such a challenge must be sustained. For it is a challenge to the whole basis of our philosophy and the articles of faith that Australians have in their future. It is a challenge which calls from us all an obligation to defend our convictions and proclaim our beliefs.

The success of our achievements must be matched by a successful defence of the principles and the policies that made them possible. We cannot allow our national progress in the 80's to be jeopardised and our successes of the recent past to be squandered. We have entered this decade in a more privileged position than that in many other countries.

Through co-operation and dedication, no success is beyond us. Mr President, you and your Executive; members of the various State organisations; the Federal Director and his staff; and of course, rank and file members of the Party, many not here today; all embody this spirit.

Together, we have the obligation in the decade ahead to demonstrate that we know where our efforts should be directed. It is only the Liberal Party which has the strength, the discipline, the resolution and the policies to advance Australia.

It is only the Liberal Party that has the vision and the ideals which are in step with the nation's needs. It is only the Liberal Party which will provide the strength and the discipline to give practical and effective expression to these ideals.

That is the Liberal task for the 80's. Let us go forth and be confident and enthusiastic about our purpose and our obligation to Australia. Let us transmit this confidence and this enthusiasm to this nation. Let us do this by making Liberalism the driving force within all Australians in this decade.

Let us determine to serve the nation with commitment, with humility, but with an utter determination about our purpose and our objectives. With that sense of unity and conviction, no task is beyond us. When others stand in our place let them be able to say that they were well served by this generation of Liberals.