

CHECK AGAINST DELIVERY



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## PRIME MINISTER

ADDRESS TO PRIME MINISTER'S LUNCHEON  
NEWCASTLE CITY HALL - 12 APRIL 1984

I am very pleased to be with you today on this, my first visit to Newcastle as Prime Minister.

I'm especially pleased because I understand this is the first visit to your city by any Prime Minister for nearly 20 years.

But let me assure you - you won't have to wait another 20 years.

When Paul Keating was here recently he was the thirteenth Minister to visit Newcastle since the election.

I'm the fourteenth.

Lionel Bowen, the Deputy Prime Minister, arrives here tomorrow - making it 15 Ministers.

Over half the Federal Ministry has visited Newcastle in little over a year.

That's more Ministers than came here during the entire seven years of the previous Government - seven years when Newcastle was all but forgotten.

Of course, such neglect from the previous Government was - for it - perfectly normal.

Even so, it did constitute a blindness to the role of Newcastle and this region in Australia that was extraordinary - even by its standards.

You can't ignore a region of nearly 500,000 people - with Australia's sixth largest city.

You can't ignore a critical centre of Australia's heavy industry.

You can't ignore a city which - apart from West Australia's iron ore ports, Dampier and Port Hedland - is Australia's number one export port.

And we won't ignore you.

The Federal Labor Government is giving Newcastle a new deal.

That's clear from the initiatives we've already taken for Newcastle over the past year, initiatives such as:

- . the decision to establish a regional taxation office in Newcastle which will ultimately employ over 700 people;
- . the new Federal office block we will begin building later this year at a cost of \$10 million;
- . the new \$180 million highway development strategy for the Hunter region which will provide a complete bypass west of Newcastle and Maitland for national traffic by 1990;
- . the appointment for the first time of a permanent family court judge for the Newcastle region; and
- . the establishment of a regional office of the Department of Trade in Newcastle which Lionel Bowen will open tomorrow.

We recognise Newcastle for what it is - one of Australia's key industrial centres.

The decisions we've taken will help upgrade the status of Newcastle and broaden your infrastructure and industries.

Our initiatives also offer a challenge to other organisations with a stake in Newcastle to follow our lead - to upgrade and expand their representation here and to allow more local decision making.

I urge the private sector to consider the implications of the Federal Government's commitment to this region and to take advantage of the opportunities that are opening up.

And those opportunities are all the brighter because of the dramatically improved outlook for the Australian steel industry.

The last time I was in Newcastle was in October 1982 to address that huge public meeting held in this City Hall to consider the crisis in the steel industry.

At that time you were facing the appalling prospect of the steel industry disappearing altogether from Australia - and, with that, the effective destruction of Newcastle as a community.

You'll recall that at that public meeting, called at a time of absolute crisis, the previous Government didn't even bother to send a representative.

That's something the people of Newcastle should never forget.

But fortunately that Government has passed away.

Labor was elected and we moved as quickly as we could to rescue the steel industry.

The result was our historic Steel Industry Plan.

Through the Steel Plan we saved the steel industry.

And in saving the steel industry we saved Newcastle.

The Steel Industry Plan is a breakthrough for Australia.

It's the first serious case in our history of cooperative industrial reconstruction.

The Steel Plan is in effect a contract, a contract between the Federal Government, BHP and the unions.

The three parties have each given vital commitments.

By collectively observing those commitments, the parties have ensured that Australia retains a viable, efficient steel industry.

The Federal Government's commitments are for a steel bounty of up to \$72 million a year.

The unions' commitments relate to wages, productivity and observing grievance settlement procedures.

BHP's commitments are for job security, new investment and the continued operation of three separate steel centres.

The Steel Plan is an integrated package.

Failure by any of the parties to observe their undertakings means the whole Plan falls apart.

The new Steel Industry Authority is charged with monitoring the situation to ensure that all the parties honour their obligations.

The Steel Plan is working well.

Bounty payments in the first half of this year are expected to be significantly below the maximum provided for, reflecting the improvement in output by the steel industry.

The Plan is certainly helping to improve the industry's productivity.

There is a sense of commitment by all the parties to make the Plan work.

Because of the devastation suffered by Newcastle and the other steel centres the Government has also introduced a package of employment and training initiatives for these regions.

In particular, we have set aside more than \$100 million for projects in the steel regions to improve the economic infrastructure and provide new job opportunities.

We have already approved projects valued at \$23 million for the Hunter region together with an additional \$10 million for tourism developments.

We have also extended the labour adjustment training arrangements to cover not only workers retrenched in the steel industry but also workers retrenched from firms supplying goods or services to the steel industry and those retrenched in the coal industry in NSW.

The labour adjustment training arrangements aim to upgrade workers' skills and so make it easier to get a job.

We have provided over 800 training places in the Hunter region under these arrangements.

The Government is also providing job opportunities in Newcastle through our new Community Employment Program.

We have already approved over \$8 million for CEP projects in the Hunter region. These will create more than 800 jobs.

Like the steel industry, the coal industry has been experiencing extremely severe difficulties. Overseas contracts are, of course, crucial to the coal industry's long term prospects.

In my visit earlier this year to Japan, South Korea, China and Malaysia, I stressed Australia's increased reliability as a supplier and our improved industrial relations record.

This was seen as being crucially important to reversing the deterioration that has occurred in Australia's position as a supplier of steel-making raw materials in recent years.

The steel industry crisis in Australia was exacerbated by the dramatic downturn in our economy.

This led all those industries which use steel to savagely cut back their demand for steel - with appalling consequences for steel centres like Newcastle.

Newcastle has a vital interest in the national economic recovery - for all the obvious reasons but also because expansion in Newcastle's steel industry depends more than anything else on rising economic activity and growing demand.

Now the simple fact is this: the economic recovery in Australia is well and truly underway.

Those remaining doubting Thomases on this score were strangely mute late last month when the Bureau of Statistics released its most recent national accounts figures.

These showed that the non-farm economy, after contracting in the first half of last year, rebounded very strongly - by an estimated 5.6 per cent - through the second half of last year.

In other words, the economic recovery is underway.

Our official advisers expect that growth in the non-farm economy through this financial year will be as high as 8 per cent.

This is the strongest growth for more than a decade.

The challenge is no longer to reverse the slide into recession.

We have done that.

The challenge now is to maintain the momentum of the recovery that is already underway.

This will not be easy.

In particular, it will require creating a sustained recovery in private sector investment.

Private investment is normally the last component of demand to pick up in an economic recovery.

There are two requirements as important as any in creating a recovery in investment.

These are: a balanced fiscal policy and a successful wages policy.

The Federal Government has both.

In the case of fiscal policy, last year's Budget is now generally recognised as an outstanding success.

It provided a substantial stimulus to the Australian economy but a stimulus that was not excessive given the depth of the recession that Australia was experiencing.

It struck the right balance.

Furthermore the Budget is on target.

Government spending is expected to exceed the Budget estimates by less than one half per cent while aggregate receipts will be very close to the Budget forecasts.

The Government has already begun considering this year's Budget.

We are starting from the basic premise that the economic circumstances facing Australia now are very different from what they were 12 months ago.

When we were drawing up last year's Budget Australia was in the depths of the recession. A substantial economic stimulus from the Budget was obviously required.

However, the economy is now growing strongly and the private sector's demand for funds is picking up.

In these circumstances, the Government believes the only responsible course is to wind back the degree of stimulus from the government sector and to reduce the financing demands the public sector is placing on private capital markets.

Failure to do so would risk upward pressure on interest rates - something that can only harm the prospects for long term recovery.

Accordingly the Government will reduce significantly the size of the deficit in the coming Budget.

But the extent of the deficit reduction will not be so large as to pull the rug from under domestic demand and so undermine the recovery.

There will be no draconian deficit reduction.

As we did last year, we will strike the right balance.

And in doing so we hope to encompass in the Budget significant cuts in personal income taxation - tax cuts that the community at large expects from us and tax cuts that will provide a firm underpinning for continued wage restraint.

The Government's fiscal policy is sound, it is responsible, it is balanced.

And therefore it is a total contrast to the fiscal policy of the previous Government.

Our predecessors had the dubious distinction of blowing out the deficit in their last Budget by over \$2 1/2 billion - an all-time record.

They also left us with a projected Budget deficit for 1983-84 of \$9.6 billion, a veritable fiscal crisis - and a crisis about which they deliberately deceived the Australian people during the election campaign.

But fortunately - and I say this particularly to the business community - those days of fiscal mismanagement are over.

The failure of the previous Government's fiscal policy was bad enough.

But that failure was matched by the failure of their wages policy - and I use the term 'wages policy' advisedly.

The previous Government's wages policy, such as it was, was simply a recipe for a wages explosion.

That's exactly what Australia had.

And the tragedy of that wages explosion was that it contributed very greatly to the severity of the recession.

For a long term economic recovery Australia needs above all a wages policy that is coherent, that is equitable, that is workable.

That, I submit, is precisely what the Federal Government has put in place for Australia - a wages policy, centred around the Prices and Incomes Accord, that will provide a firm basis for long term wage stability.

The next National Wage Case decision is expected to be handed down in late September or October. It will be based on the Consumer Price Index rises for the March and June quarters of this year.

However, the combined CPI rise in these quarters will be drastically reduced by the impact of Medicare.

In fact Medicare is expected to cut the CPI by about 2 3/4 percentage points.

This means the next National Wage Case rise will be extremely low - about 1 to 2 per cent.

The ACTU has made it clear at the Economic Summit Conference and on a number of occasions since that they will not seek compensation for Medicare induced reductions in the CPI.

That is appropriate and responsible.

The Federal Government will totally oppose any claims by individual unions for compensation for the impact of Medicare on the CPI.

We are determined that the Medicare-induced CPI reduction will be transmitted fully into a slowing of wages growth.

The National Wage Case decision after the one later this year is not expected until March or April of next year.

What this means is that business can look ahead for almost a year knowing that wage rises will be minimal.

The next year will see very considerable wage restraint.

This will be a very helpful breathing space for business.

It will help profits to recover further, it will help new investment plans to be followed through and it will help the creation of new jobs.

The Government believes the coming period of wage restraint will give Australia a firm base for continuing to build on the unemployment reductions we have already achieved.

Australia's economic recovery is now underway.

The Government's highest priority is to maintain and broaden the momentum of that recovery.

We have made a welcome start but there is a very long way to go.

All sections of the community must play their part.

All sections of the community must exercise restraint.

All sections of the community must co-operate with the national government.

Provided that co-operation is forthcoming I believe Australia can look to a brighter future than we've seen for years.

These are difficult times.

We cannot ignore the deep-seated problems we still face.



But equally we cannot ignore the fact that at long last we are climbing out of the recession and creating the basis for a long term economic recovery.

With the support of all of you, that long term recovery, that return to prosperity is precisely what we will achieve.

And Newcastle will both play a significant role in, and benefit from, that recovery.

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