



PRIME MINISTER

SPEECH BY THE PRIME MINISTER TO THE HOUSING INDUSTRY ASSOCIATION
(MANUFACTURING INDUSTRY COUNCIL) DINNER - DANCE

12 SEPTEMBER 1983

YOU HAVE ALL SPENT A LONG DAY TAKING A CLOSE LOOK AT DEVELOPMENTS IN THE HOUSING INDUSTRY, AND THE ASSOCIATED OUTLOOK BOTH FOR THE INDUSTRY AS A WHOLE AND FOR YOUR OWN OPERATIONS. IT MIGHT NOW BE APPROPRIATE FOR ME TO ATTEMPT TO PROVIDE A BROADER PERSPECTIVE ON YOUR DELIBERATIONS. MORE SPECIFICALLY, I SHOULD LIKE TO RELATE MY GOVERNMENT'S HOUSING INITIATIVES TO OUR MORE GENERAL ECONOMIC POLICY, AND TO OUR AIMS AS A GOVERNMENT.

THE BUDGET IS STILL THE MAIN FOCUS OF ATTENTION IN ECONOMIC POLICY. THERE ARE THREE MAJOR STRANDS TO THE BUDGET STRATEGY THAT THE TREASURER INTRODUCED IN THE PARLIAMENT THREE WEEKS AGO. THESE ARE: FIRST, TO SET A FLOOR OF ACTIVITY IN THE ECONOMY WHILE THE PRIVATE SECTOR REMAINS DEPRESSED; SECONDLY, TO SPREAD MORE EQUITABLY AMONG THE COMMUNITY, THE BURDEN OF THE RESTRAINT THAT IS NECESSARY FOR ECONOMIC RECOVERY, AND THIRDLY, TO IMPLEMENT THOSE REFORMS AND POLICIES NECESSARY TO ENSURE THAT RECOVERY, ONCE UNDERWAY, IS SUSTAINED, AND NOT CHOKED OFF BY HIGHER INFLATION AND INTEREST RATES.

2.

THE INITIATIVES WE HAVE TAKEN TOWARDS THE HOUSING AND CONSTRUCTION INDUSTRIES ARE NOT ONLY ILLUSTRATIVE OF THIS APPROACH. THEY ARE CRUCIAL TO ITS SUCCESS.

AS YOU ALL KNOW OUR HOUSING POLICY WAS DEVELOPED THROUGH A PROCESS OF INTENSE CONSULTATION. THE HOUSING INDUSTRY ASSOCIATION WAS INTIMATELY INVOLVED FROM THE BEGINNING. BILL KIRKBY-JONES AND FRANK FISHER ATTENDED THE NATIONAL ECONOMIC SUMMIT AND MADE A MAJOR CONTRIBUTION TO ITS DELIBERATIONS. IMPORTANTLY THE SUMMIT URGED JOB CREATION THROUGH AN IMPROVEMENT OF THE ECONOMIC INFRASTRUCTURE. THE HOUSING SECTOR WAS RECOGNISED AS OFFERING SPECIAL POTENTIAL.

MY GOVERNMENT HEADED THIS SUGGESTION. FOLLOWING THE SUMMIT, A MINI HOUSING SUMMIT WAS CONVENED. APPROPRIATE FORMS OF ASSISTANCE WERE IDENTIFIED AND INTRODUCED WITH THE REFORMS IN THE MAY STATEMENT AND THROUGH THE PREMIERS' CONFERENCE. ANXIOUS TO GET THINGS MOVING WE CHOSE NOT TO WAIT UNTIL THE BUDGET IN AUGUST.

SUBSTANTIAL INCREASES MADE IN OUR FUNDING OF PUBLIC HOUSING WILL LIFT ACTIVITY IN THE INDUSTRY. DEPENDING ON THE AMOUNTS STATES NOMINATE FOR PUBLIC HOUSING FROM THEIR LOAN COUNCIL PROGRAMS, TOTAL PAYMENTS TO THE STATES AND TERRITORIES FOR PUBLIC HOUSING ASSISTANCE MAY BE SOME \$700 MILLION IN 1983/84, UP 44 PERCENT ON THE 1982/83 LEVEL.

3.

WE HAVE ALSO, AS YOU HEARD EARLIER TODAY, RESTRUCTURED OUR ASSISTANCE TO INDIVIDUAL HOMESEEKERS, TO MAKE HOME OWNERSHIP ACCESSIBLE TO AUSTRALIANS WHO WOULD OTHERWISE HAVE BEEN DENIED THE OPPORTUNITY. BY CONCENTRATING ASSISTANCE ON PEOPLE FOR WHOM IT WILL MAKE THE DIFFERENCE BETWEEN HOME OWNERSHIP AND EXCLUSION, THE NEW PACKAGE WILL DO MUCH MORE TO STIMULATE THE HOUSING INDUSTRY.

THE FIRST HOME OWNERS' SCHEME, TO START NEXT MONTH, IS CENTRAL TO THE GOVERNMENT'S POLICIES TO STIMULATE THE PRIVATE HOUSING SECTOR. DEMAND FOR NEW HOUSES IS LARGELY FROM YOUNG PEOPLE PURCHASING THEIR FIRST HOMES. IN THE PAST FEW YEARS, RISING INTEREST RATES AND THE WORSENING ECONOMIC CONDITIONS HAVE DISCOURAGED MANY YOUNG PEOPLE FROM ENTERING INTO HOUSING MORTGAGES. THE FIRST HOME OWNERS SCHEME SHOULD REVERSE THIS. CONFIDENCE WHICH HAS BEEN SO LACKING IN RECENT YEARS SHOULD BE RESTORED.

APART FROM PROVIDING ALL ASSISTANCE TO PRIVATE HOME BUYERS THROUGH A SINGLE PROGRAM, THE FLEXIBILITY INHERENT IN THE FIRST HOME OWNERS SCHEME WILL MAXIMISE THE VALUE TO EACH INDIVIDUAL, AND HENCE TO THE INDUSTRY. TOO MUCH ASSISTANCE UNDER PREVIOUS SCHEMES WAS DIRECTED TO THOSE IN NO REAL NEED, AND HENCE HAD NO REAL IMPACT ON THE LEVEL OF ACTIVITY.

ACTIVITY GENERATED BY THIS SCHEME TOGETHER WITH OUR DIRECT SPENDING ON PUBLIC HOUSING IS EXPECTED TO CREATE AT LEAST 30,000 ADDITIONAL JOBS. THE IMPACT WILL BE SEEN BOTH IN ON-SITE LABOUR, AND THROUGH THE OPERATION OF SUPPLIERS TO THE INDUSTRY - YOURSELVES.

WHAT ABOUT THE MEDIUM TERM, AND OF THE NEED TO ENSURE THAT RECOVERY IS SUSTAINED? WE ARE WORKING TO AVOID THE CYCLES OF BOOM AND BUST THAT HAVE SO CHARACTERISED THE AUSTRALIAN HOUSING INDUSTRY IN THE PAST.

THE GOVERNMENT'S WIDER POLICIES ARE DIRECTED TO THIS END. TO GET THE ECONOMY MOVING AGAIN, WE HAVE PROVIDED IN THIS YEAR'S BUDGET A SUBSTANTIAL BUT RESPONSIBLE FISCAL STIMULUS. THIS STIMULUS HAS BEEN CAREFULLY CALCULATED TO AVOID DISRUPTIVE PRESSURES ON FINANCIAL MARKETS, COSTS AND PRICES AND THE BALANCE OF PAYMENTS.

FOR PRIVATE SECTOR RECOVERY TO BE SUSTAINED, THERE MUST BE REDUCTIONS IN THE PUBLIC SECTOR DEMANDS IN FINANCIAL MARKETS AS THE RECOVERY PROCEEDS. WITH THIS YEAR'S FISCAL POLICY MEASURES, TAKEN IN BOTH THE MAY STATEMENT AND IN THE BUDGET, WE HAVE LAID THE BASIS FOR A REDUCTION IN THE STRUCTURAL DEFICIT IN FUTURE YEARS. AN ONGOING PROCESS OF EXPENDITURE REVIEW WILL BE UNDERTAKEN TO ENSURE THAT THE

BENEFITS OF THIS ARE NOT WASTED, AND THAT THE CURRENT LEVEL OF FISCAL STIMULUS IS REDUCED AS APPROPRIATE IN RECOVERY.

PRESSURE ON FINANCE AVAILABILITY AND INTEREST RATES, WHICH HAVE PROVED SUCH A SCOURGE TO YOUR INDUSTRY IN THE PAST, SHOULD THEREFORE BE ALLEVIATED. IN THIS REGARD THE DECISION BY WESTPAC AND THE COMMONWEALTH SAVINGS BANK LAST FRIDAY TO LOWER HOME LOAN INTEREST RATES WAS WELCOME. IT WAS A POSITIVE SIGN THAT THE MARKET HAS CONFIDENCE IN THE GOVERNMENT'S OVERALL ECONOMIC STRATEGY AND PARTICULARLY THE 1983-84 BUDGET.

INDUSTRIAL UNREST CAN ALSO THREATEN THE DURABILITY OF RECOVERY. MY GOVERNMENT ATTACHES SOME IMPORTANCE TO THE ACHIEVEMENT OF LONG-TERM INDUSTRIAL STABILITY AND PEACE IN THE BUILDING AND CONSTRUCTION INDUSTRY, OUR PRIORITIES IN THE HOUSING AREA AND FOR THE ECONOMY MORE GENERALLY COULD OTHERWISE BE THWARTED.

THE MINISTER FOR EMPLOYMENT AND INDUSTRIAL RELATIONS HAS WORKED HARD IN THIS AREA. HE HAS MET WITH BUILDING INDUSTRY EMPLOYERS AND UNION REPRESENTATIVES AND HAS CONVENED THE NATIONAL BUILDING AND CONSTRUCTION INDUSTRY CONFERENCE UNDER THE CHAIRMANSHIP OF MR ALAN VOSTI. AS A RESULT THE PARTIES INVOLVED IN THE BLF DEREGISTRATION CASE ARE NEGOTIATING ON A BASIS FOR WITHDRAWAL FROM THE PROCEEDINGS. THE CONFERENCE WILL ALSO PROVIDE A FORUM FOR CONTINUING DISCUSSION BETWEEN EMPLOYERS AND EMPLOYEES ON THE MEANS TO ACHIEVE STABILITY IN THE INDUSTRY.

6.

THE DIFFICULTIES INVOLVED IN REACHING AGREEMENT ON SOLUTIONS TO THE COMPLEX AND LONG-STANDING PROBLEMS INVOLVED ARE ENORMOUS. BUT IT IS THROUGH CONSULTATION OF THE KIND WE HAVE INITIATED THAT A FIRM BASE FOR FUTURE GROWTH IN THE BUILDING SECTOR CAN BE ESTABLISHED.

BEFORE CONCLUDING LET ME COMMENT BRIEFLY ON THE NEW PRESCRIBED PAYMENTS SYSTEM. THIS IS A MATTER UPON WHICH MY GOVERNMENT RECEIVED STRONG REPRESENTATIONS FROM JOHN GRAHAM AND BILL KIRKBY-JONES. THESE REPRESENTATIONS, ASSISTED BY THE FACT THAT THEY WERE MADE REASONABLY, DIRECTLY TO MINISTERS, RATHER THAN WILDLY IN THE MEDIA, DID INFLUENCE GOVERNMENT THINKING. IN PARTICULAR THEY ALERTED US TO THE NEED FOR EASIER TRANSITIONAL ARRANGEMENTS, AND FOR REVIEW OF THE SYSTEM IN THE FIRST SIX MONTHS OF ITS OPERATION.

BUT DESPITE REPRESENTATIONS BY THE HOUSING INDUSTRY ASSOCIATION FOR MORE FAR-REACHING MODIFICATIONS, MY GOVERNMENT EVENTUALLY DECIDED THAT THE NEW SYSTEM OF COLLECTING INCOME TAX IN THE BUILDING AND SOME OTHER INDUSTRIES SHOULD PROCEED FROM SEPTEMBER 1.

IT IS UNFORTUNATE THAT THE NEW SYSTEM HAS OFTEN BEEN REPRESENTED IN THE MEDIA AS A NEW TAX. WHAT WE HAVE ESTABLISHED IS A METHOD OF SECURING THE PAYMENT OF INCOME TAX FALLING DUE UNDER PRESENT LAW. OUR AIM IS TO STAMP OUT

7.

EVASION OF TAX. AS SUCH, APART FROM EFFECTS ON CASH FLOW THROUGH THE YEAR, AND A SMALL ADMINISTRATIVE REQUIREMENT, IT DOES NOT SUBSTANTIALLY ADD TO THE COST OF PRODUCTION. CERTAINLY IT SHOULD NOT, AS SOME HAVE CLAIMED, ADD 10 - 15 PER CENT TO THE COST OF A NEW HOUSE.

THE PREVIOUS GOVERNMENT ANNOUNCED THE SYSTEM IN ITS BUDGET LAST YEAR, TO COME INTO EFFECT ON 1 JULY 1983. ON COMING INTO OFFICE, WE EXAMINED THE SITUATION CLOSELY AND CONSULTED CLOSELY WITH ALL INTERESTED PARTIES, INCLUDING THE HOUSING INDUSTRY ASSOCIATION. WE DECIDED THAT A SYSTEM OF THE KIND NOW INTRODUCED WAS NECESSARY TO STEM THE EXTENSIVE EVASION OF TAX THROUGH NON-REPORTING OF INCOME IN A NUMBER OF INDUSTRIES. IN CERTAIN INDUSTRIES LITTLE MORE THAN HALF OF THE TAX LIABILITY WAS BEING PAID.

THOSE WHO HAVE BEEN CHEATING ON THEIR TAXES WILL BE ADVERSELY AFFECTED BY THE NEW SYSTEM. BUT THE REST OF THE COMMUNITY CAN ONLY BENEFIT IF THOSE NOW GETTING OFF "SCOT-FREE" ARE FORCED TO PAY THEIR TAXES.

IT IS GROSSLY UNFAIR THAT SOME MEMBERS OF THE COMMUNITY CAN SHIFT THE BURDEN ONTO OTHERS BY EVASION OF THEIR TAX LIABILITY. ADDITIONALLY, SUCH EVASION CONFERS AN UNFAIR COMPETITIVE ADVANTAGE ON EVADERS OVER BUILDERS AND SUB-CONTRACTORS WHO ABIDE BY THE LAW. EQUITY IN THE TAXATION SYSTEM IS IN THE INTERESTS OF US ALL.

I APPRECIATE THE ANXIETY WITHIN THE INDUSTRY A MONTH OR SO AGO ABOUT DIFFICULTIES OF OBTAINING EXEMPTION AND VARIATION CERTIFICATES. I AM PLEASED THAT THIS HAS NOT PROVEN TO BE A BIG PROBLEM IN PRACTISE, PARTLY BECAUSE OF TRANSITIONAL ARRANGEMENTS ANNOUNCED A FEW WEEKS AGO. ALTHOUGH A LARGE NUMBER OF APPLICATIONS HAVE BEEN RECEIVED - ABOUT 60,000 BY 1 SEPTEMBER - STEPS WERE TAKEN TO ENSURE THAT APPLICATIONS WERE PROCESSED EXPEDITIOUSLY. THOSE STEPS INCLUDED THE REDEPLOYMENT OF SOME STAFF. AS A RESULT THE GREAT BULK OF APPLICATIONS, MORE THAN 92 PERCENT, WERE PROCESSED BY 1 SEPTEMBER. LESS THAN 3 PERCENT OF THOSE APPLICATIONS WERE REFUSED. STEPS WERE ALSO TAKEN TO ENSURE THAT TAXPAYERS WOULD NOT BE DISADVANTAGED WHERE THE TAX OFFICE OR TAX AGENTS WERE UNABLE TO FULLY PROCESS APPLICATIONS BY 1 SEPTEMBER. ALL SUCH TAXPAYERS WERE ISSUED WITH INTERIM CERTIFICATES FOR PERIODS OF UP TO TWO MONTHS. FINAL CERTIFICATES WILL BE ISSUED WHEN THE COMMISSIONER'S INVESTIGATIONS HAVE BEEN COMPLETED.

WE RECOGNISE THAT THE SYSTEM IS A MAJOR CHANGE IN THE METHOD OF APPLYING TAX FOR MANY AND THAT THERE MAY BE A NEED TO MAKE ADJUSTMENTS IN THE LIGHT OF EXPERIENCE. THIS IS THE REASON WHY WE DECIDED TO REVIEW THE SYSTEM AFTER SIX MONTHS. THAT REVIEW WILL BE UNDERTAKEN IN CONSULTATION WITH YOUR ASSOCIATION. IT WILL EXAMINE, FOR EXAMPLE, HOW THE SYSTEM WILL AFFECT CONTRACT BUILDERS VIS-A-VIS

9.

OWNER-BUILDERS AND THE ADMINISTRATIVE LOAD ON PAYEES, PAYERS AND THE TAX OFFICE. ALREADY THE COMMISSIONER FOR TAXATION HAS SUGGESTED THAT A MINOR ASPECT OF THE SYSTEM MAY NEED TO BE CHANGED TO CUT DOWN ON THE AMOUNT OF PAPERWORK REQUIRED TO BE FILED WITH THE TAX RETURNS OF A LIMITED NUMBER OF LARGE FIRMS WHO HAVE EXEMPTION CERTIFICATES. I UNDERSTAND THAT THE COMMISSIONER IS ALREADY WELL ADVANCED IN LOOKING AT THAT QUESTION. WE HAVE ALSO SUPPORTED AN INQUIRY INTO THE SYSTEM BY THE SENATE FINANCE AND GOVERNMENT OPERATIONS COMMITTEE, TO WHICH YOUR ASSOCIATION IS ALSO MAKING SUBMISSIONS.

LADIES AND GENTLEMEN, I HAVE TAKEN UP SOME OF YOUR EVENING DISCUSSING A FEW MATTERS THAT I THINK ARE OF IMPORTANCE TO THE HOUSING AND RELATED INDUSTRIES. I HOPE THAT YOU AGREE WITH ME ABOUT THAT IMPORTANCE, AND ABOUT THE NEED FOR CONTINUED CONSULTATION IF WE ARE TO ENSURE THAT CORRECT POLICIES ARE ADOPTED. I PERSONALLY APPRECIATE VERY MUCH THE WAY THE HOUSING INDUSTRY ASSOCIATION HAS PUT ITS VIEWS TO THE GOVERNMENT. YOUR ATTENDANCE AT TODAY'S SEMINAR HAS DEMONSTRATED YOUR BELIEF THAT AN UNDERSTANDING BY THE INDUSTRY OF GOVERNMENT ACTION IS NECESSARY. FOR MY PART I BELIEVE THAT UNDERSTANDING BY THE GOVERNMENT OF THE INDUSTRY'S VIEWS IS EQUALLY VITAL. TOGETHER I AM SURE WE WILL GET IT RIGHT.