



PRIME MINISTER

FOR MEDIA

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ADDRESS TO NSW STATE COUNCIL

The Liberal Party has an enormous responsibility to Australia. It is the only nationwide Party which is concerned to represent all Australians no matter where they are, where they live, or what they do. The strength and the experience of the Liberal Party over the decade has meant an enormous amount to this country and to the living standards of Australian families. The growth in living standards, the growth in the standards of our homes and what is in those homes has come about through the Liberal years, through the policies that we have created which has enabled the talent, the initiative of individual Australians to be unleashed so they can build a better and a greater continent.

The importance of the NSW division to the Liberal Party to the Federal Government in Canberra, to the strength of that Government, to the strength of the private members is enormous indeed. There had been problems since the loss of Government in this state, I know, but in recent months and the last year or two this division has made enormous strides. I would like to thank all of those that worked so hard in the last two months to overcome one or two financial problems to get all that behind and to enable the division to prepare for further victories in the Federal sphere and to get rid of the worst State Government that NSW has experienced.

A remarkable change has occurred because if I had made that last comment three or four years ago, you I suspect would have said, "Why am I being nasty to poor Neville Wran, isn't he rather nice, doesn't he look good on television". Well I think it is demonstrated that we need a little bit more than looking good on television or being rather nice when he is met in terms of government because he has done damage to Australia and he has done great damage to this State. When a Liberal Government returns to NSW it will take a long while to put it right.

It is no secret that we live in a difficult world. The price of our export commodities has fallen very significantly over the last 18 months. In six of the seven major world economies there have been reductions in industrial production through the last year. World trade is down, world trade is down compared to earlier occasions. We need to remember that a growing world trade is vital to a country like Australia because so much

depends upon our capacity to sell to the markets of the world. About 30% of our gross national product is dependent upon trade and so what happens overseas is of enormous consequence to us. But because we do live in a difficult world, having a Liberal government is all the more important than it has ever been.

The world recession has been worse I think than anyone expected. There have been one or two optimistic signs in the United States over recent weeks, but people have predicted a world upturn so often in the last two to three years that I am not going to join their ranks. When it actually happens, that will be good enough. We need to understand at the moment that in the United States their steel and motor industries are operating at half capacity, but unemployment in the advanced industrial countries totals over 30 million. To indicate the extent of this problem, if I had asked or any of you had asked one of the world leaders ten or twelve years ago to what levels do you think unemployment might rise in the United States or in Europe? Will it ever get to 30 million? They would have had an answer, no that is not possible because we know how to run our countries better than that and we will take the necessary remedial action. I sometimes wonder how high unemployment is going to get in Europe. It is nearly 14% in Britain, it is 10% in the United States, it is about 12% in France before they will start to do some of the things which are necessary to get world trade moving again. The fact is that there is a problem of very significant proportions and it affects us greatly.

It is not only a question of what has happened in the wider world. Because of the recession overseas, they over the last 18 months have been achieving wage settlements of 5% or 6% and in Australia last year 15 to 20% and shorter hours on top of that. So we damaged Australian competitiveness by trying to pay ourselves more and work less at the very time when we should have been doing the reverse.

In this total situation we obviously had a very difficult Budget to frame. It would have been possible to have a hair shirt approach for some purist economists and end up with an overall Budget surplus of about \$1500 million, but it would have been a very harsh Budget and it would not have taken account of the needs of Australians in 1982-83. The Government in framing a Budget has got to look not only at the questions of economic responsibility, as we always will, but we also have to look at the needs of Australians and Australian families and do what we can to lighten hardship and difficulty when that is present within this Australian nation.

I believe that the Budget comes out with the right balance between economic responsibility and providing help where help is needed, in maintaining responsible management. We have a domestic surplus of \$200 million, an overall Budget deficit of about 1% and I think if the United States had an overall Budget deficit of 1% instead of something very, very much higher than that, I would then say the world would be coming out of its economic problems. I think many other observers around the world would be saying the same thing. Being able to

maintain budget deficits as low as we have and as a consequence to maintain unemployment at significantly lower levels than many countries overseas is one of the achievements of the present Government.

It is worth having a look for a moment at what Mr Hayden said in response to John Howard's Budget speech. I ought to congratulate the Melbourne Age on having an entirely dispassionate editorial on the consequences. If there had been an early election call I wonder if they would have had the same dispassionate editorial. Mr Hayden said he was prepared to have a Budget deficit of about \$3½ million, that he thought he had \$1.7 billion to play with, that he promised, as one would expect, increased spending of many different kinds in many different ways. He also promised what he called genuine and effective tax cuts, but the equation that he put down just does not balance because if you try and put the figures on it, he had a billion dollars on a job creation program, much more on capital housing and capital works and in the end he would have had enough left for tax cuts to take a further quarter cent off the basic standard tax rate or maybe make a few dollars difference to the lower threshold. Then he would have had a deficit of \$4½ billion or \$5 billion. That is about where Bill Hayden went out when he had a deficit of about 3% to 5% of GDP and that is what he proposes now.

Mr Hawke was more honest because last Sunday he praised all those countries with high deficits and made it quite plain that he thought it was reasonable to do the same thing. That would be the Labor Party all over again. It is not only the Liberal Party that needs to remember this. We need to remind businesses and people and individuals that in their free-spending, they are squandering of resources, the earnings of the Australian people. We must make sure that the Australian people never forget that that is the basic characteristic of the Australian Labor Party.

There are many aspects of the Budget which we in the Liberal Party need to sell and sell and sell again because I think very often over recent years we have done some things which have been reasonable, and maybe good, but quite often people don't understand what we have in fact done. When there is a Budget it has many advantages to many different groups throughout Australia, that it is incumbent on me and John Carrick and John Howard and my colleagues here, but also on all of us to see that we understand what is in the Budget so that it can be sold to people who so directly involved in the fortunes of the Liberal Party and of the Government. The tax cuts this year total about \$1½ billion; there is significant support for homebuyers and a rebate on interest; there is significant more housing funds; the family allowances for the first two children have been increased by 50% bringing over the last two Budgets the total increase of 50% for all children. The buying power of somebody on a bit less than average weekly earnings, a single income family with two children is about \$17 to \$18 a week better off.

There is a very interesting and a very useful newsletter put out by Eric Risstrom and everyone knows of his independence. I thought there was a beautiful sentence at the Financial Review Budget lunch last week when I spoke about the Budget. In asking a question Eric Risstrom prefaced it by saying, "I just want to say it is a damn good Budget". From Eric Risstrom I thought that was high praise indeed. His newsletter confirms the figures that were in the Budget, that we have put out about the increased buying power available to Australian families and he refutes totally the Hayden mythology that families are not \$17 or \$18 better, they are only \$2 or \$3 a week better off.

It is not only in that area that we have shown concern. Student allowances are up very considerably. The secondary allowance, to try and encourage low income families to keep their kids in the last two years of secondary schooling or to persuade them to go on to some other form of training is up by 44%. There are more funds for technical and further education, more funds for School to Work Transition Programs to help young Australians in a difficult period, very much larger funds in the programs under Ian Macphree's control to assist in the training and placement of significantly more people through this coming year. It will assist something like a quarter of a million people through the year.

One of the things that we need to watch are the statements of our opponents who show no regard for the truth whatever and if I could just offer a suggestion, the ones who say they are always honest, always speak the truth, they are the ones to watch all the more closely because an honest man never needed to profess his honesty or to claim it, he took it for granted and so did his audience. Mr Hawke said that the training programs represent a 38% decrease in real expenditures at a time when there is a 50% increase in the problem. He said a 38% decrease. I had my Department do me a note on these particular matters and my Department pointed out that there is a 48% increase in real terms. Mr Hawke if he had done any sums at all, would have known that full well. That shows the measure of our concern in this particular area.

There are significant improvements for pensioners and for pensioners with some income of their own, the new tax rebate to lighten the burden especially on pensioner groups. For business, a little more than \$1 billion is provided for industry assistance for the first time in Australia. What we have done is build on the package of 19 July, when instead of having equipment depreciated over the life of plant which might be 10, 15 or 20 years, it will be depreciated over 3 or 5 years, giving Australian industry a much better opportunity to compete on fair and equal terms with their counterparts in other countries.

There are special advantages in this Budget for smaller businesses and there is the housing tax relief, personal tax cuts and the significant stimulus for public works will also affect businesses beneficially in a very real way. The retention

allowance which all small businesses will understand has been extended by a further 10% meeting an election commitment from the last election to 80%. That again, provides about \$30 million extra over the course of a full year.

But in addition to these measures, which you in a sense might regard as routine, or routine adjustments, important even though they are, there are some initiatives contained within this Budget which look very much to the future. There are some initiatives which are visionary in terms of establishing a fair and equal Australia and in building this nation for the future. This Government introduced the system of family allowances, much fairer for low income families than the system that has prevailed before, and we have built on that. We have introduced a family income supplement to support especially the lowest working income families throughout Australia. We had had a situation for quite some time where people on welfare, and supported totally on welfare, with a wife and two kids for example, would be better off than some working families in the lowest paid jobs. Through the new system that is being introduced by the Government, recommended by Fred Chaney, the family income supplement, we will be able to say to all Australians, "If you are working even in the lowest paid jobs, you will be better off than on welfare" and I think it is very important to be able to say that.

The Australian Bicentenary Road Development Program which will cost about \$2½ billion over six years, financed by a cent on diesel and a cent on petrol this year, and 2¢ thereafter, will establish a much better road network, much better national highways, arterial roads. It will be of assistance to local governments, they will have additional funds to spend and significant funds will also be available for urban arterial roads and public transport. It will establish fairer competition between transport and railways. It gives us something to look forward to, something that we can watch as the road networks grow and improve leading to much better communications, lower transport costs, and we all hope, much less road accidents.

The decision to change the tax laws to encourage employee share participation schemes is something which we of our philosophy I am sure would want to support strongly. The dividend tax relief, so that there won't be double taxation of dividends for small investors, will also complement that particular reform. In addition to that we are pressing on with measures of tax avoidance and tax evasion and as a mark of the success that the Government, John Howard in particular, has had in this area, two things ought to be noted. For the first time in many, many years the Tax Commissioner feels it is unnecessary to depreciate the revenue estimates on account of tax evasion. That is a significant measure of the success of the policies we have in place. In addition to that, about \$800 million in additional revenue will be coming in this year, and a fair amount next year, as a result of measures which we either have in place or will be put into place. That again is a measure of the success of the Government in these areas.

It ought to be noted that in real terms total tax is only increasing by about .3% or \$80 to \$90 million and if it was not for the additional collection as a result of the tax avoidance measures, there would in fact be a real reduction in taxation revenue through 1982-83. That again indicates the extent the tax reforms and tax changes in the income area that are being introduced.

We should never forget that tax evasion had its genesis under Labor. Frank Crean as a Labor Treasurer pointed to the current scheme and said what it was doing and how bad it was, but then neither he nor Jim Cairns nor the present Leader of the Opposition did anything about it when they had the opportunity through three somewhat awkward and difficult years of government. It was the encouragement given to the promoters and all the rest as a result of their failure to act that began the industry and led to the situation that we have had to grapple with ever since. John Howard has done more in this particular area than all the other Treasurers in the whole history of Australia and deserves the fullest and most total support for what he is doing.

I am glad to be able to say that the Federal Executive of the Liberal Party with all the state presidents today, unanimously supported a very strongly worded press statement giving the fullest possible support to the policies, the intentions, the objectives, the determination of the Government. That was a unanimous decision and I hope that put some particular views to rest.

The Costigan Royal Commission, we should not forget, was appointed by the Federal Government and an earlier Liberal Government in Victoria. As a result of that Royal Commission, we over recent days, have announced the most vigorous, far sighted and I am sure they will be effective measures against tax evasion and tax avoidance. A special prosecutor is going to be established in relation to bottom of the harbour schemes, examination of the Crown Solicitor's Office by the Law Council of NSW and a number of other matters. We are pursuing our responsibility with very great and extensive vigour.

There is another aspect of these reports which the press has largely ignored. Maybe they are suggesting that those aspects are not important, that they do not merit attention. I would like to read one or two things which Mr Costigan has to say about the Painters and Dockers' Union. "In Victoria the Union is under the control of hardened criminals. There has been some 15 murders that took place between '70 and '79. The two worst years were 1971 when three murders took place and 1979 when four took place. Federal Secretary Gordon told the Sweeney Royal Commission we catch and kill our own." I think that is a sentence which is difficult for Australians to comprehend. It is the kind of statement that you might have thought was believable in relation to the mafia in what used to happen in Chicago in the 1920s and we have had the view that kind of thing does not happen in Australia, but the cold blooded meaning

of the words, "we catch and kill our own", is the philosophy of that union as Mr Costigan so aptly described. Their answer he says to any interference with their activities is not to use the processes of the law, but rather threats, violence and intimidation. He says no community can tolerate a group within it that regards the taking of a man's life as permissible provided he belongs to that group." He goes on, "in this way the Painters and Dockers have assumed for themselves a position outside the law and have maintained that position by violence."

That in summary is the kind of conclusion that Mr Costigan comes to. It indicates the nature of criminality within that union and that is a grave and serious challenge for the Victorian police. It is a grave and serious challenge for the Victorian Government. I suggested to Mr Cain that he should pursue those matters with the same vigour as we are considering in relation to tax avoidance and tax evasion and I would like to see some evidence that he is prepared to do so.

I think it is worth noting that the Painters and Dockers' Union in three or four states and certainly in Victoria is affiliated with the Australian Labor Party. That means representatives of that union go along to the state conference and participate in the making of Labor policy. That means that union has a direct impact through the state conference, on their state executive and through them on their Federal policies. Senator Georges confessed that he was a member of that particular union. I can only say that if there were a body with that kind of record affiliated with any part of the Liberal Party, I would have asked, requested, demanded that the affiliation be cancelled forthwith on the basis of the kind of evidence has put forward. I wonder if the Australian Labor Party will have the same concern for its affiliates as indeed it ought to have.

I think it is worthwhile perhaps saying something for a moment about the Liberal Party because a lot has been written in the press about what people said in Western Australia. However much John Howard or I or other members of the Government might condemn tax evasion and tax avoidance, I think it is a great pity that there is anyone, and I do not know if there is, if there is anyone with any connection with this Party that has any relationship with those particular practices because this is a Party that governs for average Australians. It is not a Party that governs for those with large fortunes. Those who practice bottom of the harbour schemes, tax evasion of a kind that has come to notice in recent years corrupts this society even more than the unions such as the Builders Labourers' Federation with their activities because they destroy the faith of average Australians in the system of which they are a part. They destroy the faith of average Australians in the sense of fairness and justice in the country which they love and hold dear. We are the custodians of that faith. We in the Liberal Party are the custodians of that justice and we have to see that there is justice and fairness for all Australians and we also have to see that people who have profited by the

illicit and proper practice of these schemes, pay the taxes that are due to the Commonwealth. I said that at a Financial Review lunch and I think there was far, far more support than not last Friday. The people who have benefited from bottom of the harbour schemes are in fact in receipt of stolen funds. Maybe you want to say stolen from the generality of taxpayers or stolen from the Commonwealth makes not much difference. That happens to be the fact of the matter and we in the Liberal Party need to have a very clear view of what it is all about and the damage that that does in the basis of this society.

I have not any doubt that in future years, the Liberal Party in terms of keeping with its basic philosophies, in terms of governing as it will always claim and as it always has in the widest interest of the great body of Australians wherever they may be, will be judged by the effectiveness with which we grapple, deal with and eradicate this particular problem from the body of Australian society.

If the present Budget is to be remembered for any particular thing, one could have said for support for families, for its tax cuts, for its innovations in welfare, but if it is to be remembered for any particular thing, I would like to suggest that there is one other that is more important. I believe the Budget establishes the basis for working to together, for Australians recognising that there are basic and severe problems within this society, but if we in the Federal Government are going to say it is all Mr Wran's fault, or it is all Mr Cain's fault, or all the unions' fault, then you leave divisions within the society and make it harder for Australians to work together and the real point of the present situation is that unless we do work together, states and Commonwealth, unions and management then we won't overcome the difficulties we face, there will be more problems, greater hardship and more unemployed. I believe one of the great wishes, yearnings through the body politic at the present time is to see people in position of authority whether it is in government or in unions or in management exhibiting not only a desire but a capacity to work together in the interests of all Australians.

I think you would have seen some of the statements by Mr Dolan in relation to the Budget, and I don't want to encroach into Ian Macphee's area, except to make just one point. The newspapers all picked up the critical things he had to say about the Budget and they are affiliated with the Labor Party. I suppose they had to say some critical things. But in that critical statement there was still one sentence of great significance and tax cuts and the social welfare changes announced in the Budget create the conditions for wage restraint in 1982-83. That was the kind of statement that we wanted to hear and sometimes it is necessary to cut through the froth and the bubble to try and get down to the substance of what is happening. I believe that Ian will be able to achieve wage restraint with the relationships he has established and with the basis of the Budget to work upon but certainly it is going to be vastly important to Australia and for the success of this country in the coming period to achieve that.

I believe that it is only the Liberal Party that can establish the circumstances in which all Australians can work together and again, that emphasises the responsibility we have to all Australians. The Liberal responsibility to NSW and to Australia is great indeed. Together we can build a better, a greater and a more just society. Working together we can build a better life for all Australians and working together we can, in what later might appear to be a relatively short time or perhaps a bad dream for a few months or a year or so, get through this difficult period ahead of us much, much better than under any other circumstances.

I would like to thank you all for being here tonight, but in particular I would like to thank you all for the magnificent support that you have given the Federal Government over the years and for the magnificent team that you have sent to join in the Federal Government in Canberra.

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