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## PRIME MINISTER

ADDRESS BY THE PRIME MINISTER, MALCOLM FRASER  
TO THE PERTH CHAMBER OF COMMERCE  
MONDAY, 7 DECEMBER, 1981

It is a pleasure to once again visit Western Australia, and a particular pleasure to have this opportunity to address members and guests of the Perth Chamber of Commerce.

The Chamber was founded over ninety years ago so it has existed for longer than the Commonwealth itself, and this is a forceful reminder of what a young nation Australia is, and of our enormous progress in achievement as a nation for we all know that Australia is one of the best countries in the world.

It is through the activities of organisations such as this Chamber that the values that have made Australia what it is have been promoted and preserved - values that place their emphasis on individual initiative, private enterprise and economic freedom. The fact that promotion of these values corresponds to the commercial interests of the Chamber's members in no sense detracts from their support for them, for as Adam Smith pointed out over two hundred years ago, the competitive pursuit of private interests increases the well-being of society as a whole.

Western Australians have a history of strenuous support for economic development and growth, and the economic policies pursued by the Commonwealth Government over the last six years have been designed to create the conditions in which sustainable growth is possible.

Tonight I want to examine the whole question of growth in our economy: its importance to us as a nation; the conditions under which growth can be secured; the achievements we have made in restoring growth in the last few years; the difficulties we face in maintaining that achievement; and the strategy we need to keep going ahead.

Growth is an objective we all support, that we must all continue to strive for, not simply for its own sake but for the sake of the rising real incomes and improvements in living standards it can bring for ourselves and for our children, and for the sake of the capacity it creates for help to be given to less fortunate and genuinely needy people. Sustained growth will not occur just because we want it. It takes the right policies from governments: policies that create the opportunity, and the incentive, for private enterprise to play the leading role in the economy. But it also takes a commitment from people to work for the rewards that are available, and an understanding that all Australians, not just the powerful or the militant, are entitled to share in those rewards.

In the last two years in particular, growth has been restored to the Australian economy. Indeed, in comparison with the rest of the world, the Australian economy has performed remarkably well. While the major OECD economies are expected to have total growth of about 2% over the two calendar years 1980 and 1981, the Australian economy is expected to grow by about 5%. Moreover, while the European Economic Community has seen unemployment rise from an average of 6.0% in 1980 to over 8.0% in August 1981, Australia's unemployment rate for the last 12 months has been lower on a month-on-month basis than in the previous four years, and over 300,000 new jobs have been created in the last two years; and although inflationary pressures have been declining overseas, Australia's inflation rate remains below the OECD average.

The main foundation for our recent outstanding performance lies in the renewed confidence of businessmen to invest in all sectors of the economy. For while real private investment in most other industrial countries is flat or declining, real private business investment in Australia rose by over 21% in 1980/81 - the strongest growth in three decades - and it should rise by a further 10-15% in real terms this year. And since much of that investment will only begin to bear fruit in future years we are not only growing faster than other industrial countries today, we are also laying the basis that should enable us to continue to do so.

If Australia has done comparatively well, Western Australia has done even better. Over the last two years, employment has increased in this State by an average of 3% per annum, leading to a significant fall in the unemployment rate from 7.3% to 5.6%. The substantial level of planned investment in the future should see this reduced further, for of the \$35.5 billion of investment identified by the Department of Industry and Commerce survey as being in the committed or final feasibility stages, Western Australia accounted for \$11.5 billion - over 32% of the total. It is little wonder that there has been a significant net migration from the Eastern States to Western Australia in recent years.

While the growth that we are now experiencing in Australia is shared throughout all sectors of the economy, the development of our abundant resources - especially our oil and non-oil energy resources - is the major driving force. Despite the possibility of more stable energy prices in the next few years, the sharp increase in world energy prices over the 1970's has stimulated an irreversible drive towards substitution of alternative energy sources, and Australia is a major beneficiary of that trend. Indeed, Australia now has a role as one of the few significant energy suppliers to an energy hungry world, a role which will be of great value to the world economy, and to ourselves. Moreover, because of the availability of abundant and relatively cheap energy in Australia, we have a comparative advantage in the establishment or expansion of energy-intensive industries. Many of the projects already under way have a momentum of their own that will see investment in them continue over the next few years, but continued world recession is making businessmen nervous about the future and limiting the cash flow from current exports that provide a major part of the funds for new investments.

Conditions in the world economy pose a threat to Australia's economy - especially to future investment prospects. The longer world recovery is delayed, the more marginal planned projects become and there are signs that recovery is going to be delayed some time yet. The U.S. economy - which in effect represents one third of the industrial world - now appears likely to have little or no growth for several quarters to come. The major European economies are likewise showing only marginal growth at best. While the British economy appears to be finally showing some recovery, Germany is still in recession and unemployment is continuing to rise sharply in most European countries.

The result of the continued recession overseas will be continued depression in commodity prices and a halt to the already miserable growth in world trade. Indeed, the GATT has suggested that the volume of trade will actually decline in 1981 from the level of 1980 and Australia's current account deficit is already showing signs of these influences having an effect. While there are signs that governments in North America and Europe - with the notable exception of France - are at last restraining money supply growth and seeking to reduce Budget deficits in a more realistic endeavour to control inflation and restore private sector confidence, Australia's experience clearly illustrates that it takes time for even the right policies to produce results.

While Australia cannot totally insulate itself from unfavourable world-wide influences, we can meet the challenges that they pose, and keep going ahead. In order to do so, it is important that we have the right policies in place to retain businessmen's confidence in our long-term strength but it is also important that all Australians understand that by their actions, and by their attitudes, hang our growth prospects in the years to come. Of central importance to those prospects is our ability to improve our international competitiveness by improving our productivity and by restraining the growth of our labour costs. Australia's productivity growth in the 1960's and 1970's was only half the OECD average, and as a result our real income growth has lagged behind that of many European countries.

There are many things we need to do to improve our national productivity, and strengthen our growth potential. We need to maintain the stable environment which this Government has established in which private investment, embodying new technology can flourish; and we need to continue to encourage investment from overseas, with the new skills - managerial and technical - that it brings. We need to eliminate imperfections in our apprenticeship and training systems, which are not providing skilled workers in the numbers we require - although I am pleased to learn that a record number of apprentices were in training at June 1981. We need to shift resources into the production of things that Australia does best; and we need to increase competition in the Australian economy in all fields, and eliminate restrictive practices by unions and businesses. Moreover, we need not only to continue to restrain the size of the Government sector, but also to improve its performance. In particular, public enterprises must be run on efficient and commercial lines, subject to competitive pressures wherever possible.

The Commonwealth Government has created a policy environment in which these objectives can be pursued. We have made a number of decisions which are leading to gradual and phased reductions in protection levels for a wide range of products. We have sought to improve the efficiency of Australia's capital markets, and we are presently considering the many recommendations of the Campbell Committee. We have taken steps to return to the private sector a number of activities which rightly belong there, and to reduce the burden of regulation on industry. We have established an inquiry into one of the Commonwealth Government's largest authorities - Telecom - with a view to increasing its efficiency, and creating opportunities for private sector competition, and we are soon to establish an inquiry into the wage fixation system.

The Government is aware that change can be disruptive if it is too dramatic. We want gradual and predictable change, after full consultation and consideration, for we must continually seek to improve Australia's economic performance. I know that some, especially in the manufacturing sector, have found themselves unsettled by a bunching of inquiries that may have an effect on the environment they face. But we are now coming to the end of the progressive series of IAC reviews of assistance to particular industries, and will soon have completed our consideration of the Motor Vehicles Report. By early next year our long-standing commitment to a general reference on protection levels will be met, and the references on export incentives and Budgetary assistance to industry will have been dealt with.

Once those inquiries are completed and considered, industry can look forward, I believe, to a substantial period of stability within which to form their investment plans, and further improve their productivity through their own efforts. If we can raise productivity, we will be better able to protect ourselves from the consequences of depressed markets overseas and we will be able to afford higher real living standards for all Australian families. In the end, however, much depends on the attitudes of individual Australians, of unions, and of management.

If everyone believes that the job of improving productivity is someone else's, or the Government's, if we pretend that Australia's well-being will continue to improve automatically, then we will be walking on dangerous ground indeed. For the world we live in is highly competitive, and countries overseas will not regard themselves as owing any special favours to Australia. We will sink or swim on our own merits, on our own attitudes.

If attitudes are important to productivity growth, they are at least as important to developments in our labour markets. The benefits of improved productivity and growth certainly increase the capacity of the economy to raise real incomes. Indeed in 1980-81, households received an increase in their real disposable incomes, after tax, of nearly \$3 billion. But it needs to be more clearly recognized that continued growth depends on unions not attempting to grab for themselves all of the benefits of current growth. We must share the benefits of growth between consumption and investment - between wages and profits - if we are to enable and encourage further growth in the future, and surely no-one would deny that the genuinely underprivileged and needy also have a legitimate claim to a share of increased national incomes to improve their lot.

It also needs to be better understood that it is important that wage restraint be exercised in all sectors of the economy. For while employers in the large part of the economy that is naturally protected from overseas competition, including the public sector, can relatively easily pass on wage increases in higher prices, those wage increases become pace-setters throughout the workforce and in flowing on to export and import competing sectors they destroy our international competitiveness and undermine business confidence and the incentive to invest.

The current round of wage claims and settlements is proceeding at a brisk pace. The average settlement so far appears to be in the vicinity of 10-12%, covering a significant proportion of wage and salary earners. There are even bigger claims outstanding, flow-ons are expected by other workers, and a national wage case has been foreshadowed for early next year. At the same time, there is continuing pressure for shorter working hours, pressure that appears to be greater in Australia than in other countries.

We are already well-off in Australia in terms of paid holidays, and we cannot afford to cut hours worked further unless our productivity performance improves markedly. We are facing a major assault on Australia's labour costs and international competitiveness an assault which, unless it is checked soon, will compound the problems caused by unfavourable overseas economic conditions.

This is not something which Government alone can bring under control, although we have done what we can. We have put into place appropriate fiscal and monetary policies. We have established regular and fruitful consultations with peak organisations, especially the ACTU. We have given ourselves power to take immediate action against unreasonable industrial activity in the public sector, and have used that power on several occasions to good effect, and we have under consideration legal changes that would likewise strengthen the hand of private sector employers faced with damaging and irresponsible strikes. But it would be a mistake to think that Governments can solve all the problems that exist.

There is an urgent need for employers to take a lead in persuading unions that there is a limit to the economy's capacity to pay, and that excessive wage claims are damaging to growth prospects, and to employment prospects of those without jobs, as well as to those who are already employed. There is an equally urgent need for moderate unionists to use their powers of persuasion and to prevent the minority extremist elements from imposing their irresponsible will on the majority. And there is a need for the Labor Party to play a more responsible and positive role in resisting pressures that have the potential to damage the future for all Australians.

Australia has been described as "the lucky country", and indeed it is. And this State of Western Australia is luckier than most. But good fortune can be wasted, and nothing will lead to it being wasted more quickly than the wrong attitudes.

Growth and prosperity is something we all want - a heritage we owe to our children. For its part, the Commonwealth Government is determined to maintain the policies that have restored private sector confidence, and strengthened our prospects for the future. But ultimately it is in your hands - in the hands of individuals, employers and employees - that Australia's future lies.

All Australians must be prepared to grasp the opportunities we have, to work to earn the rewards, and to be flexible enough to respond to changing market conditions. If the enthusiasm and the energy I invariably find displayed in Western Australia is any guide to Australia's future, we have a bright future indeed.

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