

A very clear example of economic rationality at work was the decision to index excise rates. During the past decade the proportion provided by excise to the general revenue declined from 13 per cent to 7 per cent. Through indexation we have made sure that over time they maintain their real value and are not eroded by the processes of inflation. We have put aside the destabilising and often arbitrary pattern of large discretionary increases which was the way in the past. What we have done should have been done much earlier.

The alternative to moving to maintain the real value of the excise, would have been to lay greater demands on other forms of taxation. The impact could have been quite distortionary.

The position now reached points to the need for detailed examination of the actual and potential national revenue base. Widely based community consideration of what is appropriate in terms of economic efficiency and equity would be timely. This might enable sensible and fair changes to be mounted, not in a piecemeal fashion, but as part of a well considered, properly integrated package.

In the meantime my Government is determined to press ahead with its efforts to ensure that where benefits are paid to the needy, it is in fact the needy who receive them. This is the point of the proposed pension assets test. The alarm engendered by that is unfounded.

Apart from home, car, boat, caravan, jewellery, furniture and other personal effects, a single pensioner can have \$17 000 and still receive the full pension and up to \$106 000 and still receive a part-pension. A married couple can have \$28 000 and still receive the full pension and up to \$177 000 and still receive part-pension. Most pensioners will not be affected at all. Some will actually gain. Only those pensioners with substantial assets, who are artificially avoiding the current income test for pensions, will be affected in any significant way.

Where the Government is paying out to the elderly and others in need, the payment must be related to need. Otherwise the whole of our resources are going to be distorted and the interests of all Australians perverted.

There are still too many Australians forced to live at an unacceptably low standard. Their situation must be addressed. We simply cannot afford to direct welfare payments to people who are not genuinely in need. To do so reduces the resources available to help the truly underprivileged.

were elected to arrest the decline in the Australian economy, to reverse the trend towards greater inequality in Australian society and to bring Australians together again. The mandate was clear and we have made major strides towards its realisation.

A greater sense of national purpose around the restoration of growth is nevertheless still needed. This will only be possible if the benefits of growth, and the inevitable costs, are shared equitably.

Destruction of Korean airliner by U.S.S.R.

2 September 1983 — The Prime Minister, the Hon. R. J. L. Hawke, said today:

The Australian Government is absolutely appalled at the barbaric act that has been perpetrated.

I have been in contact with Bill Hayden and he is calling in the Soviet Ambassador today to register that attitude of my Government. I have sent a message of condolence and sympathy to President Chun of South Korea.

I believe that all Australians will share the attitude of my Government in this matter. There are absolutely no circumstances whatsoever in which action of this type can be begin to be justified.

Message to President of Korea

2 September 1983 — The Prime Minister, the Hon. R. J. L. Hawke, today sent the following message to President Chun Doo Hwan of the Republic of Korea:

I wish to convey to you on behalf of the Australian Government and people our shock and concern at the loss of Korea Airlines flight 7.

There are no circumstances in which the shooting down of an unarmed aircraft serving no military purpose can be justified.

We are seeking an urgent explanation from the Soviet Foreign Ministry and the Soviet Ambassador to Australia.

May I assure you of Australia's continued strong support for the right of the Republic of Korea to its place in the international community and its rights in international law.

Launching of Business Council

2 September 1983 — The following is the text of a speech by the Prime Minister, the Hon. R. J. L. Hawke, at the launching of the Business Council of Australia in Sydney:

This is an historic occasion in what has already proved to be an historic year in the development of the political, economic and industrial processes of our nation. And certainly in terms of moving Australia away from the cruder application of the adversary system in economic policy making, with its emphasis on confrontation, towards better consultation and co-operation, 1983 has, I believe, been a watershed year.

The establishment of the Business Council of Australia is beyond doubt a landmark along the new path, the new directions Australia is taking. I am the more gratified to be able to take part in these proceedings because, as most of you will know, I have long been a firm advocate for such an organisation to give the Australian business community a stronger, clearer, more coherent and more cohesive voice in the economic and industrial life of this nation. It is, to an extent, the other side of the coin of my constant advocacy, now carried on for two decades, of a more effective and more coherent voice for the Australian trade union movement.

So I like to think that I have played some part in fostering a recognition of the need for such an organisation; and thereby some part, at least indirectly, in its formation.

But certainly, in this year of tremendous economic challenge facing us all, in this year of the National Economic Summit Conference, in this year of the inauguration of the Economic Planning Advisory Council, the Business Council of Australia is very much an idea whose time has come.

For those of us interested in the continuity in the development of things Australian, it is appropriate that on this occasion I should recall the association of another Prime Minister—the first Labor Prime Minister of Australia, John Christian Watson—with the establishment of the business organisation later to become the Australian Industry Development Association. That was some sixty-four years ago, fifteen years after his Prime Ministership and long after his retirement from active political life.

The organisation he helped to found has provided—and never more importantly than in recent years—not only a meeting point for business leaders, but also through its economic research centre and its publications, enhanced public appreciation of economic policy issues.

AIDA is now to merge with the Business Round Table formed in 1979, to form the Business Council of Australia. It is a measure of the responsiveness and forward looking approach of both groupings in meeting the changes and

challenges of the economic life of our country.

The Council of Australian Industry Development (AIDA) has the opportunity to build on particular interests of small communities of experience of its staff. Indeed the expert assistance from the Government, and possibly other kind of exposure, debate and advocacy.

The work of the various organisations. In stated its interest in competition, within the country. I applaud the initiatives together with the partnership which the community. He will have its own direct involvement in major companies.

I look forward to the relationship between the industry and the community. This one today establishing a new relationship. Looking around you personally.

But it is not of each other's interests. It is important. My desire to raise such formal consultation being done with

- firstly, to provide a more coherent voice for the Australian trade union movement.
- secondly, to provide a more effective and more coherent voice for the Australian trade union movement.
- thirdly, to provide a more effective and more coherent voice for the Australian trade union movement.

These aims—believe, goals the business indeed, by the endorsed by the Summit meeting where near each other.

The Business Council of Australia is undoubtedly the most important business organisation in Australia.

The Economic Planning Advisory Council established to coordinate the permanent governments on medium term economic policy.

As you will be appointed to Bryan Kelm in consultation with the industry to coordinate the permanent governments on medium term economic policy.

challenges of these difficult and crucial years in the economic life of our country.

The Council will provide each of those organisations — AIDA and the Business Round Table — with a great opportunity to build on the existing strengths of each. I note with particular interest that the Council will establish a number of small committees to seek to harness the insights and experience of leading businessmen and specialist support staff. Indeed these groups are to be aided, as necessary, with expert assistance obtained from within member companies, from the Council's own professional research establishment, and possibly from outside sources. I believe that this kind of exposure can only improve the quality of public debate and advocacy in Australia.

The work of the Business Council in this area will I believe complement that of other business and employer organisations. In this respect I note that the Council has stated its intention to work in co-operation, rather than competition, with the Confederation of Australian Industry. I applaud that statement of intent. These two organisations together have a key role to play in the kind of partnership which my Government wishes to forge with the community. However, it is clear that the Business Council will have its own unique position and flavour as a result of the direct involvement of senior executives of Australia's major companies in its membership and its work.

I look forward to an evolving and constructive relationship between my Government and business leaders, not least with the members of this Council. Gatherings such as this one today can only help in this regard, including by establishing and deepening personal contact between us. Looking around me, I have already got to know many of you personally and I hope in future to build upon that.

But it is not just personal contacts and the understanding of each others' views which that brings that I see as being important. My Government has also demonstrated its desire to raise substantially both the range and quality of more formal consultation and information exchange. This is being done with a number of aims:

- firstly, to provide for more informed policy making
- secondly, to foster a consensus approach to economic policy and conduct, with particular emphasis on the need to find non-inflationary means of resolving competing income claims, and to minimise avoidable and destructive conflict
- thirdly, to promote a wider appreciation of our long term goals as a society, and the path by which we might best seek to achieve them.

These aims — the aims not just of my Government, but, I believe, goals which are now shared by the greater part of the business community and the union movement and indeed, by the entire Australian community — were clearly endorsed by the Summit in April. But the work and spirit of the Summit must continue, if those objectives are to go anywhere near achievement.

The Business Council, the establishment of which undoubtedly received added impetus from the experience of the business representatives at the Summit, will play an important part in that continuing process.

The Economic Planning Advisory Council has been established to carry on the work of the Summit by providing a permanent forum for constructive dialogue between governments and all sections of the community, especially on medium to longer term economic issues.

As you will be aware, two of your number have been appointed to EPAC. I refer of course to Alan Coates and Bryan Kelman. They have been appointed, after consultation with various business interests, for their general ability to contribute to the work of that body. However,

their appointment also reflected their intimate knowledge of, and their prominence as members of the business community.

EPAC's first meeting was held on 25 July, and another will be held in a little over a month. While it is early days yet, as it becomes better established I would expect EPAC to become a major source of policy advice and a key channel for community involvement. In this role, the support that the Business Council will no doubt give to Alan and Bryan, and the opportunity that it will provide for them to firm up and inform their own views, will become of increasing importance.

It remains, of course, a fundamental truth that however much the processes of consultation can be widened and strengthened — as we are determined to do — the ultimate responsibility for the key decisions of national economic policy must rest with the national Government.

Last week's Budget represents the fullest but by no means the complete expression of our commitment to accept our responsibility for the economic management of this nation. The Budget is not the only arm of policy, nor can it be viewed in isolation from other actions the Government has taken in its first six months.

Those actions include the Summit, with its general discussion of policy directions; the May statement, which began the process of gradual restructuring of budgetary priorities, with particular emphasis on priority areas such as housing, support for the needy and the institution of Community Employment Program; and the Premiers' Conference, with its opportunity to assist the States in fostering economic recovery. However, the Budget remains the most important single statement of the Government's aims and aspirations, and the way it will go about achieving those aims.

These aims — and the Budget policies designed to achieve them — have three major strands. These are:

- first, to set a floor of activity in the economy while the private sector remains depressed
- second, to spread the burden of current sacrifice more fairly among the community, assisting those most severely affected by the current recession
- and third, to set in train those reforms and policies necessary to ensure that recovery, once underway, is sustained, and not choked off by higher inflation and interest rates.

As the effect of the Budget and our other measures, combined with the effect of the international recovery, begin to impact upon the Australian economy as a whole, we will all need to shift the emphasis of our attention from the immediate task of achieving a recovery, to the longer term and more difficult task of ensuring that the recovery is sustainable, and that its benefits are not lost, or wasted in a new round of inflation. The success of the prices and incomes policy will be absolutely critical in that regard.

Following the Summit and in our submission to the current wage case, my Government indicated support for a general wage increase in the order of 3 to 4 per cent in the second half of this year. Until the good news associated with the breaking of the drought raised food prices sharply, it seemed that an increase based on the increase in the CPI in the first half of this year might fall comfortably within this range. In the new circumstances, we judged that it was best to accept a wage increase of 4.3 per cent, to secure workers' firm commitment to pursuing wage claims only through the centralised system.

If the recovery proceeds strongly in the year ahead and beyond, this wage adjustment will be seen as a good investment in future wage moderation. In the first half of next

year, the introduction of Medicare will take a few percentage points off the increase in the Consumer Price Index. As a result, even with full wage indexation, money wage increases in 1984 should be in line with the United States and other major economies experiencing strong growth with relatively low inflation.

But I repeat, the prices and incomes policy, based on the prices and incomes accord, will be crucial in determining whether or not there will be a genuine recovery, and whether or not that recovery can be sustained, and whether or not its benefits can be fairly shared by the Australian workforce and all sections of the Australian community. The linchpin of the policy is the return to the centralised wage fixation system.

If, in this period of incipient recovery and in the period beyond when the objective will be to strengthen and sustain the recovery, significant wage increases should be extracted outside the centralised system, then the policy would not succeed and the recovery would falter and fail.

As a responsible government—not least as a Labor Government accepting a special but not exclusive responsibility for the constituency composed of the Australian workforce, the men and women in the Australian workforce as well as the legion of unemployed—we are determined to uphold the prices and incomes policy, to uphold the principles of the accord, and to ensure that the policy succeeds in its central aim of achieving a sustained and sustainable recovery.

It follows from this that significant wage increases outside the centralised wage fixing system are unacceptable. That is no more than a statement of fact, of logic—a statement of the reality of recovery. And of course, it is no more than a restatement of the principles and the spirit of the Summit—adopted, I believe, in a spirit of sincerity and common sense and co-operation by all the participants a short five months ago. Lest there be any doubt, I should emphasise that the principles and the spirit of the Summit place obligations on business just as they do on Australian workers.

The improvement in activity and moderation in inflation that we see in the year ahead provide a great opportunity for Australia to turn its back on the mediocrity, the stagnation that has characterised much of our economic performance in the past decade. We must grasp this opportunity. In this next year we must establish a beachhead for an assault on impediments to a great improvement in our long term growth performance.

Only strong growth over a long period will enable us to destroy the scourge of unemployment. Strong growth over long periods is necessary for the improvement in living standards for all Australians. We will only achieve strong growth over long periods if we put our resources to their most productive uses. As I have said on many occasions, productive use of our resources requires acceptance of new ways of doing things, structural change in our economy, rapidly changing patterns of foreign trade, and high levels of investment from home and abroad.

We believe that we are establishing a political and social framework within which strong, sustained growth can be achieved. We believe that an Australian society that is broadly united on the great national goals, that is seen by most of its citizens as a fair society, and which offers its people security of incomes and employment, will embrace the changes that are necessary for sustained growth. We are working to build that Australia.

But the right political and social framework and a more congenial short term macro-economic environment underpinned by a successful prices and incomes accord, by themselves will not be enough. Australia needs creative, dynamic

business leadership, directed at the raising of incomes and the creation of real wealth.

Is Australian business leadership good enough? We are pretty good at the takeover and merger, which redistribute wealth but which do not always increase it. Are we as good at using opportunities for creating new wealth, new income and new employment? These are questions that you should be asking yourselves.

Some of you might want to respond that the system of incentives in Australia is biased towards the quick capital gain, and against investment directed at the generation of income over long periods.

We accept that it is the business of business to seek profits. Within a sensible system of incentives, the most productive investment is most profitable. If you believe that there are important distortions in the system of incentives, we would welcome the assistance of the business community in analysing the problem and suggesting solutions.

But I hope—and I am certain from my personal knowledge of so many of you that I can expect—that we get advice that is more than special pleading. Special pleading is an inevitable part of our democracy, but it is not helpful if it is the only advice we get from business. What we welcome is responsible advice about reform that makes sense for the Australian economy as a whole.

I can tell you now that there is no prospect of a radical reduction in the share of government revenue in gross domestic product. That would be inconsistent with the demands of a fair and secure society on public expenditure, and with non-inflationary financing of that expenditure.

But the new Labor Government will be receptive to suggestions for reform designed to improve the efficiency and equity of the Australian fiscal system. EPAC provides an ideal forum for the discussion and transmission to the Government of responsible business suggestions for reform.

I welcome the formation of the Business Council of Australia for its intrinsic merits as a means of providing a more effective voice for business, and a means of enabling business to make a more effective contribution to the Australian economic debate and the quality of economic decision making in our country. But I also welcome it as an extension—a continuing expression—of the essential spirit of the Summit—a spirit based on the belief that co-operation and consultation, without in any way limiting or inhibiting the rights and freedoms of a great democracy, can achieve greater benefits for all Australians than needless confrontation or contrived conflict.

Destruction of Korean airliner by U.S.S.R.

3 September 1983—The Prime Minister, the Hon. R. J. L. Hawke, said today:

The Australian Ambassador in Moscow, Mr David Evans, called on Soviet Foreign Ministry officials yesterday (Moscow time) and handed to them statements made by the Foreign Minister, Mr Hayden, and me.

He asked for a full and early explanation of the circumstances surrounding the shooting down of Korean Airlines flight 7.

No information was provided by the Soviet Foreign Ministry. The Australian Government regards the latest TASS statement as totally inadequate and deliberately misleading and calls on the Soviet Union to provide us with a full and proper account.

During the current Security Council debate, Australia's acting Permanent Representative to the United Nations, Mr Lance Joseph, has added our voice to the worldwide condemnation of the Soviet action.

In his statement

Australia joins community in de from the Soviet erally and I rep The explanation episode are, in been a refusal th or even to exter action. This is d If the Soviet aut will only confir most, with rep national relation

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Speech to Ins

27 August 1983—A speech by the Hon. Barr conference of t Affairs at the Canberra:

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