



## PRIME MINISTER

FOR MEDIA

27 MAY 1985

SPEECH BY THE PRIME MINISTER FOR ALP FUNCTION, REGENT HOTEL,  
SYDNEY

THANK YOU LIONEL. LADIES AND GENTLEMEN, FRIENDS:

IT'S GOOD TO BE BACK HERE IN SYDNEY, AND IT'S GOOD TO BE ADDRESSING SUCH A FAMILIAR GATHERING. IT'S REFRESHING AFTER A RIGOROUS SESSION OF PARLIAMENT TO GET OUT IN THE WORLD AGAIN. THIS IS THE SIXTH OF THESE NEW SOUTH WALES LABOR PARTY DINNERS THAT I HAVE ADDRESSED SINCE BECOMING PRIME MINISTER JUST OVER TWO YEARS AGO. IT'S BECOMING SOMETHING OF A REGULAR EVENT FOR ME.

IT'S AN ESPECIALLY PLEASING FEELING TO ATTEND THESE FUNCTIONS, IF ONLY BECAUSE THERE ARE MANY OF YOU HERE TONIGHT WHO ARE NOT NORMALLY THE SORT OF PEOPLE WE WOULD EXPECT TO SEE AT LABOR PARTY GATHERINGS. I BELIEVE IT SAYS A LOT ABOUT THE CHARACTER OF OUR GOVERNMENT THAT ITS POLICIES DO FIND SUPPORT AMONGST PEOPLE IN AREAS OUTSIDE THOSE TRADITIONALLY CONSIDERED THE DOMAIN OF THE LABOR PARTY.

AND IT SAYS A LOT THAT SO MANY OF YOU ARE INTERESTED ENOUGH TO TURN OUT FOR US SO REGULARLY.

THERE ARE A NUMBER OF REASONS FOR THIS. NOT THE LEAST OF THEM I BELIEVE IS THE BRAND OF OUR ECONOMIC POLICIES, AND THE CONSISTENCY WITH WHICH WE HAVE APPLIED THEM OVER THE LAST TWO YEARS.

WE HAVE ADOPTED POLICIES AND WE HAVE STUCK BY THEM. I BELIEVE WE HAVE BROUGHT AN ORIGINAL APPROACH TO GOVERNMENT IN THAT NOT ONLY HAVE WE APPLIED OUR POLICIES CONSISTENTLY, BUT THEY HAVE BEEN BASED IN A COHERENT, LONG-TERM STRATEGY. THE PLAN SPelt OUT BY THE PRICES AND INCOMES ACCORD AND ELABORATED BY THE ECONOMIC SUMMIT IN APRIL 1983, HAS PROVIDED A FRAMEWORK AND A CERTAINTY, AND A VEHICLE FOR HARNESSING THE CO-OPERATION OF ALL SECTIONS OF THE COMMUNITY.

WE KNEW WHEN WE CAME TO OFFICE THAT THE ROAD AHEAD WAS GOING TO BE HARD. WE CAME IN ACCEPTING THAT MANY UNPOPULAR DECISIONS HAD TO BE MADE. AND WE HAVE MADE THEM. WE HAVE NEVER WALKED AWAY FROM THE ACTION WE CONSIDER IS IN THE LONG TERM INTERESTS OF AUSTRALIA.

NO DOUBT THERE ARE MANY MORE DECISIONS AHEAD OF US. BUT OUR RECORD IN TAKING THE ACTION WE BELIEVE IS IN AUSTRALIA'S LONGER TERM INTERESTS IS A SIGNIFICANT REASON WHY WE HAVE ENJOYED AND, I BELIEVE, WE WILL CONTINUE TO ENJOY, BROAD COMMUNITY SUPPORT FOR OUR PROGRAMS.

I DON'T HAVE TO TELL YOU THAT GOVERNMENT IS NEVER EASY SAILING. GOVERNMENT WITH INTEGRITY AND CONSISTENCY, THOUGH, IS MUCH MORE DIFFICULT.

WHEN WE CAME TO OFFICE, WE PROMISED THE PEOPLE OF AUSTRALIA THREE THINGS - RECONCILIATION, RECOVERY, AND RECONSTRUCTION. WE HAVE RECONCILED AUSTRALIANS. RECOVERY IS UNDERWAY. AND NOW WE ARE BEGINNING THE PHASE OF FUNDAMENTAL, LONG TERM IMPORTANCE OF RECONSTRUCTION. THESE INVOLVE FUNDAMENTAL CHANGES TO THE AUSTRALIAN ECONOMY.

THERE WILL ALWAYS BE ELECTORAL DANGERS IN MAJOR CHANGE TO AREAS OF ECONOMIC AND SOCIAL POLICY. WE WERE TOLD THERE WERE DANGERS IN THE FLOAT OF THE DOLLAR. WE WERE TOLD THERE WERE DANGERS ABOUT FREEING UP THE FINANCIAL SYSTEM. BUT IF YOU TAKE THE NEXT STEP FROM THAT POINT OF ACKNOWLEDGING THAT THERE ARE DANGERS IN CHANGE AND THEN SHY AWAY FROM THEM, THEN YOU ARE DENYING THE PROPER ROLE AND FUNCTION OF GOVERNMENT.

THE PROPER ROLE OF GOVERNMENT IS TO PERCEIVE WHAT IS HAPPENING IN THE ECONOMY, HOW IT AFFECTS THE ECONOMY, AND HOW IT AFFECTS SOCIETY. AND IF YOU SEE THAT SOMETHING IS OPERATING BADLY AND IT NEEDS CHANGE, THEN IF YOU ARE SERIOUS ABOUT GOOD GOVERNMENT YOU WORK OUT WHAT NEEDS TO BE DONE AND YOU DO IT. BUT THE ESSENCE OF REFORM IS NOT SIMPLY FORCING CHANGE.

THESE CHANGES HAVE TO BE ACCEPTED, AND FOR THAT THEY HAVE TO BE UNDERSTOOD. THEY HAVE TO BE REAL, BUT THEY CANNOT OVERWHELM. THEY MUST BE GRADUAL AND THEY MUST BE SEEN TO BE FAIR. FAIRNESS IS ONE REASON WHY I BELIEVE OUR MAY ECONOMIC STATEMENT WAS SO WELL RECEIVED.

GOVERNMENTS MUST ACKNOWLEDGE IN THE PROCESS OF CHANGE AND REFORM, IN SOCIAL AND ECONOMIC TERMS THAT THERE NEED TO BE COMPENSATING MECHANISMS WHICH PROTECT VULNERABLE GROUPS.

BUT WE REJECT COMPLETELY AND ABSOLUTELY THE PHILOSOPHY WHICH TOO OFTEN MARKED THE STYLE OF OUR CONSERVATIVE PREDECESSORS IN GOVERNMENT. THEY WOULD LOOK AT AN ISSUE AND SAY, "GEE, THERE'S A DANGER THERE. PUT IT AWAY. ITS TOO HARD."

EVERY TIME A PROBLEM ISSUE WOULD ARISE, THE COALITION PARTIES WOULD WORK THEIR WAY AROUND IT, ONLY TO PUT ASIDE A LONG TERM SOLUTION IN FAVOUR OF A SOFT OPTION, BECAUSE THAT WAS THE SAFEST WAY OUT IN THE IMMEDIATE TERM. THAT IS AS DISHONEST AS IT IS INTELLECTUALLY BANKRUPT. THE LIBERALS HAVE ALWAYS BEEN THE PARTY OF SOFT OPTIONS, MANIPULATED BY THE PROPPED-UP AGRARIAN FEATHERBEDDERS OF THE NATIONAL PARTY.

WE HAVE HEARD A LOT OVER THE LAST FEW MONTHS ABOUT THE NEW WAVE OF "DRIES" SEIZING THE COALITION PARTIES. BUT WE HEARD THAT YEARS AGO WHEN THEY WERE IN GOVERNMENT. THEIR ACTION JUST IN THE LAST WEEK TO WATER DOWN OUR REFORM OF THE DAIRY INDUSTRY IS PROOF THAT THE OLD-TIME, BLINKERED McEWEENISM STILL CONTROLS THESE PARTIES WHEN IT COMES TO A CRUNCH ISSUE.

THE FACT IS THAT EVERY GOVERNMENT HAS ITS PROBLEMS. BUT THE KEY TO GOOD GOVERNMENT IS NOT TO TAKE THE STOP-GAP, QUICK-FIX SOLUTIONS. GOVERNMENT MUST BE ABOUT FOLLOWING COHERENT STRATEGIES FOR LONG-TERM SOLUTIONS WHICH TRANSCEND MOMENTARY PRESSURES.

WE INHERITED GOVERNMENT AT A TIME OF SIGNIFICANT ECONOMIC INSTABILITY. OUR METHODS IN TACKLING THESE PROBLEMS - OF SPENDING, OF UNEMPLOYMENT, OF INFLATION, OF THE WORST RECESSION SINCE THE GREAT DEPRESSION - IS PROBABLY ONE OF THE REASONS WHY MANY OF YOU ARE HERE TONIGHT.

OUR SUCCESSES ARE SELF-EVIDENT -

- IN TWO SHORT YEARS, OUR INFLATION RATE HAS BEEN REDUCED SUBSTANTIALLY.
- ECONOMIC GROWTH HAS BEEN STRONG AND A FIRM BASIS EXISTS FOR CONTINUED GROWTH. AUSTRALIA'S GROWTH DURING THE FIRST TWO FINANCIAL YEARS OF LABOR WILL AT LEAST MATCH THAT ACHIEVED DURING THE ENTIRE SEVEN YEARS OF THE FRASER ADMINISTRATION.
- BUSINESS AND CONSUMER SPENDING ARE EXPANDING.
- REAL UNIT LABOUR COSTS HAVE FALLEN TO THE LEVELS OF THE EARLY '70'S AND PROFITS HAVE IMPROVED DRAMATICALLY.

- THE ACCORD HAS BROUGHT INDUSTRIAL DISPUTATION DOWN TO VERY LOW LEVELS.

ABOVE ALL, OUR POLICIES HAVE BEEN CONSISTENT.

WHEN WE CAME TO OFFICE, THERE WAS A REAL NEED FOR ECONOMIC STIMULUS TO PULL THE ECONOMY OUT OF RECESSION INTO THE INITIAL STAGES OF RECOVERY AND TO PRODUCE JOBS. BUT WE ALSO RECOGNISED THE CENTRAL ROLE IN OUR ECONOMY OF THE PRIVATE SECTOR, AND THAT ANY LASTING AND SUSTAINABLE RECOVERY HAD TO BE BASED ON PRIVATE SECTOR GROWTH. WE ACKNOWLEDGED THAT FOLLOWING THE INITIAL STIMULUS, WE HAD TO PULL BACK BY REDUCING OUR OWN DEMANDS ON THE CAPITAL MARKET, TO ALLOW ROOM FOR THE PRIVATE SECTOR TO TAKE OVER. WE HAVE DONE THAT. THE PRIVATE SECTOR IS TAKING OVER THE RECOVERY.

WE FOLLOWED UP THIS YEAR'S CUT IN THE DEFICIT WITH THE \$1.2 BILLION CUTS ANNOUNCED IN OUR MAY 14 ECONOMIC STATEMENT. WE WILL CONTINUE THE PROCESS IN THE BUDGET IN AUGUST. OUR FISCAL POLICY IS FOLLOWING THE PATH DESIGNATED FOR IT WHEN WE CAME TO OFFICE. IT IS A TANGIBLE DEMONSTRATION OF THE CONSISTENCY AND COHERENCE WHICH HAS MARKED OUR APPROACH TO GOVERNMENT OVER THE LAST TWO YEARS. WE HAVE NEVER LOST SIGHT OF THE FACT THAT WHAT IS REQUIRED TO PRODUCE A SUSTAINABLE LASTING RECOVERY IS THAT THE PRIVATE SECTOR MUST BE ASSURED OF THIS CONSISTENCY AND COHERENCE IF IT IS TO BE RESTORED TO ITS TRADITIONAL, MAJOR ROLE IN THE AUSTRALIAN ECONOMY.

THAT IS HAPPENING. AND THE MAINTENANCE OF TRENDS SUCH AS THAT IS THE REASON WHY WE HAVE OUR TRILOGY OF COMMITMENTS. WE HAVE PLEDGED TO CURTAIL GROWTH IN GOVERNMENT SPENDING, TAXATION, AND TO REDUCE THE SIZE OF THE DEFICIT. THE MAY ECONOMIC STATEMENT IS A SIGNIFICANT DOWN PAYMENT ON THE TRILOGY. THE TRILOGY REPRESENTS THE MOST RIGOROUS SET OF FISCAL DISCIPLINES EVER IMPOSED BY AN AUSTRALIAN GOVERNMENT UPON ITSELF.

THE DISCIPLINES INVOLVED IN THESE COMMITMENTS ARE NECESSARY IF THE GOVERNMENT IS TO ALLOW THE BUSINESS COMMUNITY THE FREEDOM TO GENERATE THE PRIVATE SECTOR RESURGENCE WHICH WILL SET AUSTRALIA ON THE PATH TO SUSTAINED ECONOMIC GROWTH.

THERE HAS BEEN SOME PROMINENCE GIVEN IN THE MEDIA TODAY TO AN EXPECTED REVENUE SHORTFALL FOR COLLECTIONS FROM PROVISIONAL TAX-PAYERS COMPARED WITH THE 1984-85 BUDGET ESTIMATES. AS THE TREASURER SAID THIS AFTERNOON, THE

PATTERN OF THE DEFICIT AT THIS STAGE IN THE FINANCIAL YEAR STILL APPEARS TO BE BROADLY CONSISTENT WITH BUDGET EXPECTATIONS.

AND THE EXPERIENCE WITH PROVISIONAL TAX COLLECTIONS THIS YEAR WILL NOT AFFECT THE GOVERNMENT'S TRILOGY OF BUDGET COMMITMENTS IN 1985-86.

BEYOND THE SHORT TO MEDIUM TERM ECONOMIC CYCLE, THE PROSPERITY OF THE NATION DEPENDS CRITICALLY UPON INVESTMENT TAKING PLACE IN THE DEVELOPMENT OF PRODUCTS AND INDUSTRIES MOST LIKELY TO EXPERIENCE LONG TERM INCREASES IN LOCAL AND INTERNATIONAL DEMAND. WE ARE A SMALL AND RESOURCE-RICH NATION, IN THE GEOGRAPHIC NEIGHBOURHOOD OF WHAT ARE NOW THE WORLD'S MOST DYNAMIC ECONOMIES. OUR CHALLENGE AS A NATION IS TO CAPITALISE ON THE OPPORTUNITIES WHICH OUR LOCATION AND RESOURCE ENDOWMENTS PROVIDE. THE LABOR GOVERNMENT IS COMMITTED TO SEEING THAT AUSTRALIA AND ITS INSTITUTIONS RISE TO THAT CHALLENGE.

ALREADY THERE ARE RUNS ON THE BOARD: IMAGINATIVE PROGRAMS ARE IN PLACE IN THE STEEL AND MOTOR VEHICLE INDUSTRIES, DIRECTED AT STRENGTHENING THE COMPETITIVE POSITIONS OF THOSE INDUSTRIES WHILE KEEPING THEM UPON THE STIMULUS OF INTERNATIONAL COMPETITION AND AVOIDING INCREASING COSTS TO USERS OF THEIR PRODUCTS. A SIMILAR APPROACH HAS BEEN ADOPTED TOWARDS THE PROBLEMS OF THE DAIRY INDUSTRY.

BUT CLEARLY THE MOST IMPORTANT AREA IN THIS PROGRAM OF REFORMS HAS BEEN THE CHANGES MADE TO THE FINANCIAL SYSTEM.

THE FINANCIAL SYSTEM PLAYS A LEADING ROLE IN FACILITATING THE ECONOMIC GROWTH WE AS A NATION NEED. AN EFFICIENT FINANCIAL SYSTEM WILL DIRECT RESOURCES AT LEAST COST TO THE MOST PRODUCTIVE AREAS OF THE ECONOMY AND THUS ASSIST IN RAISING THE WEALTH AND LIVING STANDARDS OF ALL AUSTRALIANS.

AN INEFFICIENT FINANCIAL SYSTEM, SHELTERED FROM INTERNATIONAL COMPETITION AND STRAITJACKETED BY REGULATION, WILL TEND TO DIRECT RESOURCES TO LOW-RISK, "SAFE" AREAS OF THE ECONOMY. SUCH CONSERVATISM CANNOT PROPERLY CONTRIBUTE TO THE ADJUSTMENTS NECESSARY TO ENSURE OUR LONG RUN PROSPERITY.

THE IMPLEMENTATION OF ANY SIGNIFICANT REFORM IS A TRICKY PROCEDURE FOR ANY GOVERNMENT, PERHAPS EVEN MORE SO FOR A GOVERNMENT BASED ON A PARTY AS DYNAMIC AND DIVERSE AS THE LABOR PARTY. EVEN IN A PARTY OF REFORM SUCH AS OURS CHANGE IN POLICY AND PRACTICE HAS TO BE HANDLED WITH SENSITIVITY. BUT THIS CAN NEVER BE AN EXCUSE FOR BEGGING OFF. GOVERNMENT HAVE TO RECOGNISE THAT THEY ARE GOING TO HAVE TO MAKE DECISIONS WHICH MAY NOT BE IMMEDIATELY POPULAR.

THAT DOES NOT MEAN THAT YOU SIMPLY SAY OBSTINATELY THAT YOU KNOW WHAT IS RIGHT AND THEN ANNOUNCE THE DECISION. YOU MUST HAVE IN GOVERNMENT A PROPER BLEND OF TOUGHNESS AND A PREPAREDNESS TO LISTEN. YOU MUST ALWAYS TRY TO OPEN UP AREAS OF DISCUSSION WHERE THERE ARE DIFFERING VIEWS AND SAY AS A GOVERNMENT, "LOOK, WE'RE NOT THE FONT OF ALL WISDOM", AND TO LISTEN TO WHAT PEOPLE HAVE TO SAY. THAT'S WHAT WE ARE DOING. SOMETIMES THIS IS INTERPRETED AS WEAKNESS. BUT ISSUES MUST ALWAYS BE OPENED TO THE COMMUNITY IN THE GESTATION PERIOD IF THE ULTIMATE SOLUTION TO THEM IS TO GAIN WIDESPREAD COMMUNITY ACCEPTANCE.

THE OVERWHELMINGLY OBVIOUS EXAMPLE AT THE MOMENT IS TAXATION. THE TAX DEBATE HAS BEEN CONTINUING APACE FOR MOST OF 1985. SOME MIGHT SAY THAT IT HAS BEEN RAGING LIKE A BUSHFIRE. BUT FAR FROM THE DEBATE EXPOSING A LACK OF LEADERSHIP ON THE GOVERNMENT'S PART, IT REPRESENTS THE FULFILMENT OF THE PROCESSES OF OPENESS AND CONSULTATION WHICH THIS GOVERNMENT HAS MADE ITS HALLMARK.

ONCE YOU GET AN ISSUE AS BROAD AND AS GERMANE TO THE POLITICAL PROCESSES AS TAXATION INTO THE PUBLIC ARENA, THEN IT IS NAIVE TO EXPECT THAT YOU ARE NOT GOING TO HAVE A BROAD AND SIGNIFICANT DEBATE, INCLUDING WITHIN YOUR OWN PARTY.

THERE ARE MANY AND VARIED POINTS OF VIEW ABOUT WHAT SHOULD BE DONE WITH TAXATION REFORM. WHAT IS AGREED UPON UNIVERSALLY AT THIS STAGE IS THAT AUSTRALIA'S TAXATION SYSTEM IS DECAYING AND INCREASINGLY INEFFICIENT AND UNFAIR. ANY GOVERNMENT WHICH IS WORTH ITS SALT, AND WHICH HAS CONCERN FOR THE LONG TERM INTERESTS OF OUR NATION - AS OPPOSED TO AN OUTLOOK BOUND FIRMLY WITHIN THE CONFINES OF THE NEXT ELECTION - MUST IMPLEMENT SIGNIFICANT REFORM TO THE SYSTEM TO RESTORE ITS FAIRNESS, ITS EFFICIENCY, ITS EQUITY, AND A SIMPLICITY SO THAT EVERYONE CAN UNDERSTAND EXACTLY HOW THE TAXATION SYSTEM AFFECTS THEM.

ANOTHER MISTAKE THAT IS MADE WITH MAJOR AND COMPLEX ISSUES IS TO VIEW THEIR INDIVIDUAL ELEMENTS IN ISOLATION.

COMPLEX REFORMS SUCH AS THOSE WE WILL EVENTUALLY MAKE TO THE TAXATION SYSTEM CONSIST OF MANY ELEMENTS. ALL OF THEM RELY UPON EACH OTHER.

ANYONE WHO IS GENUINE ABOUT EVALUATING THE TAX REFORM OPTIONS OPEN TO THE GOVERNMENT CANNOT LEGITIMATELY DISSECT EACH OPTION, SINGLING OUT ELEMENTS HERE AND THERE AS ACCEPTABLE OR UNACCEPTABLE. THE ONLY WAY TAX REFORM CAN BE JUDGED IS BY EVALUATING EACH PACKAGE OF REFORM AS AN INTEGRATED WHOLE. YOU CAN'T SAY, 'A CONSUMPTION TAX IS NO GOOD BECAUSE IT HAS TRADITIONALLY BEEN REGRESSIVE.' OR, 'A WEALTH TAX IS CRUCIAL IF THE

SYSTEM IS TO BE FAIR'. YOU MUST LOOK AT THE RANGE OF ELEMENTS OF A PARTICULAR PACKAGE.

THE TEST OF WHATEVER PACKAGE IS ADOPTED IS ITS FAIRNESS AND EQUITY, WHETHER IT IS SIMPLE ENOUGH TO BE EASILY UNDERSTOOD AND WHETHER IT MINIMISES THE OPPORTUNITIES FOR AVOIDANCE WHICH EFFECTIVELY PLACE DISPROPORTIONATE TAX BURDENS ON LOWER INCOME EARNERS.

THIS GOVERNMENT WILL NOT SPONSOR TAX REFORMS WHICH DO NOT LEAVE THE OVERWHELMING MAJORITY OF PEOPLE BETTER OFF OVERALL.

WHATEVER THE CURRENT PERCEPTIONS OF THE TAXATION DEBATE IN THE COMMUNITY, YOU CAN BE SURE THAT THE RELEASE OF THE GOVERNMENT'S WHITE PAPER EARLY NEXT MONTH, LEADING UP TO THE TAX SUMMIT IN THE FIRST WEEK OF JULY, WILL GIVE THE ISSUE A CLEARER DIRECTION.

THE GOVERNMENT'S APPROACH TO THE DEPRECIATION OF THE DOLLAR IS ALSO BASED ON A LONG TERM, OVERALL STRATEGY. THE DEPRECIATION IMPOSES A NEED FOR DIFFICULT ADJUSTMENTS, FOR MORE HARD DECISIONS, BUT AT THE SAME TIME IT CAN PROVIDE A STIMULUS TO ECONOMIC ACTIVITY THROUGH IMPROVED COMPETITIVENESS.

LET THERE BE NO DOUBT ABOUT IT THAT THE DEPRECIATION IS VERY MUCH A SIGNAL THAT AUSTRALIA CANNOT CONTINUE TO LIVE BEYOND ITS MEANS, BY BORROWING MORE AND MORE FROM THE REST OF THE WORLD. THIS IS ESPECIALLY TRUE IF THOSE BORROWINGS ARE USED SIMPLY TO FINANCE DOMESTIC CONSUMPTION, RATHER THAN INVESTMENT IN AUSTRALIA'S LONG TERM GROWTH POTENTIAL, AND THUS ITS CAPACITY TO EXPORT AND SERVICE DEBT.

THE DEPRECIATION WILL SWING DEMAND TOWARDS LOCAL MANUFACTURERS, AND AT THE SAME TIME EXPORT EARNINGS WILL RISE. THE RESULT IS LIKELY TO BE THE ADDITION OF AT LEAST ONE PER CENT TO OUR ECONOMIC GROWTH RATE NEXT FINANCIAL YEAR AND, SO LONG AS WE DO NOT DISSIPATE THE COMPETITIVE GAIN IN A SURGE OF INFLATION, OVER TIME AN OVER TIME A SUBSTANTIAL INCREASE IN JOBS.

THE COMPETITIVENESS GAINS BROUGHT ABOUT BY DEPRECIATION SHOULD RESULT IN A CONTRACTION OF OUR PRESENT UNACCEPTABLY LARGE CURRENT ACCOUNT DEFICIT. ALL AUSTRALIANS ARE CONFRONTED WITH MAKING ADJUSTMENTS TO ACHIEVE THIS. WITHIN THESE ADJUSTMENTS, WE MUST REDUCE THE PROPORTION OF PRODUCTION THAT IS USED FOR CONSUMPTION.

OTHERWISE, THE BENEFITS OF DEPRECIATION WILL SIMPLY EVAPORATE IN AN ENDLESS SPIRAL OF DEPRECIATION AND INFLATION.

THE ESSENTIAL CHALLENGE FOR POLICY IS TO ENSURE THAT THE COMPETITIVENESS GAINS ARE PRESERVED. THIS REQUIRES REAL WAGES TO BE LOWER THAN WOULD OTHERWISE HAVE BEEN APPROPRIATE.

WE ARE DETERMINED TO PRESERVE THE BENEFITS OF DEPRECIATION WITHIN THE FRAMEWORK OF THE ACCORD.

YOU WILL HAVE NOTICED THAT THE ACTU EXECUTIVE, IN ITS MEETING IN MELBOURNE LAST WEEK, REAFFIRMED THE PRINCIPLE THAT WORKERS ARE ENTITLED TO PRODUCTIVITY PAY RISES, AND THAT THESE SHOULD BE IN THE FORM OF SUPERANNUATION IMPROVEMENTS.

BUT THE EXECUTIVE ALSO MADE TWO OTHER RELEVANT POINTS - FIRST, AND I QUOTE, THAT

"IT IS CLEAR THAT NO COST INCREASES ARISING FROM PRODUCTIVITY DISTRIBUTION ARE LIKELY DURING 1985".

SECOND, IT SHOULD INVOLVE, AND AGAIN I QUOTE,

"PROGRESSIVE IMPLEMENTATION OF SUPERANNUATION OVER TIME IN A MANNER WHICH SHOULD BE CONSISTENT WITH THE ECONOMIC CIRCUMSTANCES THAT THE NATION FACES".

THE TREASURER, PAUL KEATING - SOMEONE WHO IS NO STRANGER TO ALL OF YOU HERE TONIGHT - INDICATED IN THE ECONOMIC STATEMENT EARLIER THIS MONTH THAT THE QUESTION OF THE SIZE, TIMING AND PHASING OF ANY PRODUCTIVITY INCREASE SHOULD BE DEFERRED UNTIL THE SCOPE OF THE DEPRECIATION AND THE EXTENT OF ITS EFFECT ON THE ECONOMY BECOMES APPARENT.

THE GOVERNMENT'S POSITION ON ANY PRODUCTIVITY INCREASE REMAINS UNCHANGED. FOLLOWING THE DEPRECIATION, THE GOVERNMENT TAKES THE VIEW THAT THERE MUST BE A LOWER REAL WAGE LEVEL DURING THE ADJUSTMENT PERIOD THAN WOULD OTHERWISE HAVE APPLIED. THE OPTIONS AVAILABLE FOR BRINGING THIS ABOUT ARE BY DISCOUNTING OR BY DELAYING THE IMPLEMENTATION OF ANY PRODUCTIVITY INCREASE.

THE POSITION TAKEN BY THE ACTU EXECUTIVE WHICH SEEKS SUPPORT FOR A PRINCIPLE DOES NOT IN ANY WAY PRECLUDE THE GOVERNMENT CONTINUING TO HAVE THE OPTION OF A LOWER REAL WAGE OUTCOME THAN MAY OTHERWISE BE WARRANTED THROUGH THE POSITION IT TAKES ON THE SIZE, TIMING AND PHASING OF ANY PRODUCTIVITY INCREASE.



THE GOVERNMENT'S WAGES POLICY, WITHIN THE FRAMEWORK OF THE ACCORD, IS OFTEN THE TARGET OF THOSE WHO WOULD SEE MINIMAL WAGE RISES, AND A DIFFERENT BASIS FOR WAGE DETERMINATION WITH A DISMANTLING OF THE PRESENT CENTRALISED WAGES STRUCTURE. SUCH THEORISING BETRAYS AN IGNORANCE OF THE STRUCTURE OF OUR WAGES AND INDUSTRIAL RELATIONS SYSTEM.

WE HAVE, FOR BETTER OR FOR WORSE, A CENTRALISED WAGES SYSTEM BASED ON THE TIME-WORN PRINCIPLE OF COMPARATIVE WAGE JUSTICE. OUR SYSTEM IS FAR FROM PERFECT. BUT ANY THEORISING ABOUT POSSIBLE REFORMS TO IT HAS TO ACKNOWLEDGE THE ENTRENCHED NATURE OF THE SYSTEM AND THE PRINCIPLES UPON WHICH IT IS BASED. YOU CANNOT SIMPLY WISH AWAY COMPARATIVE WAGE JUSTICE. NO AMOUNT OF FORMAL DECISIONS BY GOVERNMENT OR THE TRIBUNALS WILL OVERCOME IT.

SO IN RECOGNISING THOSE REALITIES, ONE MUST ALSO RECOGNISE THAT REAL AND EFFECTIVE CHANGES TO THE SYSTEM, TO AFFECT ITS CURRENT OPERATION, HAVE TO BE MADE WITHIN ITS EXISTING FRAMEWORK. ANYTHING ELSE WOULD TAKE MANY YEARS AND IS NO SOLUTION TO CURRENT PROBLEMS.

THIS DOES NOT MEAN THAT CHANGE SHOULD NOT BE SOUGHT. THE GOVERNMENT'S ESTABLISHMENT OF THE HANCOCK COMMITTEE - WHOSE REPORT WAS TABLED IN THE PARLIAMENT A WEEK AGO - DEMONSTRATES THIS GOVERNMENT'S SERIOUSNESS ABOUT REFORMING THE INDUSTRIAL SYSTEM. BUT CHANGES SUCH AS DECENTRALISATION, FRAGMENTATION, AND SIMILAR GLIB SOLUTIONS ARE NOT REMEDIES FOR CURRENT ILLS.

IT IS FASHIONABLE TO BLAME CENTRALISATION FOR MANY OF OUR ECONOMIC PROBLEMS. THE GOVERNMENT IS NOT ALONE, HOWEVER, IN ITS BELIEF THAT SUCH A SYSTEM IS APPROPRIATE FOR AUSTRALIA.

THE HANCOCK REPORT ITSELF LENDS CONSIDERABLE SUPPORT. HANCOCK SAYS, FOR EXAMPLE, THAT "MANY AND SERIOUS UNCERTAINTIES BESET THE SUGGESTION OF A PERMANENT ABANDONMENT OF CENTRALISED WAGE FIXATION. AT THIS STAGE, WE DO NOT THINK THAT THE INCURRING OF THESE UNCERTAINTIES IS WARRANTED. AND THERE ARE POSSIBILITIES OF THE CENTRALISED SYSTEM'S CONTRIBUTING SIGNIFICANTLY TO AUSTRALIA'S ECONOMIC RECOVERY."

THE REPORT IS COINED IN CAREFUL LANGUAGE. IN SOMETHING OF AN UNDERSTATEMENT IT SAYS THAT "PROponents OF LABOUR MARKET DEREGULATION IN THE ROUND NEED, WE THINK, TO BE MORE SPECIFIC," AND IT GOES ON TO SAY: "WE HAVE GRAVE DOUBTS ABOUT ITS (THAT IS, DEREGULATION'S) REALISM".

THIS IS NOT SOME QUICK-FIX REPORT WHIPPED UP IN A COUPLE OF MONTHS TO JUSTIFY A PARTICULAR POLITICAL POSITION. THIS IS A REPORT WHICH TOOK TWO YEARS TO PREPARE, WHICH IS THE MOST THOROUGH REVIEW OF AUSTRALIA'S INDUSTRIAL SYSTEM EVER CONDUCTED. IT IS A REPORT BY THREE OF AUSTRALIA'S MOST RESPECTED INDUSTRIAL EXPERTS AND PRACTITIONERS. PROFESSOR KEITH HANCOCK, GEORGE POLITES AND CHARLIE FITZGIBBON HAVE A WEALTH OF SCHOOLING IN THE INDUSTRIAL RELATIONS WORLD. IN INDUSTRIAL RELATIONS, PARTICULARLY - AND I SPEAK AS ONE WHO KNOWS A BIT ABOUT THE SUBJECT - PRACTICAL EXPERIENCE IS THE KEY TO UNDERSTANDING.

SUPPORT SUCH AS THIS HELPS TO REINFORCE THE GOVERNMENT'S VIEW THAT OUR LONGER TERM APPROACH TO ISSUES IS THE MOST APPROPRIATE APPROACH TO TAKE. IT IS AN APPROACH BASED IN PRINCIPLE, NOT SHORT TERM EXPEDIENT.

THE GOVERNMENT IS PREPARED TO WEATHER SHORT TERM UNPOPULARITY FOR THE SAKE OF "PRINCIPLE" IN ALL AREAS.

THE GOVERNMENT'S FUNDAMENTAL GOAL, HOWEVER, IS A PROSPEROUS ECONOMY, BECAUSE ONLY WITH SUCH CONDITIONS CAN ANY REAL PROGRESS BE MADE TOWARDS A FAIR DISTRIBUTION OF WEALTH, RESOURCES AND OPPORTUNITIES. IT IS AN ASPIRATION WHICH FITS NEATLY WITH LONG TERM STRATEGIES.

YOU KNOW US WELL ENOUGH BY NOW TO KNOW THAT THIS GOVERNMENT IS NOT ABOUT TO FORCE SHIFTS IN RESOURCES IN A PEREMPTORY OR DISLOCATIVE WAY. WE RECOGNISE THE STRUCTURES AND INSTITUTIONS WHICH UNDERLY OUR ECONOMY - OUR SOCIETY. WE BELIEVE THAT THE FUNDAMENTAL REFORMS WHICH ARE NEEDED IN OUR ECONOMY WILL ONLY BE EFFECTIVE AND PRODUCTIVE FOR EVERYONE'S BENEFIT IF THEY ARE IMPLEMENTED GRADUALLY.

IT IS GRADUALISM AND COHERENCE WHICH DETERMINES HOW WE APPROACH REFORM. AND IT IS OUR CONCERN FOR THE WELL-BEING OF ALL SECTIONS OF AUSTRALIAN SOCIETY, FOR FAIRNESS AND EQUITY TO ALL, WHICH SHAPES THE REFORMS THEMSELVES.

OUR GOALS ARE SOCIAL AS WELL AS ECONOMIC. THEY ARE GOALS BY WHICH ALL AUSTRALIANS ARE EQUALLY ABLE TO TAKE ADVANTAGE OF THE OPPORTUNITIES OPEN TO THEM, TO EXPRESS THEMSELVES AND DEVELOP TO THEIR FULL POTENTIAL.

WE WANT A SOCIETY IN WHICH ALL OF US ARE FREE TO GO ABOUT OUR BUSINESS IN OUR OWN WAYS, BUT IN WHICH WE ALL HAVE A COMMON CONCERN AND CARE FOR THOSE WHO, THROUGH A VARIETY OF CIRCUMSTANCES, ARE NOT FULLY ABLE TO LOOK AFTER THEMSELVES.