



# PRIME MINISTER

FOR MEDIA

MONDAY, 13 SEPTEMBER 1982

## ADDRESS TO 8TH NATIONAL AUSTRALIAN RETAILERS CONVENTION

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The retail industry makes a very significant contribution to the Australian economy, to a significant part of our Gross National Product, to a significant part of Australia's employment, but while there are some large firms in the industry there is also a large part of the industry that is composed of small retailers employing relatively few people.

The industry in recent years has gone through some difficult and competitive times although I am told that everyone is friendly this morning - once the convention is over normal competition takes over again. There has been a good deal of rationalisation within the industry and it is in an industry also that has been affected as many others are by the introduction of new technology. Changing and changing with the times is part of a dynamic society and if the retailing industry or a retailing firm or the nation, ever becomes complacent and decides we can stand still, that they have done well enough, then that is the moment that that firm or the nation will start to move backwards. There is a real need always to look to the future to the challenges of the future, you can grasp it, exploit and develop it and to capitalise on it.

Obviously your industry together other industries in Australia are affected by the current economic circumstances and they are not the best that we could wish for. The world recession over the last 8 or 9 months has started to hit Australia hard, it has gone on longer than anyone envisaged or believed, but one of the remarkable things about it is that up to the end of 1981 Australia had been able to move against the tide so far as the world recession was concerned. This economy had been growing strongly, sales and many parts of your industry had been growing strongly and employment had grown strongly in the three years to December 1981. Then, continuing recession and dramatically significant falls in the price of our major export commodities started to have an impact on what we were doing in Australia.

The seven major economies have recorded falls in industrial production over the last twelve months and trade has recorded falls over the last year or so for the first time in more than 20 years. In the circumstances, it is obvious that there are going to be difficulties for many traders and for industries.

The sharpest and clearest reminder of the difficulties of the world trading situation at the present time is in my own electorate because Alcoa were building one of the biggest, best most modern aluminium smelters and not one tonne of that aluminium was going to supply the Australian market, it was all going to markets overseas. Then having spent some hundreds of millions of dollars, Alcoa suddenly realised they didn't have a market for a single tonne of that aluminium. Then they found that they couldn't get any partners to help them to continue to build up the smelter, and since they didn't have a market, that is not altogether surprising. Then they found they didn't have enough money to continue the project, so instead of building a smelter, it is now a ghost works with the major structures reaching up into the sky, with hundreds of thousands of tonnes of concrete poured but by Christmas there will be no work being done on it at all. It will not be reactivated until there is confidence that world demand and markets are going to be available for what is a very expensive operation. Nobody can blame Alcoa for that, they are a victim of what has happened overseas in this instance, and it is a very sharp and clear reminder of the way it is going to affect industry and people in Australia. If that is one example, there must be many in different industries. The prices of mining and rural commodities, the difficulties of our manufacturers selling overseas are compounded in the present circumstances. We as the 14th or 15th most significant trading nation, with about 30% of our national income dependent upon trade are obviously going to be affected by these things.

In addition to that our investment overall throughout this year is likely to stay at a high level by the end of the financial year it will obviously running then at a lesser rate than it is now as projects come to be completed and in the current investment climate, new projects are not begun or are deferred.

You cannot blame for one moment all of our problems on what has happened in the United States, the United Kingdom, France, Germany or somewhere else, because over the last 18 months we did a good deal of damage to ourselves which certainly should not have occurred. Our wage settlements were running at 15% to 20% but overseas they were running at 5% or 6% and it is not much consolation to say that that was happening and they were getting more sensible wage settlements overseas under the stimulus of much higher levels of unemployment, under the stimulus of a trading climate that was much slacker than that which occurred in Australia. Wage settlements and the movements towards shorter hours through last year compounded the difficulties we find in the world trade scene.

It has obviously made us less competitive but now these problems are starting to be better understood. There are three tribunals that have come out with relatively sensible wage decisions. The Remuneration Tribunal for politicians and the public service came out with a decision of 7% when they said that in justice, they should have come out with one of about 13% or 14%. I have no doubt that in justice they would have said they should have come out with a nil return or a minus 7% or 14%, but be that as it may,

a judgement that was significantly below the level of inflation is encouraging. The Academic Salaries Tribunal made the same kind of judgement, but more significant than that, the Western Australian Public Service Tribunal came out with a 7% return at the end of last week when the unions had been arguing for 17% or 18%. That might be the most significant of the three because if that is carried through all the public services and the general wage tribunals throughout the country, then that will start to give us an opportunity to get on top of the excessive wage decisions of earlier times. That kind of decision alone is not going to be enough, it is going to need a constancy of effort and a real level of wage moderation over time.

In this total background we obviously had a somewhat difficult Budget to frame. It would have been possible to take a purist economic hair shirt approach, and we could have come out with an overall Budget surplus of about \$1500 billion, and I have not the slightest doubt that that would have been better for inflation and better for interest rates than the Budget we actually introduced. If we had had an overall surplus of say, \$1500 billion, that also would have been extraordinarily depressive upon the Australian economy at a time when the level of private investment is falling which was unlike the circumstances of the previous 3 or 4 years, where private investment had been expanding one year upon the other and a Budget of that kind would have been difficult and would not have done anything to ameliorate any of the difficulties which industries and individuals are facing as a result of world circumstances.

In the event, we opted for a Budget that was a compromise. We believe it is responsible economically, and it is also one that is designed in a significant way to assist industry and to assist individuals who might be worst hit and hurt by current circumstances. The tax cuts obviously help individuals and businesses. The depreciation provisions that were announced before the Budget should be of significant help to industry, putting our industry in the same competitive basis as industries in other countries where the depreciation provisions have been more generous than in Australia. The assistance to families, the assistance through the housing rebate for housing, again, help those individuals, families and businesses. The increased retention allowance is obviously an assistance for small companies. There are two innovations in this Budget - tax relief on dividend income for small investors and changed rules for employee share participation schemes - and these two things can be seen together, one to encourage investment by employees in their own firm and two, to encourage investment by small investors in Australian companies generally. They are measures that can be built upon and I believe that they are significant and important.

While John Howard in a very real way called this a family Budget, I hope it would be better regarded as a Budget which enables Australians to work together. If you take the example of a family on \$300 a week, with a dependent spouse and two kids, as a result of the Budget they are \$17 or \$18 a week better off. If they were going to be as much better off through their employers, with a \$25 or \$26 a week increase in wages, that could be enough of an increase in some cases to send the employer broke, then there

would be no wages and no job. So it does establish a basis on which it is not only reasonable to ask for but to expect, and to fight for in a most vigorous way, wage restraint across the whole spectrum in Australia at the present time.

Many of the advantages of the Budget have been overshadowed by other debates which have occurred as a result of a certain Royal Commission, and I thought perhaps I should say one or two things about that.

It needs to be remembered that we established this Royal Commission into the Painters and Dockers Union because we had heard of many things that seemed to be wrong with that Union. I believe all Australians will be disturbed at the extent of the criminality that has been revealed of the links between that union and white collar crime. Since these things have been revealed I am glad that the Royal Commission report was established, I am grateful for the work that Mr Costigan has done and what he has shown is that there is a massive task ahead of Governments, both State and Federal, to put what was wrong, right. That is the important thing.

We need to understand that the Painters and Dockers Union in the Royal Commissioner's terms is not really a union for industrial purposes, it is a union for criminal purposes, if you like, a secret society. In Victoria he said that every member of the union, every office bearer has a criminal record. If our American friends won't take offence, it seems to me that some of the things that that union has done has more than given credit to Chicago in the 1920's and maybe the movie reputation of Chicago because I don't know if that is the reality or not. With a somewhat graphic phrase which an office bearer of the Union used to another Royal Commission - 'we catch and we kill our own' - now that is not fancy, it might be the kind of phrase that people thought could never be used in Australia but all it is doing in relation to this union is describing quite accurately, what the Union has in fact done. I am glad the Labor Party is moving to disaffiliate the Union from its own ranks. That ought to have happened a long time ago and I wish my colleague good fortune in that particular effort. When we find out the sorts of things that the Union was doing, the kind of services they were providing, not only in dirty crime around the docks, when you find that they are also providing services for those who wanted to undertake or promote white collar crime, signatures for people who could disappear and be given changed identities through the operations of the Union, it is not surprising that there came to be a link between the Union and some of the worst and the tax evasion schemes. It was the Union who supplied the names and signatures for a fee and often quite a modest fee, for other people who would have been making large sums indeed. So you come again, to the description of bottom of the harbour tax evasion schemes.

It doesn't hurt also to say that John Howard has legislated and has done more against tax evasion than any other Treasurer, maybe than all the other Treasurers of the Commonwealth put together. The various things that have occurred in the last two years make it necessary for the health of the society that we live in that that campaign be pursued vigorously and relentlessly. We

are establishing a task force, a special prosecutor will be established, mostly in relation to promoters of bottom of the harbour schemes. The Attorney-General was having discussions with Mr Costigan on Friday in relation to other aspects that had been revealed in the report and the best way to pursue prosecutions in the speediest possible way. We will be establishing a national Crimes Commission and I hope the states will join with us in that, and it will have available to it a prosecuting arm. The establishment of a special prosecutor under legislation that has now gone through the House of Representatives and I hope through the Senate tomorrow, will go a long way to establishing that kind of prosecuting arm to the present royal commission.

This brings me to the other aspect of what we are about, legislation in a wide way has been branded as retrospective. Nobody likes that, the Government doesn't like it and I am sure that many people in the community don't like it. For those that don't understand the nature of the legislation because it is quite specific, let me emphasise that it is tax legislation, it is designed to collect tax that should have been paid and had not been paid, it is not in that sense creating a new tax liability it will be collecting a tax that was evaded and in that sense retrospective is the wrong word to apply to it but I do not deny for one minute that there is a retrospective element to the legislation.

It is sometimes said that people can go into the schemes and not really know that they were doing something that was wrong and the legislation is related to the bottom of the harbour schemes, not to the generality of what might have happened over the last 10 years. I find it very hard to believe that if somebody had a company worth \$100 with \$10 tax being owed to the Commonwealth, then another person comes along who is the promoter, and says: "I have a way in which you can convert your \$10 tax to the Commonwealth into a capital gain for yourself, the only thing you have to do is to pay me a fee of \$1 or \$2 for the privilege of doing this for you. All you have to do is to sign a couple of papers and you are obviously going to be better off." Most people would know there is something a bit odd with that kind of arrangement, most people would think there is something slightly wrong, it is not quite as easy as that to evade normal liabilities to your own people in the community or to the tax commissioner and most people would have felt it reasonable to ask one or two questions about what was involved. If there is a principle of retrospectivity, that my Party and other people don't like as there is, there are other principles that are very important to Government and very important to the Liberal Party. Sometimes Governments are faced with competing principles and you cannot pursue either one to the full as you might like. One of the principles upon which my Party was founded by Sir Robert Menzies some decades ago, was a principle of acting fairly for all Australians, no matter where they are or where they come from, what sort of job they are in, or what sort of income they have. We are indeed the only Party that does act fairly for all Australians. My colleagues in partnership, the National Party, represent more specifically rural interests as you all know and the Labor Party represents the union movement

rather than the generality of the Australian public. The Liberal Party is the only Party that can and does act fairly for all Australians.

You are all aware that in recent times there have been a view that the tax system was unfair, that some wealthy people were becoming much wealthier because they don't pay any taxes due and they weren't really robbing the Commissioner, so much as robbing other taxpayers in that particular activity.

Average PAYE taxpayers, average people in small businesses or whatever were beginning to have the view that the whole system was unfair because of the activities of the few that were ripping off the system. If the Liberal Party has to make a choice between acting fairly to all taxpayers or acting fairly to all Australians and adopting some element of retrospectivity, in this instance, the principle of acting fairly in the interests of all Australians must be given predominance. If the Liberal Party ever ceases to have that capacity, if it ever ceases to be regarded as a Party who does act fairly for all Australians, the rationale for the existence of the Party and the life of the Government ceases to be. I would not want to lead, or be part of any Party which failed to stand by that principle.

That is why the Government has taken the view that it has. I would much prefer not having to be forced into making these kind of choices, but I suppose retailers sometimes have to make unfortunate choices which they don't always like or when they have a product that they cannot sell they have to do something about it. We have the product of the tax evasion industry which we do not like and we have to do something about it. I am not sure what that has to do with the retailing industry but it was something that I wanted to say.

I am sure you are going to have productive discussions and I am sure that you are going to learn a great deal from each other, know better how to compete with each other and that will result in a much better deal for customers than would otherwise be the case without this convention. I wish you in your deliberations good fortune, a happy time, and for visitors from overseas I hope you are not just going to be kept in this room, I hope you will have time to see something of Australia also.