



Sir G. Yeend

Secretary
Prime Minister and Cabinet

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PRIME MINISTER

FOR MEDIA

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ADDRESS TO VICTORIAN STATE COUNCIL

I must say, that it is good to be back at Malvern Town Hall from where we launched our last great election victory.

A meeting of this kind, in any year, is an important occasion. But in this election year, it provides a significant opportunity to share, with genuine pride, in the optimism that now exists about Australia's future.

Major indicators reflect more than favourably on our chances in the year ahead. And these chances, emerging for Australia at the end of five years of Liberal Government, demonstrate the proven capacity of Liberalism to lead Australia to new levels of achievement.

We have come a long way since 1975 when the nation was experiencing a sense of gloom.

Confidence, optimism and the sense of challenge, for so long the envied characteristics of Australian life, had been overtaken by national doubt, and a sense of pessimism and defeat.

Without underrating the magnitude of the problems we faced, we rejected this pessimism.

Now, we stand at the beginning of the 80s, much better placed than many other advanced industrialised countries.

But, we must match the success we have achieved with a willingness and a commitment to tackle the challenge that lies ahead.

What is this challenge?

What are going to be the opportunities and difficulties of the 1980s to which we, as Liberals, must respond?

The first, is the continuing need to maintain responsible economic management; and to make the hard decisions necessary to make this possible.

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The second challenge, is the need to respond to the world energy problem, responsibly, and with a sense of Australia's future.

The third is the challenge of harnessing the nation's resources in a co-ordinated and responsible programme of national development.

The fourth is the challenge to make sure that this development is not just development for its own sake; but to see that it provides opportunities for as many Australians as possible.

The fifth is the challenge to meet our responsibilities to the underprivileged.

And finally, our responsibility in domestic management must be complemented by a concerned and responsible stance in international affairs.

In all of these, we need to approach our task with the determination to create a fairer, more just and more tolerant society.

Of all these considerations, the responsible management of the economy remains pre-eminent; for without that we will not be able to reach our objectives.

To date, in absolute and relative terms, we are ahead in the important fight against inflation. While our inflation rate of 10.7% is still too high, it is well below that of the United States at 14% and the United Kingdom at 21%; and the OECD, the economic organisation of advanced industrialised countries, has predicted that Australia's inflation rate in 1980 will be significantly below the average level forecast for these countries as a whole.

But our efforts must not be compromised.

It is only by maintaining the success of our fight against inflation that we can secure sustainable economic growth; that industries can produce more, and employ more.

One of the chief weapons in the containment of inflation is restraint in Government expenditure.

We remain unapologetic about our commitment to this goal, and in the financial year just ended, the Government achieved the largest ever recorded reduction in the Budget deficit.

Yet, already, Mr. Hayden has announced policies to spend at least \$2 billion of taxpayers' money in only five areas.

That is not a bad effort; after all, it is only July. And what will Mr. Hayden do when all his Shadow Ministers put in their bids?

After all, the A.L.P. Conference commits the Labor Party to more than 150 programmes that are not accounted for in the figure of \$2,000 million, and Mr. Hayden reminded us, only as recently as June 27, that they are serious about all these programmes: "What I do say is that we have the sanction of our platform to devise policies ... and we are prepared to implement them as a Government."

Mr. Hayden is always careful to avoid telling us how he is going to pay for all this.

But we do know that Mr. Keating said that Labor's resources tax will collect more revenue than our current oil levy: "The debate about resources taxes doesn't matter much to the motorist at all. What does matter is if, over time, the resources tax does collect more than the levy - and I expect it will."

Mr. Hayden has been just as specific, reminding us last December that his revenue raising programmes were: "Somewhat more radical than had been outlined up to 1972."

He warned us about our taxation future under Labor, when he said: "...I have committed my organisation to a capital gains tax, a resources rental tax, a levy on domestic oil producers, a number of initiatives in the tax area and other measures of that nature."

In what constitutes an elaboration of the "other measures" the Opposition's Spokesman on Economic Affairs has said that it is "wrong" that we do not have "some form of tax on capital, be it death duties, capital gains tax, wealth tax, or perhaps some kind of combination of those, or all three."

We cannot say we have not been warned.

We must thank Mr. Hayden for reminding us that Australia cannot afford the Labor Party.

It is the containment of inflation that has made us competitive at home and abroad; and won for Australian industry a new share in world markets.

Exports last year were up 33%; and this enables us to pay our way internationally.

The recorded improvement in Australia's economic activity is reflected in employment growth. While unemployment is still too high, total employment in May was 194,000 higher than in May last year.

Australia's economic achievements are winning increasing international acceptance.

A recent report made explicit the confidence of British investors in the Australian economy; a confidence which they were reported as having said they could not gain elsewhere; a confidence which, in the words of the report, "was conditional upon the continuation of a Liberal Government."

These investors proclaimed Australia as a country featuring a well managed economy, stable government, and good prospects for the future.

The O.E.C.D., the economic organisation of advanced industrialised countries, has drawn attention to the fact that Australia's growth prospects are very much better than those anticipated for member countries as a whole, and much better than the prospects for the U.S. and the U.K.

It is because of our improved economic health that development of all kinds is being attracted to Australia.

But for this to continue, investors, small and large, must know that this economic environment can be sustained.

They must know that an economic climate exists which makes risk taking worthwhile.

The second challenge that we face is that of responding to the world energy problem, responsibly, and with a sense of Australia's future.

It is a challenge which occupied the attention of the recent economic summit meeting in Venice.

The leaders of the seven major industrialised countries pronounced that the link between economic growth and oil consumption must be broken this decade.

And they stressed that this must be done through maximum reliance on the pricing mechanism.

The summit confirmed that the Australian Government's import parity pricing policy is the right policy: that only by allowing prices to bring supply and demand together can we hope to encourage exploration and development of new energy resources; to moderate the growth in demand for oil; and to facilitate the shift to alternatives to oil-fired energy.

On all these fronts, as a result of our oil parity pricing policy, the Government has secured significant success.

In oil exploration and development:

- . expenditure levels are five times what they were in 1975;
- . during this year 50-60 on-shore wells are likely to be drilled compared with six in 1975;
- . in the last four years one billion barrels of petroleum liquids have been added to Australia's economically recoverable reserves;
- . \$4-5,000 million of investment is about to proceed on the North West Shelf, and
- . Esso/B.H.P. have already announced programmes of \$1.2 billion in Bass Strait.

In conservation:

- . Australian vehicle manufacturers recently announced new targets for fuel efficiency and economy, based on voluntary standards suggested by the Government;
- . this will result in significant reduction in the use of petrol;
- . petrol consumption for May 1980 was 9.8% below that for May 1979.

In promoting the use of alternatives to oil,

- . the extension of natural gas pipelines will result in further savings, for example, the Sydney-Newcastle pipeline due to be completed later this year will save the equivalent of about 3 million barrels of oil a year.
- . In 1979, two million barrels of fuel oil were saved in the Sydney market alone by industrial conversions from oil to natural gas.

Parity pricing is accelerating the development of alternatives to oil.

The massive Rundle shale oil project would not have been contemplated without our internationally competitive parity pricing.

Yet the Rundle project provides that, by about 1990, it would be producing approximately 200,000 barrels per day, equal to about one quarter of Australia's crude oil demands at that time.

Of course, in the short term, oil parity pricing poses difficulties; nobody likes increased prices for petrol.

But in the current world energy situation, it is the height of irresponsibility to talk about cheaper petrol.

With cheaper petrol, industry would be encouraged to postpone new technologies.

Cheaper petrol would make Australia, in the years ahead, a defenceless victim of the key oil exporting countries - beggars for fuel with prices much higher than we now have to pay.

Such a policy of cheaper petrol would be a selfish policy; a policy for today; a policy which ignores the needs of our children.

It would be asking our children to make adjustments in the future, more extreme and much more difficult than are being asked of us today.

And even with parity pricing, our petrol prices of around 32-33¢ per litre in capital cities, still compare more than favourably with New Zealand 45¢ per litre; West Germany 57¢ per litre; Britain 62¢ per litre; Japan 67¢; the Netherlands 67¢; France 73¢; and Italy 77¢ per litre.

Our energy policy is a key part of the Government's overall economic strategy, designed to take full advantage of our energy strength in an energy scarce world.

But not only do we have substantial reserves of energy; we also have great natural resources.

Together, these provide the third challenge that the Government is already successfully facing - the challenge to harness the nation's resources in a co-ordinated and responsible programme of national development.

Almost every day of the week in Australia's financial papers, there are reports of great development taking place in this country.

In mining and manufacturing alone, the May survey of the Department of Industry and Commerce indicates \$29 billion of projects either committed, or in the final feasibility stage.

Over 70% of these projects are energy related.

They include more than \$7 billion in oil and gas exploration and development; and over \$7 billion in coal exploration and development projects.

Australians can look forward to widening export opportunities for our coal.

This is reflected in the massive rise in our exports of black coal and steaming coal that is predicted by the International Energy Agency.

In steaming coal, for example, these are expected to rise from the current level of 6 million tonnes per annum to 34 million tonnes per annum by 1990.

It is because of Australia's abundant coal reserves, and in particular, our potential for cheaper coal-fired energy, that our raw materials and energy are increasingly coming together in a significant programme of mineral processing.

The Industry and Commerce survey shows that almost \$5 billion of aluminium projects are either under way or about to go.

For some time now, it has been the Government's concern that the development challenges of the decade ahead are adequately met.

In order to achieve this, the Commonwealth, at three Loan Council meetings since 1978, authorised the States to proceed with almost \$5 billion worth of projects, designed to provide the facilities for accommodating our expanding development.

These include construction and expansion of ports, coal loaders, electricity generating facilities and pipeline development.

More than \$1.3 billion is scheduled for Victoria, including the massive increase in the capacity of the Loy Yang power station.

This extended capacity, together with Bass Strait development, will make Victoria one of the energy rich States of Australia, a facility which will act as a springboard to further development.

What this activity suggests is that the energy crisis for much of the industrialised world has become an energy opportunity for Australia.

And we are responding positively and successfully to the call for expanded energy and raw material development in a world greatly in need of both.

This presents us with the fourth challenge - to make sure that this development is not just development for its own sake, but that it provides opportunities for as many Australians as possible.

This process is already under way as new job opportunities are being created and Australia's employment growth shows a marked improvement.

These new employment opportunities are not just occurring in the construction and production phases of development.

For development, and the wealth it creates, give direct stimulation to other sectors of the economy - manufacturing, retail, transport, communications, and a whole variety of service industries.

The net result of all this activity is the improved well-being of all Australians.

The Government has a far reaching strategy for making sure that the Australian interest is secured in national development.

It was this Government which established the Foreign Investment Review Board in 1976 to provide advice to the Government on foreign investment proposals.

It enforces specific guidelines which promote Australian participation and partnership in our great resource projects.

The Government's objective is to achieve 50% Australian equity wherever that is possible; and, where possible, a predominance of Australian management.

We need to understand that foreign investment only takes place when companies comply with Australian laws.

All foreign investors have to comply with our normal taxation policies.

They have to comply with the environmental legislation of the States and the Commonwealth.

They have to operate within the framework of the Trade Practices Act; and they have to meet the conditions of the Companies Act.

Just as all these things apply to all Australian corporations.

On these proper terms, it is in our interest to accept foreign capital in partnership with Australian enterprises.

We simply can't develop Australia without it.

We want foreign investment, and we are getting foreign investment.

For without foreign capital, many of our resource projects would not take place because of the limited capacity of our capital markets.

For example, the North West Shelf, by itself a \$4-5,000 million project, would run our capital markets dry if it were to be financed from our own resources alone.

And this would not be in the interest of Australia, or our children, or the security of the nation.

The Government also recognises that there is a clear need to make sure that development has due regard to the maintenance and enhancement of the Australian environment in which it is located.

We have sometimes had to take difficult decisions to protect the environment; just as we have been prepared to take difficult decisions to secure the health of the economy.

This has been proven by our actions in relation to Fraser Island.

The Government promotes and supports development because it believes that the wealth and strength of this country are of vital importance.

The fifth challenge that confronts us as a nation is the challenge to assist the underprivileged, those in need; and the greater the wealth we generate from national development, the greater will be our ability to do this.

Governments have no resources of their own.

When people ask things of Government, they sometimes forget that what we provide has first to be taken from you, and from every other Australian.

Therefore, the more wealth there is in Australia, the more we can create as a people; the better the services; the better the education; the more resources there are for excellence in research; and the greater is our capacity to provide for those who need assistance.

One area where assistance is being provided is in equipping young people with adequate skills to increase their opportunities for employment.

Many of these job opportunities will require a specialised form of training; yet there are many young people in our community who face the risk of unemployment because they do not possess the necessary work skills.

Many of them are products of an education system which for too long has placed too much emphasis on academic qualities.

It has ignored the needs of those whose talents lie in different vocational directions, especially those requiring trade training.

It is the responsibility of Australian schools to develop the qualities and talents of all Australian students; to find something that each student can do well.

I doubt that most of our schools are meeting that standard at this time.

To the extent that they are not, I regard the school system as failing young Australians.

As a result, many are inadequately prepared for the transition from school to work.

The Government accepts a significant obligation to help train these young Australians; to increase their chances of competing successfully for the jobs that are becoming available.

Since we came to office, over 600,000 people have been assisted by our manpower and training programmes.

These initiatives are just part of the Government's concern for those who are disadvantaged and in need of particular help.

In the last five years, while practising stringent government restraint, we have not compromised the proud Liberal tradition of assistance to those in need.

Care for the aged is an important concern of the whole community, as it is of governments.

In significant measures to secure this, the Government has replaced the complex means test for aged people with a fairer and simpler income test.

Apart from the security offered by the automatic indexation of pensions, the standard rate of pensions has reached its highest level in over thirty years as a proportion of average weekly earnings.

We have approved the building of over 500 new self-contained hostel and nursing home projects and have already determined that this programme will continue for the next three years.

These initiatives have been complemented by our concern for the family.

We have introduced family allowances designed to help low income families.

By July 1 this year, the spouse rebate had increased from \$400 to \$800 during our term of office; and the sole parent rebate has risen from \$200 to \$559.

Since we came to office, we have extended the supporting parent's benefit to include supporting fathers.

This represents pioneering assistance to single income families.

The Government is determined that the abilities and aptitudes of people with handicaps should receive wider recognition.

In our first Budget, we introduced triennial funding to enable organisations to provide more certain and effective help for handicapped persons.

Over the last three years, the funds that we have made available through this programme have increased by almost 80% in real terms, over the levels that operated in the three Labor years.

Further sums for capital and recurrent expenditure have already been approved by the Government for the next three years and these will ensure continued expansion of services for disabled people.

These services include the provisions of training centres and sheltered workshops for handicapped adults; day training centres for handicapped children; activity therapy centres; and residential facilities for people who need special accommodation to enable them to engage in normal outside employment.

With these facilities, disadvantaged people are able to demonstrate to themselves and to their own families and communities that they have skills; and that, with these skills, they can contribute usefully to society and to their own self-esteem.

In taxation reform, we have increased the level at which a single taxpayer pays income tax from \$2,519, when we came to office, to \$4,041, today.

For the taxpayer with a dependent spouse, in 1975-76 income tax was paid on all income from \$4,000.

Today, there is a tax-free area for this family up to \$6,542.

In these ways, we have relieved many low income earners from paying any tax; and, as a result, about half a million more Australians now pay no tax at all.

And because of further tax reductions on July 1, all Australian taxpayers are now paying less tax.

All this is only part of the catalogue of Government achievements during the last five years.

These achievements have lifted Australians to a new sense of confidence in our future.

But this brings with it our final challenge in the decade ahead, the need to complement our responsibility in domestic management with a concerned and responsible stance in international affairs.

There is not the slightest doubt that, throughout the 80s, the major problem is going to be coming to terms with the reality of Soviet power, and Soviet attempts to expand their influence.

You all know the Government's position on the Soviet invasion of Afghanistan, which has changed the strategic circumstances in which we live.

As a result, we must increase the general level of defence preparedness and accept a higher real level of defence expenditure.

We must selectively improve our overall operational capability for surveillance and deployments.

In particular, following the invasion of Afghanistan, the Indian Ocean has assumed a greater strategic significance.

We are expanding the facilities at Cockburn Sound; and we have offered the use of these facilities to the U.S.A., if they so wish.

As part of our five-year programme, significant defence decisions have already been made:

- . we have ordered a fourth FFG guided missile frigate, and 75 new tactical fighters will be purchased;
- . all the Orion surveillance aircraft will be equipped to carry the harpoon anti-shipping missile;
- . at a cost of around \$80 million, a second underway replenishment ship will be built to enable our combat units to stay at sea for long and extended periods;
- . and we know we'll have the support of the whole community in expanding the Army Reserve to 30,000 by the middle of next year.

In short, we must be more prepared for the uncertainties of the future.

But this is only part of the story.

Success in meeting the Soviet reality will only come with a clear understanding of what it's all about.

That places a responsibility on government to educate people to the challenges and dangers ahead.

If, in a democracy, political leaders are not prepared to do that; if they seek to move with the popular view rather than argue for the right view, they are not fulfilling their duty and responsibility to their own people.

Many countries share a common perception about the dangers in South West Asia.

What is now new, is that many more countries are also beginning to understand that there are similar dangers in South East Asia.

People are looking at South West Asia and South East Asia as twin parts of the one problem.

Where formerly Europeans and others paid little attention to Kampuchea and its problems, now they are much more concerned about the reality of Soviet influence in Indo-China; and Soviet support for Vietnam's 220,000 troops in Kampuchea; support which is costing the Soviet Union \$3 million a day or \$1,000 million a year.

There is a growing concern around the world about these dangers; a growing understanding that what's happening in Afghanistan and South West Asia is not unrelated to the expanding Soviet influence in Indo-China, and its increasing direct use of major military bases in Vietnam itself.

In recent years, new international initiatives have strengthened aid to refugees.

Since the fall of Saigon in April 1975, nearly one million refugees have fled Vietnam.

More recently, the Vietnamese invasion of Kampuchea in September 1978 has led to the displacement of more than 500,000 Kampucheans to United Nations camps or unofficial camps along the Thai-Kampuchean border.

The Russian invasion of Afghanistan has created refugees in excess of 600,000.

Indeed, the history of events since World War Two, including the Soviet invasions of Hungary, Czechoslovakia, and Afghanistan; and Soviet behaviour in Mozambique, Ethiopia, Somalia and South East Asia; all these demonstrate the influence of Soviet policies on the staggering post war refugee total of 13 million.

No other regime, no other political philosophy, has ever shown such a capacity to create vast movements of refugees.

Such a shameful legacy condemns the Soviet Union, its policies and its actions.

It is the legacy of an alien regime, which seeks to suppress the free will and spirit of men and women; a spirit which has never been, and will not, be suppressed.

In this country, tens upon tens of thousands of people, who have come here, have directly experienced communist suppression, and the extinction of democracy.

The tragedy of the world is that this barbarism continues; that man's infinite capacity to act with inhumanity to his fellow man is not something of the past.

Inhumanity and brutality have occurred all too often in the years since 1945.

We must learn to see the world as it is, not as we would like it to be.

As a wealthy country, we have a duty to do what we can to help.

After the war, a massive refugee movement came to Australia; people who are now helping us to build a better, a greater and a more tolerant nation.

And we will accept a further 20,000 this year, most of whom will come from Indo-China. 40,000 South East Asian refugees have come to Australia since 1975. In assisting refugees from South-East Asia our response is more generous than that of any other Western country in relation to our size.

This is not only a source of pride, but an indication of Australia's sense of international responsibility.

In 1979, the Government recognised the severity of the suffering in Kampuchea and called for special response from Australia.

Since September last year, when the first international appeals for assistance were launched, the Government has pledged and contributed over \$14 million for humanitarian relief.

We also decided to encourage public support for the Kampuchean relief appeal by allowing donations made in 1979-80 to qualify as tax deductions.

This is the first occasion on which any Government has allowed tax deductibility for donations to foreign aid.

Together with the Commonwealth Government, the Australian people have demonstrated their very real concern for the humanity and suffering of people in Indo-China.

And we have been particularly active in seeking to stir other nations to do more to assist refugees from our own part of the world.

Such programmes take into account our responsibility as members of the international community.

This responsibility increases with our recognition that, in a difficult world order, we have much to be thankful for.

Our strong and competitive economy has recharged our national capacity; confirmed our success as a Government.

Now, another election lies before us; of great importance especially for those of us with a deep faith and conviction about the future of Australia; with an idea and an ideal of what we want Australia to become.

What happens to Australia in the 80s matters very much.

We have a particular philosophy in which individual men and women are paramount; a philosophy which recognises that the end of government is not power or authority, but the service of people, their freedom and their dignity; their self-esteem and their capacity to lead rewarding lives.

Your support in the weeks and months ahead is extremely important in the task of securing Australia's future.

Your understanding of our policies; your knowledge of the difficult decisions; your advocacy and your defence of those policies and decisions - all these are vital elements to our continued success.

The Victorian Division of the Liberal Party has a proud record in its contribution to Federal and State Parliament; and in the strength of its unwaivering support in the cause of Liberalism.

In recent times, we have secured significant electoral success.

But elections that lie ahead are always more important than those already won.

Every election needs to be fought with all the strength at our command.

I know the full support of the Victorian Division will be directed to that purpose.

Australia has an unparalleled future.

But one of the things we must never forget as Liberals, is that this future depends totally on our capacity to govern; on the idealism, on the strength and the vitality of the Liberal Party.

We know what Labor did in three years; we know that their capacity for the destruction of our values, and our way of life is infinite.

That places an even greater responsibility on us, as Liberals, to govern fairly, and for all the people of this nation; to see that what we achieve today, improves for our children, the quality of the life they will lead.

Let us accept that challenge and pursue it single-mindedly; with energy, commitment and success.

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