



EMBARGO: 9.00pm

PRIME MINISTER

FOR MEDIA

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ADDRESS TO THE MELBOURNE CHAMBER OF COMMERCE

The Budget responds to the needs of the times. It responds to the economic difficulties which face us as a nation; it responds to the particular needs and difficulties of individual Australians, particularly those hardest hit by the economic downturn; and it does so within the broad strategy of a disciplined, responsible and responsive approach to fiscal and monetary policy that has been the continuing hallmark of the Government's economic policies.

Over the past year, economic conditions facing Australia have deteriorated sharply. A major factor in this has been the severe recession affecting the whole of the world economy. The impact on Australia has been felt through the reduced demand for our exports, and the lower prices received by Australian producers. As a result, there has also been a scaling back of planned investment in resource-based projects, and investment projects have been further hit by high real interest rates, affecting activity and employment in many industries including housing and construction, and seriously affecting home-buyers and the prospects for home ownership.

The impact on Australia of those external factors has been greatly worsened by unsustainable increases in wages and salaries over the last year. Wage increases have been significantly above the increase in consumer prices, and have occurred at a time when the rate of increase of costs and prices has come down in most other countries. Our international competitiveness has consequently slipped substantially, and the effects of the world recession on us have been made worse. Our import-competing industries have come under pressure as well as export industries, and the slowdown has become evident throughout the economy.

In these circumstances we clearly needed a Budget which would both help minimise the effects of the world recession on the Australian economy, and prepare us to take full advantage of recovery when it eventually comes. We needed a Budget which achieved a balance between a positive response to the difficulties facing Australians, and a responsible approach to economic management.

The Government decided that a modest domestic Budget surplus of about \$200 million would strike the right balance. It will provide the Government with the capacity to help those in need, while maintaining a firm anti-inflationary stance of policy overall. To expand the Budget deficit by too much would cause severe difficulties for our economy.

The socialist approach pursued by President Mitterand of France until very recently shows what a total disaster a major increase in the Budget deficit would be. The Mitterand formula was to increase dramatically government expenditure in the hope that by doing so economic activity will be stimulated in spite of inflationary pressures. As a result, at a time of falling inflation rates in Europe, France's inflation rate has risen to about 14%; its GDP has contracted, not expanded, as was supposed to have happened; unemployment has risen to about 9% and employment fallen; France now has a record trade deficit; and by the end of 1982, a small public sector surplus may have turned into a deficit equal to 4% of GDP.

On 13 June his Government announced a turnaround, and strict budgetary controls have been introduced, and it is disturbing that there are people and parties in Australia still praising the Mitterand line long after Mitterand has abandoned Mitterand.

The Government has always rejected that approach. Our objective within the constraints of responsible economic management, has been to help those Australians who are being hit by the recession, while also helping the economy itself. I want to comment on how the Budget addresses the difficulties of three areas of Australian society: families; businesses; and various groups with specific and pressing needs.

Australian families will benefit in a major way from an integrated package of measures. The tax cuts are large, and of major significance. The tax free threshold has been raised \$400; the standard tax rate has been reduced to 30 cents in the dollar; and the level at which the 46% tax rate applies has been raised. The new tax rebates for all home mortgage interest over 10%, the large increase in family allowances and the \$200 per annum increase in spouse rebate where there is a dependent child, all work in combination to make the vast majority of Australian families much better off.

A typical single-income family on \$300 a week, with two children and a mortgage to pay off will be about \$18 per week better off, taking into account increases in indirect taxes. For low income families, there will also be the far-sighted new family income supplement of \$10 per week per child. This supplement will give greatly needed assistance and also provide an incentive to work to some people whose families would otherwise be better off on unemployment benefits. Obviously the needs of different families vary, and together the Budget measures will greatly improve the position of Australian families.

For businesses, the Budget builds on the package of measures announced on 19 July in the Government's response to three major IAC Reports. That package was designed to support the efforts of Australian industry to restore its competitiveness, and to build itself up for the future through more generous depreciation provisions, including an extension of depreciation allowances to all new non-residential income producing buildings; through a continuation of Industrial Research and Development Scheme; and through a strengthening of the Export Market Development Scheme.

A variety of measures in the Budget will complement the incentives provided in that package, particularly while we await an improvement in general economic conditions. Business will benefit, from the stimulus to activity and employment that will flow from the substantial increase in capital works spending, including a 68% expenditure increase in 1982/83 Budget finance for the civil works program. For example, new and ongoing aviation civil works construction will involve an expenditure of \$151 million in 1982/83; \$83 million will be provided as capital funding for aged or disabled persons' accommodation; the new bicentennial roads programs will add a further \$150 million to roads expenditure in 1982/83 in addition to the \$734 million provided under the existing roads program; and direct funding by the Commonwealth of welfare housing will rise by 27% to some \$333 million.

The new wider tax rebate for housing should provide welcome stimulus to the building industry and related manufacturers, and the personal tax reductions in the Budget will put about \$1,500 million back into consumers' pockets in 1982/83, much of which will generate increased spending and activity. Some of the tax reforms in the Budget will directly assist Australian businesses, including small businesses: in particular the further increase from 70% to 80% in the retention allowance for private companies, which meets a 1980 election commitment, will give a full year benefit of \$30 million to small business.

Moreover, the Government proposes to introduce measures to allow losses suffered by one company in a group with 100% common ownership to be offset against taxable income of other companies in the group, thus removing a disadvantage of company groups vis-a-vis integrated companies. We all know that unless private enterprise is in good shape, Australia suffers as a whole, and the Government is committed to doing everything it can to provide the framework and encouragement in which business can flourish. The Budget also gives valuable assistance to a number of other groups in the community.

There are major measures for young people. All student allowances have been increased, the secondary allowance scheme means test has been eased greatly and a 20% increase in the SAS will assist many low income families to maintain children in education, and thus

get vital skills. There are significant increases in training opportunities. Young people will also benefit from the 21% increase in employment and training programs, which will assist 252,000 people all up. There will be 74,000 new approvals for work experience in 1982/1983, 22,000 more than last year, and 111,000 apprentices will be assisted under the CRAFT scheme, and this is an increase of 12,000 on last year's record.

There are also new measures for pensioners. The new \$250 pensioner rebate means that pensioners pay no tax up to a threshold of \$5429 pa and the rebate is then progressively phased out; supplementary rental assistance for pensioners will be increased by a further \$2 to \$10 per week; single pensioners will be able to earn \$10 more per week without any reduction in their pensions; and pensioner couples \$14.50 more; and the income limits for receiving fringe benefits, including pensioner health benefits, will be lifted by over 30%.

In these and many other ways, the Budget assists in meeting the difficulties faced by Australians during the economic downturn. But the initiatives contained in the Budget are not limited to measures that address current problems, there are important, visionary initiatives that build for the future in a direct way.

The Australian Bicentennial Road Development Program is designed to bring a national roads system to acceptable standards by 1988, to assist the development of major urban and rural arterial roads, and where desired by the states, to assist with approved urban public transport projects, to accelerate construction of current development road projects, including roads of national tourism importance, and to enable local governments to upgrade their road systems by 1988.

This bicentennial program will help improve Australia's transport and communications system. It will therefore benefit our agricultural, manufacturing, mining and tourism industries as well as giving a significant boost to the construction industry and to local governments.

The program will involve total expenditure about \$2½ billion over 6 years financed by special surcharge on petrol and diesel excise and this surcharge will be paid into a trust fund from which payments will be made only for the program.

Another important Budget innovation is the encouragement to small investors by allowing relief from so-called double taxation of dividends through a rebate at the standard rate of tax on up to \$1,000 of dividend income, at a cost of \$75 million in a full year. The incentive provided for employee share participation schemes by freeing employees from tax on benefits arising from the price at which shares are issued under approved schemes is also welcome. This concession should encourage schemes that will create among employees a greater feeling of sharing in the fortune of their companies and help improve productivity and industrial relations.

One of the most significant overall elements of the Budget is that it establishes a real basis for co-operation and working together. It provides for reasoned discussion about the claims of different groups in the framework of what is best for Australia as a whole. It is a Budget for all Australians, and by improving the position of the whole community through tax cuts, improved benefits and new incentives, the Budget demonstrates the Government's strong commitment to encouraging all Australians to work together to minimise the impact of the world economic recession and to ensure we are all able to take advantage of the world economic recovery when it finally comes.

To achieve these objectives, which all Australians share it is vital that we build on the basis established in the Budget a moderate and sustainable approach to wages in this country. Wage restraint has never been more critical to our future. There have recently been some important and welcome wage decisions. The Government accepted salary recommendations well below the current inflation rate for Parliamentarians and senior public servants, and it was encouraging that the Academic Salaries Tribunal made similar recommendations.

An important example to the community has been set by these actions, and I have written to a number of companies, to State Premiers and to the ACTU and the CAI explaining the importance of these decisions. Some major companies have announced a freeze or very small salary increases, and leading people in the trade union movement including the President and the Secretary of the ACTU have both spoken out strongly in support of wage moderation. Mr Dolan, the President of the ACTU, was reported last week as saying that more people would have to accept less pay to keep their jobs. All of this happened before the Budget and there is all the more reason for responsible wage decisions to be made after the Budget, and in the light of its contribution to people's disposable income.

The Budget provides a very great stimulus to the groundswell of support for co-operation, for working together, which has been growing throughout the community in recent times. It is through this spirit of working together combined with sound government policies based on a realistic attitude to Australia's situation that we can maintain the underlying strength of our economy. We must keep building on recent successes in co-operation which have been significant. The Tripartite Conference showed an important measure of agreement that excessive wage increases would throw more people out of work. The co-operation between unions, management and governments, based on the Crawford Report, to make shipping flow more smoothly through our ports shows a willingness to face up to the reality of Australia's situation. So does the fact that governments, both State and Federal, have been getting together with the coal industry to solve the problems which have plagued that industry and threatened Australia's reputation for reliability.

These issues are far too important for anyone to go around pointing the bone at different people or groups, we need to face difficulties together, and avoid conflicts. I really think that some of the things that have been said in the last few days by the Victorian Government about drought relief are a typical example of the kind of conflict that ought to be avoided. The Commonwealth contributes enormously to drought relief. Australia-wide Commonwealth assistance over the last two years has been \$100 million. There are well-established arrangements in place for Commonwealth-State co-operation in drought relief which have worked for many years to the benefit of our farmers, and I hate the thought that farmers should be made into pawns in a dispute which is totally unnecessary because of the perfectly satisfactory arrangements which allow governments to deal co-operatively with drought. If we are to keep building Australia up, and take advantage of all our opportunities and strengths we must all pull together. Everybody knows this and the track ahead of us as a nation is to act upon that knowledge more and more so that we can give reality to the kind of Australia we want for our children.