



PRIME MINISTER

FOR MEDIA

MONDAY, 25 OCTOBER 1982

ADDRESS TO MTIA DINNER

Mr President, Sir John Moore, my colleagues, ladies and gentlemen. Mr President, when you were speaking earlier, you mentioned the foundings of this Association in 1873. You indicated that the Association had then been formed to fight for various things, including a certain measure of protection that might not be much of an industrial base in Australia. Obviously the Association has had a very significant role to play, but what you said reminded me of an argument that my grandfather had with David Syme in the early years of federation. My grandfather was a Senator, and you wouldn't have liked this, but he was a free trader in the old fashion sense of the term. David Syme had been a free trader but he became converted with total and absolute protection. He took it upon himself with a religious zeal to convert Senator Fraser to the same philosophy. They started off a long correspondence which I have most of at home. It started off, My Dear Simon and My Dear David. A month or two on, Dear Simon and Dear David - there were all sorts of arguments in the letters, not just that address. A little later, Dear Fraser, Dear Syme. Then the last letter, From Syme to Fraser. It said, Fraser, because of your intransigence, your name will never again appear in the correspondence column of the Melbourne Age. Well, what's new I might say? But that wasn't the end of the story. You got advertising rates for a lot, lot less in those days and apparently on a miserable Senator's salary in 1904, the last letter went, Syme, you're wrong. Here's the first page advertisement that I have taken out covering a half a page in the Melbourne Age tomorrow morning. For three years, whatever the old bloke wanted published in the Melbourne Age he paid for. Quite literally.

Ladies and gentlemen, metal trades industries make an enormous contribution to this economy. You should never need telling, advising or reminding of the importance of your industry. Over 47% of the manufacturing workforce, over 49% of manufacturing wages and salary, 44% of the turnover in manufacturing is in the industries that you represent. Quite obviously the competitiveness, the profitability, the capacity to sell what you are producing, the profitability of your industries is of vast concern not only to yourselves and your own employees, but to the well-being of Australia and right across the country.

Therefore, I hope that you would never believe any government has any doubt about the importance of these industries. You know over recent times that the leaders of the industry, the Association has been in discussions with my government on many occasions. We meet informally and frequently and exchange views about what ought to be done. Obviously there is not always agreement, but often there is a fair measure of agreement about the sorts of things that are important.

Wage decisions have been critical to this industry, and your decisions, the wage decisions affecting these industries are critical to the Australian economy because so often they are - I was going to use that awful word 'pace setters' but you probably wouldn't want me to do that - so often they establish the guidelines which are followed by other industry in other places and it is that that makes them important. But your industries have been affected not only by some circumstances in Australia by a world economic downturn which has gone on longer and in a severer fashion than anything many of us can remember. It is the first major world recession since the end of the World War. That indicates its seriousness and importance.

It is important I think, no matter how difficult things might be in Australia sometimes, to recall what is happening overseas. I don't know how many people read the front page of the Sydney Morning Herald which related the employment position in many countries. I think in nearly every case, Australia is a good deal better off. In the United Kingdom, it is 14%, the United States it is 10%. There are 32 million unemployed in the OECD countries alone and they are expecting that that unemployment is going to rise significantly over the year ahead and nobody really has all that much confidence that it is going to start falling after that.

Industrial production has been stagnant or has fallen in the major world economies, the major nations, and trade has declined for the first time in over 20 years. It is worth noting that when this economy was growing very strongly and the major world economies were moving forward at rates of between 4 and 6 percent a year, that was at a time when the value of world trade was growing by about 8 percent a year. Trade has been the engine of growth, progress and prosperity in most of the years since the last World War.

Quite clearly, the current circumstances are having a very unpleasant and difficult impact on Australia. Many things are hitting Australia hard. We are the world's 15th largest trading nation even though on a population base, we are much smaller than that. Clearly, when our commodity prices are down by 30 or 40 or in some cases, 50 percent, or where there are harder quantitative restrictions against our exports, that is obviously going to come back on employment in Australia and on the kind of standard of life that Australia can sustain. Clearly, therefore, what happens overseas, the time and the manner in which the world climbs out of the current recession is of enormous importance to us and of great consequence to all Australians.

But there is still considerable strength in this economy, and sometimes I think we don't pay sufficient attention to it. Investment is down this year and will be running at a lower rate at the end of the year than at the beginning, but overall, investment in Australia is probably a good deal stronger than in many other countries, and there are other strengths, some of which I will mention a little later.

On top of all this of course, we have got one or two home grown problems. I don't know if there is any premier around or whether Mr Bjelke Petersen can break the drought. This unfortunately is not a power - well, the constitution certainly didn't place it with Federal Governments or Prime Ministers. The Queensland Premier did lead the State of Queensland in prayer for rain on one occasion, but I think he had had a very good look at the weather map before he did so. I have been watching the weather maps very, very closely for the last nine months, and I haven't seen one weather map that would make it worthwhile taking the risk, even if Joh was along side me in the same church.

But the drought might well end up being the worst since the 1930s and in terms of its extent, it could end up by being even worse than that. It is obviously one that has significant impact across Australia. What happens in Australia's rural areas is often understated in terms of its wider impact. The early stages of drought or rural recession aren't felt all that much in the major capital cities and industries, but it is felt quite soon in the smaller country towns than in the larger provincial cities. As orders stop coming through, it then has a significant impact in the major capitals. As the drought goes on, it is not only for the rest of this year, but through next year that its impact is likely to be felt, and felt severely. That of course on top of the world recession, just compounds the difficulty.

But if we couldn't have helped the drought, there are other things where we have damaged ourselves, where we certainly could have done something about it. Through last year, there seemed to be a madness around with wage increases of 15 to 20 percent, pressures for shorter hours which were in some cases, successful. All of this has compounded and made more difficult the competitive base of Australian industry. Coming at a time when the world recession was deepening, and perhaps for the first time starting to bite in Australia, coming at a time when overseas countries were achieving wage settlements of five or six percent, what happened through last year was madness indeed. On top of that of course, there were industrial disputes which were the worst since 1974. Maybe the only good that has come out of that situation is that industrial disputation is now less than it has been for 12, 13, 14 years. If it stays that way then we have learnt that lesson at 7 percent unemployment whereas in the United Kingdom they learnt it at about 12 percent unemployment. I suppose that makes us a little more sensible.

The consequences of what happened last year and of one or two other things, is partly seen by the September quarter Consumer Price Index which I believe is very discomfoting and must be disturbing to all of us - an increase of 3½%. It is difficult to draw precise comparisons with earlier years because it is the second quarter of a new series and a number of things have been done differently. It is perfectly plain the wage decisions of last year and the first part of this year have started to flow through in a very significant way. In addition to that State taxes and charges which have gone up more this year than perhaps in any other equivalent period, will have a special significance. Gas, electricity, petrol taxes and transport fares, hospital charges are all included in these figures. In addition to that there has been a drawing forward in the counting some of the increases from the Federal Budget which normally would have been included in the December quarter figures a little later on.

So there has been a bunching of a number of factors in the September quarter which has given this very uncomfortable result. Part of it is not surprising when electricity goes up in NSW 42% over the last 12 months, hospital charges in my own State by over 37% from 1 July, and I think some hospital charges by about 60% over the 12 months, public transport charges by 20% and a number of other things where increases have been dramatic and draconian. I am only glad to know that at the last Premiers' Conference we had the foresight to say to all the Premiers, "However much money you want to borrow for your electricity authorities, you do it. The controls for the Loan Council have not been effective in relation to those authorities anyway, so for electricity, borrow what you want and be responsible for it". If we had not done that I have not the slightest doubt that I would have been personally responsible for all the increases in electricity charges that have gone on over the last 3 or 4 months. That alibi was taken away by that particular decision.

The wages and hours decisions of last year would have had a very particular impact because that is seen in the services component of the CPI which has gone up by something approaching 20% in the year to September. Clearly, manufacturers would have absorbed some of the earlier increases when they felt they were able to, but profits have been squeezed over the last year as I suspect everyone in this room knows very well. They fell by 4½% in real terms in the last financial year and I do not suppose that leaves very much room to absorb further and additional costs.

The September unemployment figure of a little over 7.3% is just as disturbing as the Consumer Price Index figure which I have just been talking about. That level of unemployment I suspect is an inevitable consequence of what happened through last year when you couple that with the world recession. Indeed one of the things that Australians are going to need to do is to work together harder than ever before to make sure that we can maintain employment levels that are significantly better than the employment levels in a large number of major industrial countries in the northern hemisphere.

Being lower than many overseas countries is little comfort. It is not of any comfort to the particular people who are unemployed because if there is a man or a woman who wants to work and cannot, then for that particular person, it is just as much a human tragedy as it is for every one of one hundred thousand. It is like a bushfire. If it is a small one it does not get much sympathy. If a bushfire burns out half a State, it gets an enormous amount of sympathy, but for the person who is entirely burnt out in one small fire, it is just as bad, just as much a tragedy, as if they were part of a much larger configuration. In relation to unemployment is a little bit the same. Our consciences get moved when the numbers are very great, but for the individuals concerned, the John Smith or whoever it may be who is affected, we need to think about individuals more than about the large numbers.

I suspect, and I wish it were otherwise, that the trend in employment can only really be reversed if wages are held back, if real wages fall over a period perhaps because there has been too big an increase. We have been paying ourselves too much. Our income as a nation has fallen over the last year or 18 months and we just have to recognise the facts of life. One of the easiest things in the world will be for the trade union movement to press for higher and higher wages over the period ahead of us, but if they do so they will know that those wages are going to be paid for not only by employers some of whom will go broke in the process, but by a larger number of unemployed Australians. That I think is too high a price to pay.

The problems we face are being understood by many more than before, but we must recognise the need to help ourselves. We cannot go and cry to the world and say save us. We are regarded by everyone as one of the wealthier nations of the world. There are some people who think we do not always work as hard as we should and on some occasions I suspect that that view is right, but Australians have a capacity to work as hard and well and efficiently as any people on earth and it is time we did it in working together to get out of these present difficulties.

The fact that industrial disputes are indeed the lowest for a very significant period, for well over a decade, that the July 1982 days lost through disputes are less than half those lost through July 1981, I think they are encouraging signs. The Tripartite Conference that was held with the ACTU, employer groups, including representatives of MTIA shortly before the Budget was announced, was a constructive and useful discussion. I believe that the Government listened very closely to what was put by this Association, by other representatives and by the union movement. At the same time, I believe when we brought down our Budget, we showed that we had done a great deal to introduce a Budget that would encourage, make possible, make it reasonable, to argue for wage restraint as a means for working our way out of present difficulties.

Since those discussions we have had some more responsible wage decisions. There have been one or two odd tribunals affecting politicians and academic salaries, but more significant decisions affecting the public services of the Commonwealth and a number of states. There have been some private sector .../6

decisions that have been even lower than the 5%, 6% or 7% which has become fairly common in the public services. All of that is a vast improvement over last year, but the decisions are still perhaps too high.

We need to know that the faster we can get back to a proper level of relativities, the faster we will be able to get out way out of the problems that are around us and the sooner will Australian industry be fully competitive again and able to hold its own fully within Australia and establish itself in markets outside.

Of course it is here that the metal industries' case is critical. It does so often provide the guideline for other industries. Wage adjustments have obviously got to reflect the strength and the weaknesses of a particular industries and the circumstances of any particular period and the metal industry, as I think are most others, are in real difficulties at the moment. I would not have thought anyone could expect significant increases if it can be recognised that the freeze advocated by MTIA is the best possible thing for everyone in the industry, then I have not the slightest doubt that a great service will be done, not only through MTIA's own members, but also to their employees and to all other industries who might be able to follow their example. We do need low wage increases to protect the jobs of Australians and to prevent the dole list getting as long as it is in many other countries around the world.

The Government is obviously concerned as many other people are at this situation of the difficulties of unemployed Australians, but there is not any magic wand. There is no quick solution. We have to recognise the nature of the problem and work our way out of it. Job creation schemes as such we have always believed are not the answer and it seems to me there is nothing new in the whole argument because Abraham Lincoln said quite a while ago, you cannot help the wage earner by putting down the wage payer. That just about says it all.

The Government's policies have tried in this last period to make it reasonable to argue for and to expect wage restraint. We have had to balance a number of factors in bringing down the Budget, the question of responsibility, and balance that against the need to assist people who might be in difficulty. I have got little doubt that if we had had a pure economist's hair shirt Budget with an overall surplus of \$1½ billion or something like that, it would be possible to do more for interest rates quicker, more to knock inflation quicker, but also the numbers of unemployed would have been significantly greater. Therefore, the Budget in the end was a compromise as any document of that kind has to be.

Tax cuts of about a \$1½ billion this year, housing rebates, increases in family allowances have all been designed to establish the circumstance where families could be protected even if wages did not move much through this year. In addition to that, capital works by the Commonwealth and by the statutory authorities of the Commonwealth, increased very significantly this year compared to earlier years. Welfare housing was up about 27%, Ralph Hunt's new Bicentennial Road Development Program in getting underway is going to add significantly to the workforce in many different parts of Australia. As we approach that bicentennial year we will have a road network which I think few Australians have even dreamt of in the past, but which we are in effect going to build as a result of that decision.

There were other things designed specifically to assist business - an increased retention allowance, tax relief on dividend income saying something which I think is very important in terms of principle even if the initial start is a relatively modest one, and changes to encourage employee share participation schemes, again a modest start, but one which I think says something important in terms of principle and in terms of philosophy.

It is worth noting that a single income family on say \$300 a week, paying off an average size home loan of \$20,000 to \$25,000 and with two dependent children will be \$18 or \$19 a week better off as a result of our Budget. I suppose that is the equivalent of \$25 or \$26 if that person has to get it from you as employers. One of the differences being, that if they had to get it from you as employers, some of you might cease being employers in the present circumstances. I think it is worth contrasting that with what happened in the Victorian Budget for example where on Eric Risstrom's figures, the cost of that Budget for every Victorian family was \$12 a week. So we we give \$18 a week to each family or families on \$300 a week and it gets taken away by increased taxes and charges in Victoria. One Budget working in one direction and one in exactly the opposite direction. The Victorian Budget and for that matter the NSW Budget will have hit families and employees. In my own State the Government's spending is up 24%. That almost makes Mr Whitlam modest because his first Budget was only up 20%, and his second Budget was up 46%, so I do not know what John Cain's second Budget will be up in terms of expenditure. Victorian taxes overall went up by a little over 30%, or the rates went up by 30%.

It is not only a job for the Commonwealth Government. I think it would be much better if there could be a clearer view in relation to these matters involving the Commonwealth and the States because what I have just indicated shows that a Commonwealth Budget can be driving in one direction, establishing the circumstances where wage restraint or even no changes in wages is a reasonable thing to ask for, and have that undermined by State governments' budgets which run very much in the opposite direction.

Even though there are many problems, there are some positive signs. I do not want to overplay them because I think the signs are equivocal, but the fact that interest rates are down in the United States and there have been some falls in Australia, that inflation has come down markedly in the United States, Here the bond rate is down over 3% since early August and some private sector rates have also started to fall. These are encouraging signs, but it is going to be activity that counts in the event and in the United States there is not yet much sign of increased activity. I am not going to predict when that comes. There are enough people in the business of prediction and we will be able to see it and measure it when it does occur.

World recovery needs substantial economic growth and I believe very strongly that international action is needed to withdraw the kind of growth that we saw through the '50s and the '60s and I suppose the early part of the 1970s. The Australian trade initiative which will be debated at GATT is designed to be one way of helping to re-establish growth. But let me just emphasise here we are not in the business of making unilateral decisions. If there can be multilateral decisions in which many countries are participating with consequential advantages for Australia, then that is something that we could participate in. But we are not in the business of opening up our markets for the dubious pleasure of some time in the future getting better access to other peoples' markets overseas. I do not want anyone to suggest that we are.

I think there is growing support for the matters that we have discussed, but what we have put runs very much counter to the increasing moves to protectionism that have come out of Europe and the northern hemisphere over the last 12 months. But if the increasing moves for protection continue, well then the future for Europe is going to be a grim one indeed because they will not work their way out of problems. With increasing protection, maybe they won't work their way out of problems even by maintaining the present levels of protection that Europe now has, levels of protection which I believe over all are very much greater than we have in Australia.

There is also a role for action by the private sector, difficult as it is. We hope there can be investment in new technologies. There will obviously be rationalisation in the pursuit of greater efficiency. I hope very much that the depreciation provisions which were announced on 19 July can be seen as a positive contribution to encouraging industry to take advantage of opportunities that might be open as occasion arises. Because even if there are difficulties, even if there are problems, there are always going to be opportunities for some industries to move ahead. There are always going to be opportunities for some new investment. Those depreciation allowances and depreciation on income producing buildings which is being introduced for the first time I hope will be useful and constructive in enabling industry to compete on more equal terms with its counterparts in other countries.

There is obviously a great deal ahead of us, there is a great deal for us to do. Mr President you said something about the supercharged political atmosphere around this capital or Parliament House, I do not think it is particularly supercharged. I think people just need to get on with the job that they are paid to do and go about it. If there was less of a rumour mill operating, it would also be a much better and a much healthier place.

You might be interested to know that last Wednesday in spite of all the significant problems that are before the Parliament, and all the significant legislation which the Government has

introduced, all questions but one came to me from one side of the House and all but one of the questions on Wednesday that came to me were throwing mud at John Reid. I think there are better things for the Parliament to be doing than trying to slander somebody who has demonstrated his innocence in the clearest way possible, from the highest authority in the land, from the Chief Commissioner of Taxation. That just shows the way the Parliament can be diverted. I cannot stop the kinds of questions that come to me from anyone in the Parliament. You respond to them as best you can. Do not let anyone think that the Government is diverted just because Question Time is wasted in a thoroughly base and useless way.

We do need to recognise the strengths that we have in Australia, the initiative of Australians, the capacity of people to work together. We need to recognise that while there are many countries that only have these things and can work their way through it, in addition we have vast supplies of raw materials, we are a great food producer, a great apparel fibre producer and we have raw materials of nearly every kind. It is up to us to make something of this for our children and to make something of all of this for Australia's sake. However difficult it might appear to be, we know quite well we are so much better off than people in almost any other country you can name.

It is not often that we have things like the Commonwealth Games which sparked a sense of pride and nationalism in this country of a kind that has seldom been seen. I think everyone was enormously proud of what all of those young athletes did, but not only the athletes, the people organising the Games and who put it all together. If you had been, as I had, in Montreal to speak to some of our own athletes at the Olympic Games only a few short years before, or at Edmonton where we had also been wiped out by the Canadians and the English - I say the English because the English are seven countries in the Commonwealth Games. They have Scotland, England, Wales, the Isle of Man, Guernsey and all the rest as you will have noticed - I think that is only so they get more votes. We were wiped out in Montreal, and wiped out in Edmonton, but our sports organisations, working together with the Government, said this is not going to happen again. What is needed is training and opportunities in competition at the highest possible international level. The result was a morale amongst our competitors and amongst the sports organisations which was certainly second to none. It was wonderful to see and it was wonderful to be there while it was all happening. I think they have set some kind of example to the whole country. We should see that this is where we were when Montreal and Edmonton happened, but that Australia got it together during the period of those Commonwealth Games. We must make sure that it stays there. It is in our hands. We can work together and achieve it. If we are going to pull ourselves apart by arguing with each other, whether it is Government or Opposition, or whether it is management and labour, then we won't. I think we owe our children something better than some of the arguments that have gone on in the past.