



PRIME MINISTER

FOR MEDIA

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ADDRESS TO THE WESTERN AUSTRALIAN STATE COUNCIL OF THE LIBERAL PARTY

It is always a great pleasure for me to be in Western Australia. Since I last spoke to the Western Australian State Council, Sir Charles Court has retired as Premier. Through his vision and determination, he made an unparalleled contribution to the development and economic growth of Western Australia. He was the driving force behind the kind of development which is now so closely associated with the name of Western Australia. Sir Charles is a great Australian, a great Western Australian and a great Liberal.

I am certain that Ray O'Connor will build on Sir Charles' achievements, and by leading the Liberal Party to victory at the next State election will be able to maintain this State's outstanding record. Mr O'Connor certainly showed a determination to pursue Western Australia's interests at the recent Premiers' Conference and Loan Council meeting.

These meetings were of great importance. The Loan Council meeting was one of the most successful for many years. The Commonwealth's package to the Loan Council gave the States total freedom, and with it, responsibility for deciding their own borrowings and interest rates for electricity supply. This was not only a historic decision, it was a decision which only a Liberal government could have taken. Labor wants to centralise everything in Canberra and would never even contemplate sharing such responsibilities with the States.

The added freedom, as well as the added responsibility and accountability that the States have accepted, will be welcomed by the community. The electricity decision was of particular importance for Western Australia. The Western Australian government will now be able to proceed unencumbered by Loan Council controls with the Dampier to Perth gas pipeline, a project which will provide enormous economic benefits for Western Australians.

The tax sharing issue was obviously vastly difficult, but the Commonwealth proposal means that all States have received significant real increases in their funds for this coming year. It also provides a guarantee that the States which stood to lose, including Western Australia, will receive real increases in their tax sharing funds over the next three years. In 1982/83, Western Australia will get an increase in funds of at least 2% in real terms, and a further real increase of at least 1% is guaranteed in each of the following two years.

A further feature of the Loan Council was the commitment by the Commonwealth to grant \$65 million for welfare housing to the States. Following our housing package, this grant further underlines our commitment to housing, and I was delighted that Mr O'Connor gave it the strong support he did.

Mr President, Western Australia has one of the most dynamic economic records in Australia. This State has been one of Australia's economic locomotives. This record has not been achieved just by luck. It has been made possible by the creation of an economic framework which encourages investment and free enterprise and which recognises the need for responsible economic management, a record which Liberal governments at Federal and State levels have made possible.

These policies are pursued on behalf of the whole community. We are the only political party in Australia which is not encumbered by sectional interests. Above all, unlike the ALP, we are not answerable to a militant trade union leadership. Responsible economic policies over the last few years have enabled Australia to move against the international economic tide and for some time, have enabled our economy to grow and real disposable incomes to rise.

But we need to recognise that world economic conditions have deteriorated in a way that no-one anticipated, and that with this continued deterioration, Australian economic conditions have also changed. Industrial production in the major world economies has been falling, not rising. World trade actually fell last year for the first time in over twenty years. And real interest rates in America and Europe are at historically high levels.

We have been told repeatedly that economic recovery will start soon. I suppose that if someone says that often enough and for long enough they are bound to be right eventually. Personally, I shall believe it when I see it. In the meantime, world recession has really started to hit Australia hard. Its impact can be seen only too clearly by looking at what has happened to our export prices for major commodities.

Between 1979/80 and 1981/82 copper prices have fallen, in constant prices from \$1955 to \$1631 per tonne, iron and steel prices from \$211 to \$163 per tonne, aluminium prices from \$1410 to \$1072 per tonne, beef from \$2267 to \$1609 per tonne and wheat from \$147 to \$138 per tonne.

Yet average earnings increased in real dollar terms over the same period by over \$17 per week. While export earnings have been falling, we have continued to pay ourselves higher wages, continued to give ourselves shorter hours. This is only making Australian industries less competitive internationally and encouraging Australian consumers to buy imports instead of Australian products. That means less profit for Australian firms. It means less incentive to invest and it means fewer jobs.

While all of this has been happening, inflation rates have been falling among our major trading partners. Much of the decline has resulted from the weakness of their economies, and it has brought about much more moderate wage demands. Settlements of 5 or 6 percent are not uncommon and that stands in stark contrast with increases in Australia of between 15 and 20 percent when account is taken of shorter working hours.

All of this has created a situation in Australia of a different order from that prevailing even 12 months ago. Squeezed between rising wage costs, reduced demand and depressed prices as a result of overseas conditions, it is little wonder that firms have reduced their activity levels, started to shed labour and to re-evaluate investment plans. Today the rise in business investment, which had reached a 30 year record just a year ago, has virtually ceased, and while investment remains at a high level it has done so because a substantial number of projects previously started have yet to be brought to completion, substantial new investment decisions are unlikely while world economic conditions remain as they are, and investment is the basis on which Australia's growth, and rising real incomes, ultimately depends.

Clearly, we must do everything we can to minimise the impact of world recession on the Australian economy. We must do everything we can to make sure that Australia is well placed to take advantage of any world upturn when it does come. We cannot prevent world conditions from affecting us but there is much we can do to help ourselves. Certainly this will be very much in the Government's mind, faced, as we are, by circumstances which are both different and difficult.

It is no longer necessarily a matter of the Government making way for private sector activity, for activity is falling, employment prospects are diminishing, and the world recovery that is needed to get the private sector expanding again is not yet in sight.

It is also vital for Australians to realise more fully how important it is to work together to overcome the present difficult economic climate. We need to understand to a much greater extent that as Australians we have complementary interests. That is particularly true in the field of industrial relations, where we must take every opportunity to establish a more co-operative climate. Just a few days ago a task force which included representatives of the ACTU, the seagoing maritime unions, and the Australian shipowners signed a proposal based on the Crawford Report into the Australian shipping industry, designed to improve industrial relations procedures in the shipping industry and to allow Australian ships to compete on similar terms with flag carriers of Australia's major trading partners.

This report, which will now be considered by the Government in the budget context, provides an example of what can be achieved when unions, management and governments are willing to co-operate, willing to work together. The effects of disputes at Australian ports, in particular our coal loading ports, is a lesson to us of what can happen if we do not co-operate with one another.

We are not being seen as a reliable supplier of coal by the Japanese and the South Koreans because our ports are so often in a state of disruption. Now that is partly because not enough has been invested in infrastructure. But it is also because industrial relations are so bad. The problems of coal deliveries from the East coast ports may seem somewhat distant from Western Australia, but the interests of the whole of Australia are involved.

In Korea a few weeks ago, I visited the huge Pohang steel mill, which is producing about nine million tonnes a year of steel using coal from the Eastern States of Australia and iron ore from Western Australia. The same company is going to build a new mill, capable of producing at least as much steel again, but whether coal from the East and iron ore from the West will be used as the source of supply for that new mill depends on whether we can re-establish for Australia's ports a name for reliability.

The Commonwealth Government is working with the governments of Queensland and NSW on the difficulties of the coal industry including the problems at ports. These problems are now too serious to start apportioning blame. We must sit down together and try to find solutions.

The tripartite conference between the ACTU, CAI and the Government last Wednesday was another example of the co-operative spirit that is needed. All parties at that conference recognised that we need to work together because we have common interests. There was a wide measure of agreement about the economic problems facing Australia. A tripartite working party will try to reach agreement on a common statement on the economy to the wage case hearing in August.

Clearly, with resolve, the ACTU, CAI and the Government can work together. This is only a start, but it is a basis on which to help build a better industrial climate. And we must remember that our success as a nation in working together will be critical to Australia's future and the economic prospects of our children.

Mr President, the importance of this State is not only based on its contribution to Australia's economic growth in recent years. Western Australia is of great strategic importance. Australia's West coast is vital to Western interests in the Indian Ocean and a Western presence in the Indian Ocean is vital for the defence of Australia. It is also of great importance as a trade route for Europe, the United States and Japan.

Much of the oil from the Middle East, for example, is shipped through the Indian Ocean to Europe, the US and Japan. The presence of the Soviet Union in that Ocean must be a warning to us all that our freedom and our democratic way of life should not be taken for granted. If we were not prepared to protect our vital interests in the Indian Ocean, then we would be saying we were not prepared to defend our way of life and contribute to our own security.

The sudden eruption of the Falkland Islands dispute reminds us of two lessons. First that military conflict can break out with very little warning. Who would have thought just four months ago that Britain was about to become involved in a war? Secondly, it reminds us that a country without adequate defences demonstrates to the world its lack of commitment to the protection of its territorial integrity and of its people. The Falkland Islands were unprotected. They were invaded. That is a lesson we should not forget.

The Government has an unswerving commitment to a secure Australia, a strong defence force and close co-operation with our allies and friends. Australia's defence spending has been increased substantially. Outlays last year were up by nearly 20%, well above general price increases of between 10 and 11 percent. We are in the middle of a \$6 billion defence re-equipment programme and in the words of the recently retired Chief of the Defence Force Staff, we now have the best equipped and best trained force we have ever had in peace time.

The Government is upgrading our defence deployment in Northern and West Australia through an expansion of the RAAF base at Darwin and possibly at Tindal near Katherine to support the tactical fighter force, which will include the new FA/18s; through the creation of the highly specialised Norforce which

is expanding our surveillance in remote parts of Northern Australia; through increased surveillance over the Indian Ocean with the new Orions, which are the most advanced maritime surveillance aircraft in the world; through progressively modernised communications at North West Cape in co-operation with the United States; through the new patrol boat base at Darwin; and through the creation of the naval base at Cockburn Sound.

We are ensuring that our military aircraft and ships are equipped with the latest, most effective equipment. While we have our own highly trained, professional defence forces, defence co-operation with our friends and allies is also essential and such co-operation has been growing in depth and importance in recent times.

There is the deployment of the B52s. We have joint exercises with Malaysia, Singapore, New Zealand and the United Kingdom under the Five Power Defence Arrangements. Australian Orion aircraft are stationed at Butterworth and the Malaysians co-operate in the operational deployment of these aircraft, and we co-operate in exercises with the United States.

Exercise Freedom Pennant, a joint Australian-United States exercise is to begin this week. This morning I visited the USS Peleliu which is taking part in this exercise, and I would like to take this opportunity to announce that the USS Goldsborough will be visiting ports on Australia's Eastern seaboard later this month.

These defence agreements are at the very heart of Australia's defence policy and security. Today no free country can afford to stand alone in the face of totalitarian regimes openly hostile to our way of life. Even the United States emphasises that it can only guarantee the security of the free world in concert with its traditional allies.

Two and a half weeks ago the ANZUS Council met in Canberra. ANZUS is Australia's vital defence alliance with the United States and New Zealand. That meeting was overshadowed by a most disturbing debate over visits to Australian ports by nuclear armed ships. For years Australia has had a bipartisan policy of support for ANZUS. That unity was destroyed by Mr Cain's and Mr Hayden's announcements opposing the entry into Australian ports of ships carrying nuclear weapons, statements which would have meant that no US, French or British ships could enter our ports.

Mr Cain has continued to declare that nuclear powered or armed ships would never be welcome in Victorian ports. So far as I am aware, Mr Burke has not changed his position of opposition to visits by nuclear armed ships, and Mr Hayden's reversal of his position came in statements which were at all times equivocal.

But it is not only on nuclear ships that the Labor Party has called into question its real commitment to our allies, in particular the United States. Two weeks ago Mr Hayden was reported as repeating his insistence that Australia must be able to veto all US orders "initiating military action" which would pass through the joint communications facilities at North West Cape. That is an astonishing statement - an impossible demand.

The North West Cape is a relay station which helps ensure that information can be transmitted to submarines. The United States must be able to communicate with its submarines without delay or hindrance if it is to respond effectively to an aggressor. Yet Mr Hayden would weaken that ability, thereby undermining the United States' military capability in this region.

Successive Labor Defence Ministers in the Whitlam government accepted the operations of the North West Cape facilities. They recognised there could be no veto. Why then does Mr Hayden now call for a veto? Why does he want to impose conditions which he must know the United States would not accept, conditions which he must know would mean closing down the facility. I can only conclude that it is a pay off to the socialist left of his party.

To close the North West Cape facility would weaken Western defences, it would weaken Australia's defence, it would reduce the effectiveness of America's nuclear deterrent, and it would undermine our relations with the United States.

When we look at the ALP's less than full-blooded support for the American alliance, and at the underlying anti-American sentiment which so often comes out of the ALP, such as Mr Hayden's statement last year that he thought there was "vast concern" in the community about America, we are entitled to ask ourselves whether the reason why the ALP gives its support to ANZUS is simply to avoid losing votes.

An Australian government must have a clear sighted view of its interests, its friends, its obligations and its responsibilities. Because we are remote geographically from major power centres of the Western Alliance, remote from the United States and from Europe, there is all the more reason for us to have alliances which are firm.

It would be an irresponsible, potentially catastrophic folly to isolate ourselves from those alliances which help to guarantee our security. Without allies Australia during the Second World War would have been impossible to defend. This year we have celebrated the 40th anniversary of the Battle of the Coral Sea, a battle fought and won by the American Navy, a battle which was critical to Australia's defence.

That anniversary should remind us all that we cannot do without strong defence and close and reliable allies. And it reminds us that our alliances must be kept in good order. I can understand and I share the concern of people, especially young people, about the dangers of war. The peace marches in Europe and America have shown how great those concerns are, and although there is an element of Soviet manipulation and exploitation behind these marches, I also have no doubt many of those who have taken part in those marches have been completely sincere in their actions.

I made both these points in a recent speech in New York, although the second one was not reported at all. It is easy to say that experience tells us that the only way to maintain peace is if potential enemies can see that aggression does not pay. But whole generations have grown up without any experience of the circumstances of the last World War, with little knowledge of the underlying reasons for NATO, ANZUS, and the whole Western Alliance.

I believe that we have an obligation to present these arguments and reasons to those who have not lived through a global conflict. Not in terms of weapons and military arrangements, but in terms of preservation of the liberal democratic way of life, governed by respect for law.

And I am confident that when the arguments in support of our alliances and of resistance to aggression are presented in these terms, then young people will be convinced by them.

I have spoken today about two principal issues which are so vital to us all - the economy and defence. They are issues which underline the differences between the Liberal Party and the ALP. Labor wants to abandon responsible economic policies. Their alternative policies will give no real assistance in coping with a sustained world downturn, and they would certainly mean that we would not be in a position to take advantage of any upturn.

Whenever Labor has been in power it has abandoned responsible economic policies - that has happened in New South Wales where even with a 17.2 percent increase in Commonwealth grants, Mr Wran has had to put up State charges and taxes by in excess of \$350 million. Labor left the Tasmanian economy in a total mess, and David Tonkin in South Australia has had to battle to restore his State's economy after ten years of Labor mismanagement.

Labor has little enthusiasm for our international alliances, in particular our vital alliance with the United States. One doesn't have to go back to the Labor government to be reminded of how disastrous Labor's policies are. Last week's ALP conference has shown us that in six and a half years of opposition, the ALP has learnt nothing.

As Liberals we know the road forward will not be an easy one. But we also know that we can confront its challenges with responsibility, determination, courage and success.