



PRIME MINISTER

E. & O.E. - Proof Only

TRANSCRIPT OF PM TO WINE-GROWERS IN THE SWAN VALLEY, 28 SEPTEMBER 1983

.. a situation that may involve some difficulties in respect of some of the decisions which we had to take in the recent Budget and it's a measure of your attitude that you have been prepared ... subsequent awards and I do say thank you very much to you and you Peter for providing your premises and those who organised today.

As Gavin has said unfortunately we do have a very tight schedule, but I appreciate the opportunity of spending a little bit of time with you. I won't take up too much because I think it is much more important that I listen to you than that I speak to you.

There are a few things I would like to say which I hope you understand as being relevant to the position which we find ourselves in today.

When we came to office on 5 March we inherited an economic situation which was very very much worse than we had been led to believe by our predecessors. You have read about this, but I must remind you of the fact that when we went into the campaign in February of this year, we were told by the previous government that the deficit situation that the incoming government would be operating in in 1983/84 would be about \$6 billion. Now, that is a very large deficit for any government to have to operate in. We were somewhat apprehensive about it. We knew that we were going to have to do something to stimulate the economy which would mean a vast increase in the deficit.

The day after we were elected to office we found from the officials who knew the facts, what the previous government had not told us about - it wasn't \$6 billion deficit that we as a Government were facing, but a \$9.6 billion - an extra \$3.6 billion.

Now I don't want to talk in economic jargon to you, the language of professional ... but I do want to ask you to understand what that meant for a government coming in who wanted to try and look after the interests of all Australians. Now, if we had operated on that Budget of \$9.6 billion and gently tried to do something else to try and get the economy moving, then all Australians would have suffered - all Australians - not just people here by one particular decision, but everyone would have suffered because there would have been an inevitable pressure on interest rates which would have sent interest rates very much higher and that would have affected wine growers, trade unions, home owners, farmers - you name it.

Now, we weren't prepared to go along on that basis. I particularly want to say to you that if a government is going to bring that deficit down and avoid those problems for everyone including people like yourselves, then decisions have to be taken. You don't get rid of a deficit like that by simply sitting at your desk in Canberra and saying "oh bother, I wish it would go away". You have got to make decisions and there are two sets of decisions that you take if you are going to bring that deficit down... quickly increase in interest rates.

... (inaudible)

You have got to make some decisions which are going to involve raising more revenue and on the other hand you make some decisions which cut down on some existing programs.

They are the only boundaries you have got. The only thing that we have if we were going to try and do the things which are going to give the best result for all Australians. We like to have to do some of the things that are necessary, but we had to impose some increased charges. We had to ...

I want to say this to you. In the result, the Budget that was brought down by our Government, read to the House by Paul Keating on 23 August; was without question, ... (inaudible)

It was the best received Budget in recent memory and it was well received because generally people, including those who probably have to suffer some impost that they would rather not have done, realise that in the event that taking our action will bring the deficit down. That's going to be the result.

Now we haven't had to sit there and say we think this is what will happen. We have done it and already there. Since we brought down the Budget interest rates have not risen as they would have done if we hadn't acted in the way we did, but in fact interest rates are coming down. The fact of that reduction in interest rates which are coming down largely because of the actions that we put, mean that people like yourselves, people round the place, are better off.

Now, before you try and save your money, if you are going to get that result, you're going to get a position where interest rates are not going to rise, but in fact, as they have, fall - ... had to make decisions to produce that result. We have done that. You benefit. All Australians have benefitted and will continue to benefit from that.

Now, let me give you that background by way of explaining that a number of decisions have had to be taken to produce that result. Now, I want to say to you straightforwardly that when you are drawing up a Budget you are faced eventually ... (inaudible) with those decisions which cover a whole range of departments we reach - decisions have to be taken about items to the benefit of everyone.

It was put to us - I come now directly to the question that was of some concern and I understand it was of some concern to you. We were faced with evidence impartially from government officials - people who were concerned with the .. (inaudible) of the revenue. We were faced with a problem of substitution in industry and they know which could only be met effectively by the imposition of the excise on grape spirits.

In this case, not because we wanted to make unnecessary problems, for Australians, in this case we made that decision in respect of the \$3 increase. Now, once we had made that decision that was in the Budget we had representations made to us that in fact this was going to impose burdens which were simply not going to ... (inaudible) with the southern areas - a crippling nature. Now I indicated straightforwardly - we did not intend that as a seriously - we had the representations made to us. We looked at the other alternatives raised - facing this issue consistent with our commitment that there had to be some ... (inaudible) in the community so that we could make sure that we didn't have rising interest rates which would produce the better results that I referred to .

We obviously, as a Government, had to depend upon the representations that were made to us. We obviously can't ... And as Gavin has said, the representations that were made to us - these were somewhat loaded in respect of the larger interests, particularly those who had raised the standard in the area of table wines.

When I was listening to the representations that were made, what particularly John Kerin, our outstanding Minister for Primary Industry, had to say, we reached a decision where we may be able to meet a large part of the concern by reducing that excise and that is what we did.

I am conscious - I don't try and walk away from the fact - I am conscious that that ... creates some problems and I am going to say this to you ...

Firstly, that I think that others like yourselves perhaps aren't ... (inaudible) by the larger representations which governments have to take aboard and that is why particularly in the limited and short time I have got here I would like to hear directly from you the ... which ... for you by the decisions that we have made.

The other thing that I want to say is this - we are conscious of the fact that within the industry - not just here, but right across Australia - that there is a mood as the industry has put to us - looking at the housing industry too you can get a better structured industry. There are arguments, as you know, for ... from within the industry and certainly from outside - about the tax on wine and the argument that you have got to tax on other forms of alcoholic intake, beer and it is inequitable that you are not being taxed on wine generally.

Now ... (inaudible) along that path because we want to in fact be able to have more detailed discussions with the industry.

That is what I put to you. John Kerin, a highly respected and experienced Minister knows primary industry better than any other Primary Industry Minister in the post war period. He's got practical and intellectual experience and I instructed John that I want him from now on as he goes through this year and prepare for an overall - lick the problems of your industry. I want him to have discussions with you and also ... I hope that he will actually come and talk with people like yourselves as well as the representatives and the people who are voted to see what are the best ways in which we as a government can be of assistance to the industry at the same time as meeting our commitments with the Australian community as a whole.

So you can see I haven't come to you with some weak excuse to say, right we made a mistake, we are going to get rid of the decision. I haven't come to you and said we are going to ... (inaudible). I have come directly to you and tried to explain to you why in the interests of all Australians we have had to raise revenue ... (inaudible) and of this day each one of you who is in a bank situation where you are paying for money or in a situation where you are going to ... As a direct involvement of decisions that we took as a result of those decisions, anyone in ... involving the borrowing of money - we are distinctly better off now because we took that range of decisions and I ask you in respect of something better to do that there may be expansion because of the reduced ... that were taken regarding excise... That was part of the tactics that has produced that improved situation with regard to interest rates. I ask you .. We did not take those decisions with any sense of trying to impose burdens for the sake of doing it, everything that we did has been ... we have been trying to create an economic situation in which we can get the economy moving and if a borrowing economy, an economy in which more people are employed, and in which the employed people are going to have higher incomes which ultimately determine your welfare so it's not just in terms of your net income ... costs down, ultimately the other determinant is how much of your ... you have got once the capacity of ...

That is what we have done - trying to get this economy moving and we ... In the last few years before we came in the economy was going like that - unemployment was increasing, jobs were declining. All these we have reversed. ... in respect of which we have had to impose this increased charge, as a result of what we have done, by the end of 1983/84 this economy will be growing at a rate of 5-6% per annum against the decline ... offered you before. It is in that situation that we will produce a growing economy with more people at work, with higher annual incomes, ... that there will be a much greater market for your products. You will be better off on your income side as a result of the decisions that we have taken, so I do ask you as responsible and concerned citizens ... in line with election commitments.

We see, in particular, immediate decision which is of some concern to you in an overall context and I want to say this to you - from the end of 1983/84 as a result of the reduced interest rates that will have been operating - as a result of the ... and higher demands which there will be for products, I venture to suggest to you that we take all those things into account and you will be, on balance, as you go into 84/85, you will be in a better position and I say that also in the context and I give you an indication that the whole of this industry and how we can be involved in it and how we can be of assistance to you will be a matter of continual discussions by Mr. Kerin and he will report to me.

Thank you very much indeed for your attendance.

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