



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

SPEECH BY THE PRIME MINISTER
AAP 50th ANNIVERSARY DINNER - SYDNEY - 29 MAY 1985

Distinguished guests, ladies and gentlemen

It gives me great pleasure to be here tonight to join with you in celebrating AAP's 50th anniversary.

Many people in the community, with the exception, of course, of those here tonight, know of AAP only from the letters at the end of a story appearing in a newspaper. It has been said that AAP, whoever he or she is, must be the hardest working journalist around.

The joke may be a familiar one to this audience but it serves to underscore the pervasiveness of AAP. Since its beginnings in 1935 AAP has developed into the leading disseminator of news and information in this country.

But AAP's stature goes beyond the domestic scene. It plays an important role in communicating Australian developments and attitudes to the rest of the world.

In part AAP's success is a reflection of the quality and level of service AAP has striven to provide. It has, in the fifty years of its life, remained true to the pledge of AAP's founders.

A pledge to provide the Australian public with "the most accurate and most searching information of all world activities and thought without any tendency toward the exercise of political partisanship or bias".

AAP's growth is also attributable to its adaptability. It has been over the fifty years of its existence, at the forefront of technological innovation.

The pen and the telegram of yesteryear have been replaced by sophisticated computer and microwave systems. The introduction of the domestic communications satellite system to this country later this year will present further opportunities for expansion. I understand that, true to its traditions, AAP is ready to grasp this new opportunity.

As technology has changed, AAP has expanded the range of services it provides to the community and opened new markets for information services. The financial and business communities - and even Prime Ministers - are particularly well provided for with AAP's specially tailored services.

Many of these services spring from advances in technology. This underscores the philosophy, clearly understood by all politicians, as well as AAP, that all the information in the world is of little use if it can't be communicated to the people who matter.

This is the basis of the special role the media play in our society. The media is the link between those with the information and those to whom it needs to be communicated.

This is a heavy responsibility and not one to be abused either by the media itself or by those who use it. In this regard, the kind of advertising which is currently being run by the Queensland Government on the Grant's Commission Report reflects very badly on that Government.

The Queensland Government's advertising is obviously intended as a pre-match tactical manoeuvre leading up to the Premiers' Conference to condition the electorate to believe that Queensland is about to become some sort of victim of Canberra.

The advertising is inaccurate. It is misleading. It is a cheap shot by the Queensland Government because they are trying to portray the authoritative recommendation of a non-partisan, quasi-judicial body as some kind of political vendetta. It is cheap and it is an insult to the members of the Grants Commission as well as to the intelligence of the Queensland public.

The Grant's Commission finding about the payments which should be made to Queensland is not some figure confected by the Federal Government, plucked out of the air to punish Queensland because its Government is a different colour to ours. The Grant's Commission's Report is a result of exhaustive research and inquiry. It is based on the long experience of the Commission members.

And in case anyone might then suggest that the Commission has been stacked, let me just remind the Queensland Government about the makeup of the Commission - the fact is that every member of the Commission was appointed by the Fraser Government.

The Queensland Government's own advertising standards highlight the importance of the media getting its facts right.

In the early days it was enough for newspapers - and there were only newspapers then - to report the facts and nothing else.

Indeed, it would not be far wrong to say that a journalist would have been considered somewhat impertinent to have offered an opinion on these facts.

But this is clearly no longer the case. Your public expects a great deal more of you now. The public still demands a high standard of propriety and fair and accurate coverage of events. They now also not only expect the news, but also expect analysis of it and expect it very quickly.

Governments are sometimes accused of being too sensitive to critical reporting or analysis of decisions. My Government welcomes informed commentary and constructive criticism.

But, like the public at large, we believe commentary should be well informed and well based. Analysis based on prejudice, poor research or a gross misunderstanding of the facts contributes neither to good Government or to the well being of the public.

AAP plays a crucial role in ensuring that the media are in a position to provide this sort of service.

Societies such as Australia rely on fair and professional media. The public needs the service because people need to know as completely as possible what is going on. And Governments need the media to get their message, their policies across to the people. Both these roles are vital.

Good Government demands that the electorate knows what the Government is doing and why it is doing it.

New technology is making an important contribution to that process. The launch of AUSSAT satellites represents a further major step in improving

communications for all Australians.

AUSSAT's network of satellite earth stations around Australia will enable it to provide fast and economical access to its services to all areas of Australia.

This, along with the other benefits of the satellite system, will ensure that all Australians will be better informed than ever before on all aspects of the news and particularly, I hope, the Government's policies.

The core of our approach to Government has been our drive for a wealthier, more secure Australia, with high economic growth, low inflation and reduced unemployment. Only with such conditions can progress be made towards a more just and equitable society.

Our approach has been based on a consistent, integrated package of fiscal and monetary policies underpinned by our prices and incomes policy defined in the Accord.

These policies have been remarkable not only for their success, but for the consistency with which they have been applied since we came to office.

We have gone to great lengths to ensure these policies have been clearly enunciated and understood. We began this process just over two years ago with the National Economic Summit. The Economic Planning Advisory Council which emerged out of the Economic Summit has a very broad base of representation, as does the Advisory Committee on Prices and Incomes.

It has been our particular concern to ensure that those most affected by decisions of the Government have been given sufficient information to make proper assessments of the policy options available to the Government. In this we have appreciated the co-operation and goodwill of the media and of the press in particular to ensure that the facts are quickly disseminated.

But words are not enough. Governments are judged ultimately on their record. Judged by that yard stick, we can claim a remarkable track record of achievement:

- Australia's rate of inflation has fallen markedly

- economic growth has been strong and a firm basis exists for balanced growth with the private sector playing an increasingly important role

- unemployment has fallen to 8.5%

- industrial disputation has fallen to very low levels.

Our achievements have been facilitated by the framework of the Accord which provides clear lines of communication between the parties to the agreement. It plays an important role in communicating information and points of view, ensuring that there is a proper appreciation of policy options available to Government.

At the same time the Government, as custodian and representative of the interests of the community at large accepts the responsibility to take the final decisions, with the national interest being the paramount consideration.

The recent depreciation of the dollar has thrown up a new challenge to the Accord. This challenge is to maximise the benefits to output and employment which a substantial real depreciation could bring, while ensuring that inflation is kept to the minimum.

The right wages outcome is essential. It must involve a lesser real wage level during the adjustment period than would otherwise have applied.

The options available to the Government include adjusting either through the planned national productivity case or discounting.

As for any productivity increase, it is our view that the questions of the size, timing and phasing of any such increase should be deferred until the scope of the depreciation and the extent of its effect on the economy becomes apparent.

The depreciation had little impact on the March quarter, and it will have little more on the June quarter. The real effects on the consumer price index will flow through over a longer period. Against this background it is the Government's view that the wage indexation case should proceed as normal in September under present Principles.

A major focus of our policies has been to put in place the conditions necessary for sustained growth.

The outlook for economic growth in coming years depends on achieving balanced growth with a strong private sector.

An essential ingredient in the medium-term health of the economy is striking the right balance between claims on resources by the public and private sectors.

There has been a tendency towards an increasing share of resources being claimed by Governments. This development partly reflects the severity of the last recession and the fiscal stimulus required to provide a kick-start to the recovery. It also reflects a longer term trend throughout most of the post-war period under both Conservative and Labor Governments.

It is a simple fact that the larger the net claim on real resources by the public sector, the higher is the call on savings. But in circumstances where there is a pick up in private sector demand, higher pressures in financial markets are likely to put real pressure on interest rates.

An increasing supplement to domestic savings from world financial markets would also be required; this would be directly reflected in a still larger current account deficit.

Such developments would impact adversely on the outlook for sustainable strong economic growth. My Government is determined to avoid such developments.

Fiscal policy objectives have been clearly stated in the fiscal Trilogy. The May Statement is the first step in the achievement of these objectives and I believe it has demonstrated our continuing commitment to responsible fiscal management and will have an ongoing impact on the deficit in future years.

Indeed the Australian Labor Government will fulfill its commitment to achieve a substantial reduction in the 1985-86 deficit.

However, it should be obvious to all that restraint in public spending is not the sole responsibility of the Commonwealth. To be effective, it needs to extend to all levels of government, without exception.

The efforts by the Government to date in achieving some hardwon reductions in government spending in the May Statement could be unwound if other levels of Government were simply to expand their activities without regard for the future needs of the economy as a whole.

That would be unfortunate for all of us.

The community as a whole, not just the Commonwealth Government, has an important stake in the goal of balanced sustained economic growth. For none is this

perhaps more important than it is for the States.

At tomorrow's Premier's Conference we shall be calling on the States to make their contribution to achieving a significant and lasting reduction in the relative size of the claim of the public sector on the economy. Without their co-operation in containing the growth of the public sector, the prospect of securing a sustained national economic recovery would suffer a major setback.

While some specific purpose grants to the States have already been decided, the bulk of Commonwealth/State financial payments will be settled at the Premiers' Conference and Loan Council.

A major concern is the size of the total pool of grants to be shared:

- in other words what increase in state funding over 1984/85 is appropriate?

A number of factors influence the Commonwealth's position in this crucial area. These include, in addition to the Government's firm and non-negotiable fiscal objectives:

- the fact that during 1983/84 the States were able to significantly increase expenditures in real terms whilst at the same time reducing their aggregate deficits
 - . and again in 1984/85 have budgeted for a significant increase in expenditures;
- the fact that, with the rapid growth in outlays in recent years, assisted by the very strong growth in Commonwealth payments to the States, particularly over the last three years, the States' share of the national resources in recent years has been at an all-time high;
- that economic recovery has benefitted the States, in particular has led to an expansion in their revenue bases in line with the general pickup in economic activity.

The current tax sharing arrangements have been criticised in numerous quarters as an inappropriate basis for revenue sharing.

It is clear that a share of the previous year's Commonwealth tax collections does not necessarily correspond to the appropriate level of funding of the States in the current year, especially in times of

strong economic growth.

- In particular, there is no justification in the current economic circumstances for the very large increase in state tax sharing payments that would have resulted from a continuation of the current arrangements.
- Conversely, the Commonwealth has, in the past, had to resort to providing special revenue assistance to top-up tax sharing payments because of problems with the current arrangements.

In this context, the Commonwealth has examined a range of alternatives in developing the position which will be put to the States tomorrow.

I do not propose to go into details at this stage. Suffice to say that the Commonwealth expects the States also to adopt a disciplined approach to expenditure restraint. At the Federal level we have delivered substantially already.

The Government is determined to continue progress in reducing the public sector borrowing requirement (PSBR)

- there is every prospect that in 1984/85 the PSBR will come in at around 7% of GDP (compared to 8% in 1983/84).
- our aim in 1985/86 is to reduce the PSBR further.

This will require firm control on both budget related and other borrowing programs at all levels of Government.

A key agenda item for the Premiers' Conference, and for that matter the Budget outcome, is the renegotiation of the arrangements whereby the Commonwealth's general revenue assistance is shared between the States.

There has been bipartisan support for the Commonwealth's support of the principle of fiscal equalisation.

That is, the distribution of Commonwealth funding should be such as to allow each State to provide government services at standards not appreciably different than those of other States, without having to impose taxes and charges at levels appreciably different from the levels imposed by the other States.

The Commonwealth firmly supports this principle. Such an approach is natural for a society which is concerned with fairness and equity. It gives the States

and the communities that they represent a "fair go".

The recent Report of the Grants Commission indicates that a substantial realignment of the shares of some States is required - essentially to make up for the unduly favourable treatment received by one or two States under the previous arrangements. In fairness to other Australians we intend to ensure that the Commission's recommendations this time are properly implemented.

In saying this, however, we will be concerned to ensure that any adjustments required to meet the objective of fiscal equalisation do not impose an unreasonable short term burden on individual States.

Ladies and Gentlemen, the theme of much of this talk has been communication and the clarity of the message. It is crucial that the economic and fiscal considerations behind our actions be conveyed and understood by all Australians if the best outcome is to be achieved. That outcome would see the achievement of the conditions necessary for sustained economic growth at rates sufficient to restore prosperity to all Australians.

What is done at this Premiers' Conference will have a major bearing on that objective. For our part we will be looking for the full co-operation and involvement of the States with the National task.

I do not believe any Government, Federal or State, would want to be a party to any decisions at that Conference which were not in the best interests of all Australians.

Certainly, for the Federal Government's part - as I said last weekend in Tasmania - we will not allow the interest of any State to be trampled on. We will not allow the welfare of the people of any State or region or section to be disadvantaged.

The economic welfare of Australia as a whole is at stake. The result we seek is one I am sure all Australians will welcome.

Thank you.
