



# PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

SPEECH BY THE PRIME MINISTER  
LAUNCHING OF "TRIPLE A"  
MELBOURNE, 1 OCTOBER 1985

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EDITORS AND AUTHORS OF "TRIPLE A",  
DISTINGUISHED GUESTS,  
LADIES AND GENTLEMEN,

IT IS A GREAT PLEASURE TO BE HERE TODAY TO LAUNCH YOUR  
NEW MONTHLY MAGAZINE ON BANKING AND FINANCIAL  
MANAGEMENT: "TRIPLE A".

THAT A MARKET NOW EXISTS FOR THIS NEW MAGAZINE REFLECTS  
I BELIEVE, MY GOVERNMENT'S POLICIES WHICH HAVE LED TO  
THE DEREGULATION OF THE AUSTRALIAN FINANCIAL SYSTEM.  
THIS HAS, IN TURN RESULTED IN A GROWING SOPHISTICATED  
OF THE FINANCIAL SECTOR AND THE CONSEQUENT NEED FOR  
SOUND AND IMAGINATIVE FINANCIAL INFORMATION AND  
COMMENTARY.

THE VERY NAME "TRIPLE A" IS AN INTERNATIONALLY ACCEPTED  
HALLMARK OF SECURITY AND SOUND MANAGEMENT. RELATIVELY  
FEW QUALIFY FOR THIS MUCH SOUGHT-AFTER RATING. IT IS  
ONLY BESTOWED ON THOSE WITH A TRACK RECORD OF RELIABLE  
PERFORMANCE, OF DELIVERING THE GOODS. I AM SURE THAT  
THE STAFF OF THIS PERIODICAL WILL SEEK TO RAPIDLY  
ESTABLISH FOR THEMSELVES JUST SUCH A TRACK RECORD.

I PUT IT TO YOU THAT THESE ASPECTS OF "TRIPLE A"  
PERFORMANCE ARE ALSO ASPECTS OF MY GOVERNMENT'S TRACK  
RECORD: A RECORD, BASED ON A HIGH STANDARD OF SOUND  
ECONOMIC MANAGEMENT. A RECORD BASED ON IMAGINATIVE  
POLICIES WHICH ARE SETTING THE SCENE FOR SUSTAINED  
ECONOMIC GROWTH. POLICIES FOR THE PRESENT. POLICIES  
FOR THE FUTURE.

A MAJOR CONTRIBUTOR TO OUR "TRIPLE A" RATING IS ANOTHER TREBLE: THE TRILOGY. THE TRILOGY, ANNOUNCED JUST ON A YEAR AGO, REPRESENTS A PRECISE AND DEMANDING COMMITMENT TO BUDGETARY RESTRAINT. A COMMITMENT, NO PREVIOUS GOVERNMENT HAD DARE IMPOSE ON ITSELF.

MANY DOUBTED OUR COMMITMENT, BUT THEY WERE WRONG. WE HAVE HONOURED THE TRILOGY COMMITMENT IN FULL.

OUR THREE BUDGETS HAVE PROGRESSIVELY REDUCED THE DEFICIT, BOTH IN DOLLARS AND AS A PROPORTION OF GDP. INDEED THAT PROPORTION IS NOW HALF THE IRRESPONSIBLE FISCAL LEGACY OF OUR NOW DISCREDITED PREDECESSORS.

WE HAVE ALSO BEEN ABLE TO PERSUADE THE STATE GOVERNMENTS TO EMULATE OUR OWN BUDGETARY DISCIPLINE. THE RESTRAINT IN STATES' BORROWING HAS BEEN FORMALISED UNDER AN AGREEMENT BETWEEN THE COMMONWEALTH AND THE STATES KNOWN AS THE "GLOBAL APPROACH", NOW IN ITS SECOND YEAR. CONSEQUENTLY, THERE HAS BEEN A DECLINE IN THE BROADER MEASURE OF PUBLIC SECTOR BORROWING, THE PSBR, WHICH HAS BEEN CUT BY [1 1/2] PERCENT OF GDP OVER THE LAST 2 YEARS.

WITH ONE YEAR OF SUCCESSFUL ADHERENCE TO THE TRILOGY UNDER OUR BELT, AND IN THE SECOND YEAR OF STATES' ADHERENCE TO THE "GLOBAL APPROACH", BUSINESS KNOWS WE ARE SERIOUS ABOUT RESTRAINT. THEY CAN GET ON WITH THEIR BUSINESS OF EXPANDING AND CREATING JOBS WITH CONFIDENCE THAT RESOURCES WILL NOT BE COMPETED AWAY BY THE PUBLIC SECTOR.

AND OUR POLICIES ARE RESULTING IN JOBS, JOBS AND MORE JOBS. REMEMBER THAT IN THE YEAR BEFORE WE CAME TO GOVERNMENT 160,000 JOBS DISAPPEARED AND UNEMPLOYMENT INCREASED BY OVER A QUARTER OF A MILLION. UNDER LABOR, IN JUST 28 MONTHS, 430,000 JOBS HAVE BEEN CREATED.

I DO NOT BELIEVE THAT THERE HAS BEEN A COMPARABLY IMPORTANT SOCIO-ECONOMIC ACHIEVEMENT IN AUSTRALIA FOR OVER THREE DECADES. OUR SUCCESS SO FAR PLACES US WELL ON THE TRACK TO MEETING THE TARGET OF 500,000 NEW JOBS IN OUR FIRST THREE YEARS OF OFFICE.

WE ARE HONOURING THE REVENUE SIDE OF THE TRILOGY AT THE SAME TIME AS IMPLEMENTING THE MOST AMBITIOUS AND RADICAL TAX REFORM PROGRAM FOR OVER FORTY YEARS. MAJOR CRITICISMS OF THE OLD SYSTEM ARE THAT IT IS GROSSLY UNFAIR, THAT IT DESTROYS INCENTIVES AND THAT IT CREATES INEFFICIENCIES. UNFAIR BECAUSE TAXPAYERS AT SIMILAR INCOME LEVELS OFTEN PAY WIDELY DIFFERENT LEVELS OF TAX DUE TO DIFFERING CAPACITIES TO EXPLOIT UNTAXED FRINGE BENEFITS. DESTRUCTIVE TO INCENTIVES BECAUSE A CRUEL 60 PERCENT MARGINAL RATE CUTS IN AT LESS THAN TWICE AVERAGE WEEKLY EARNINGS. AND INEFFICIENT BECAUSE IT DISTORTS PRICES, COSTS AND INVESTMENT DECISIONS IN THE PRIVATE SECTOR.

THESE AND OTHER PROBLEMS HAD TURNED OUR TAXATION SYSTEM INTO A JOKE: AVOIDANCE AND EVASION HAVE BECOME NATIONAL HOBBIES. BUT EXPERIENCE HAS SHOWN THAT IT IS NOT ENOUGH TO SIMPLY LEGISLATE TOUGHER PENALTIES. A NEW SYSTEM, WHICH IS WIDELY SEEN TO BE FAIR AND REASONABLE, HAD TO BE INTRODUCED. WE ALL KNEW THIS; WE ALL TALKED ABOUT THE NEED FOR REFORM; BUT TALK IS CHEAP AND EASY.

THIS IS THE ONLY GOVERNMENT WITH THE COURAGE TO DELIVER TAX REFORM.

THE NEW TAX ON FRINGE BENEFITS - AS UNPOPULAR AS IT MIGHT BE WITH THE FREE LUNCH BRIGADE - IS UTTERLY NECESSARY IF WE ARE TO MAKE ANY SIGNIFICANT PROGRESS TOWARDS A FAIRER SYSTEM. FURTHER, THE BROADENING OF THE TAX NET WILL BRING TO AN END THE ERA WHERE SCARCE NATIONAL RESOURCES ARE MOBILISED TOWARD INDUSTRIES MERELY TO EXPLOIT TAX LOOPHOLES, NOT BECAUSE THERE IS ANY INTRINSIC DEMAND FOR THEIR PRODUCTS. IT WILL ALLOW US TO SCALE DOWN PROGRESSIVELY THE HIGH MARGINAL RATES WHICH BITE SO VICIOUSLY INTO INCENTIVES.

ONE REASON FOR THE DIFFICULTY OF TAX REFORM IS THAT PEOPLE USUALLY EQUATE REFORM PROPOSALS WITH AN OVERALL TAX INCREASE. THERE IS A WIDESPREAD PUBLIC CYNICISM THAT GOVERNMENTS ONLY TALK ABOUT TAX REFORM WHEN THEY WANT MORE MONEY. THIS WAS CERTAINLY TRUE OF OUR PREDECESSORS. IT IS NOT TRUE OF US. THIS GOVERNMENT IS DIFFERENT: WE GENUINELY DO WANT REFORM AND WE GENUINELY DON'T WANT ANY MORE MONEY THAN IS NECESSARY TO RESPONSIBLY FINANCE EFFICIENT, COMPASSIONATE AND RESPONSIVE GOVERNMENT SERVICES, SERVICES DEMANDED BY OUR COMMUNITY. OUR TAX PACKAGE DOES NOT INVOLVE A NET ADDITION TO GOVERNMENT REVENUES.

ANOTHER IMPORTANT CONTRIBUTOR TO OUR "TRIPLE A" RATING IS THE PRICES AND INCOMES ACCORD WITH THE TRADE UNION MOVEMENT. FROM THE VERY BEGINNING, THE ACCORD HAS BEEN A CORNERSTONE OF OUR ECONOMIC POLICIES AND AUSTRALIA'S ECONOMIC RECOVERY. IT HAS DELIVERED A PERIOD OF WAGE RESTRAINT AND INDUSTRIAL DISPUTATION NOW AT THE LOWEST LEVEL IN 17 YEARS. IT HAS UNDERPINNED THE PRESENT SUSTAINED GROWTH IN EMPLOYMENT AND OUTPUT AND SUSTAINED LOW INFLATION.

WE HAVE RECENTLY CONCLUDED A NEW AGREEMENT WITH THE ACTU UNDER THE ACCORD WHICH WILL ENSURE THAT AUSTRALIA OBTAINS THE MAXIMUM LONG TERM BENEFITS FROM THE RECENT DEPRECIATION OF THE AUSTRALIAN DOLLAR.

INDEED, BECAUSE OF THE ACCORD, AUSTRALIA HAS ITS BEST CHANCE FOR A DECADE TO ACHIEVE A SUSTAINED PERIOD OF GROWTH IN OUTPUT AND EMPLOYMENT WITHOUT PRECIPITATING RUNAWAY INFLATION. AND THAT IS INDEED OUR AIM. WE HAVE SET OUR SAILS FOR GROWTH - DURABLE GROWTH; GROWTH WITHOUT DEBILITATING INFLATION. AND OUR "TRIPLE A" POLICIES ARE DELIVERING JUST THAT.

THE NEW AGREEMENT UNDER THE ACCORD ANNOUNCED LAST MONTH IS A SIGNIFICANT VICTORY FOR THE CONSENSUS-BASED APPROACH OF THIS GOVERNMENT, AND FOR THE CENTRALISED WAGE FIXATION SYSTEM BASIC TO THAT APPROACH. THIS AGREEMENT OFFERS A SUBSTANTIAL TAX CUT TO ORDINARY WAGE EARNERS IN THE NEXT BUDGET COUPLED WITH UNION ACCEPTANCE OF A TWO PERCENTAGE POINT DISCOUNT TO BE APPLIED TO WAGES IN THE APRIL 1986 HEARING; DELAY AND MODERATION IN THE NATIONAL PRODUCTIVITY CLAIM; AND A CONTINUED COMMITMENT TO NO EXTRA-INDEXATION WAGE CLAIMS.

NO WONDER THE RECENT OECD EMPLOYMENT OUTLOOK ENDORSES AN ACCORD-LIKE APPROACH TO MACRO-ECONOMIC POLICY.

NO WONDER THE OECD FORECASTS AUSTRALIAN PERFORMANCE TO BE STRONGER THAN ANY OTHER OECD COUNTRY IN 1985 AND 1986.

BUT LET THERE BE NO DOUBT ABOUT OUR COMMITMENT TO FISCAL RESTRAINT. THIS GOVERNMENT IS WILLING TO ACCEPT THE EXTRA DISCIPLINE REQUIRED TO FINANCE THOSE TAX CUTS BY CONTAINING BUDGET OUTLAYS SO AS TO ENSURE THAT FISCAL POLICY REMAINS ON TRACK.

A THIRD CONTRIBUTOR TO THIS GOVERNMENT'S "TRIPLE A" RATING IS OUR INDUSTRY RESTRUCTURING PROGRAM. THIS PROGRAM HAS BEEN DEVELOPED BECAUSE THE ECONOMY WE TOOK OVER IN 1983 WAS TOO TIRED AND TOO INTROVERTED TO MAXIMISE AUSTRALIA'S PROSPERITY INTO THE NEXT CENTURY AND BEYOND. AUSTRALIANS WANT INDUSTRIES CAPABLE OF STANDING ON THEIR OWN TWO FEET - WITHOUT DEPENDING FOR THEIR EXISTENCE ON SUPPORT FROM THE GOVERNMENT. INDUSTRIES - AUSTRALIAN INDUSTRIES - OF WHICH WE CAN BE PROUD.

SUCH INDUSTRIES WILL BE EXPORT-ORIENTED AND RECEPTIVE TO TECHNOLOGICAL INNOVATIONS IN PRODUCTS AND PROCESSES. INFORMATION TECHNOLOGY IS AN OBVIOUS EXAMPLE OF SUCH AN INDUSTRY. BUT IF AUSTRALIA IS TO GAIN BENEFITS FROM OUR OWN NATURAL ABILITIES AND ADVANTAGES IN THIS AREA, WE WILL NEED FIRMS PREPARED TO EXPLOIT THEM. FIRMS PREPARED TO TAKE THE RISK.

I MIGHT ADD THAT, IN THIS REGARD, IT IS PLEASING TO SEE THE LAUNCH OF "TRIPLE A" - A NEW PERIODICAL WHICH FULLY REFLECTS THE GROWING ORIENTATION TOWARDS INFORMATION AND SERVICE BASED INDUSTRIES.

OUR PROGRAM IS DIRECTED AT FOSTERING CHANGE IN KEY INDUSTRIES, CHANGE WHICH WILL BE A CATALYST FOR A MORE SPONTANEOUS RESTRUCTURING IN OTHER AREAS OF THE ECONOMY. WE HAVE ALREADY MADE AN IMPORTANT START WITH OUR STEEL AND CAR INDUSTRY PLANS. BUT BY FAR THE MAJOR INITIAL SUCCESS HAS BEEN THE FINANCIAL SECTOR: AND IT HAS BEEN A CRUCIAL SUCCESS BECAUSE WITHOUT THE CATALYST PROVIDED BY CHANGE IN THIS SECTOR, THE REACTION ELSEWHERE WOULD HAVE BEEN EXCEEDINGLY SLUGGISH.

THE SPATE OF INDIVIDUAL DEREGULATORY MEASURES INTRODUCED OVER ALMOST TWO YEARS - BEGINNING WITH THE FLOAT OF THE DOLLAR IN DECEMBER 1983 - HAS UNLEASHED AN UNPARALLELED PERIOD OF STRUCTURAL CHANGE IN OUR FINANCIAL SYSTEM. I BELIEVE THIS PERIOD WILL BE LOOKED BACK UPON IN YEARS TO COME AS A MAJOR EVENT IN OUR ECONOMIC DEVELOPMENT.

THIS PERIOD OF CHANGE IS NOW REACHING ITS CLIMAX WITH THE ENTRY OF THE FOREIGN BANKS. THE FIRST "BANK OFF THE RANK" WAS THE NEW CHASE AMP BANK, WHICH OPENED ITS DOORS LAST WEEK. SEVERAL OTHERS WILL FOLLOW SUIT BEFORE CHRISTMAS AND, AT THIS STAGE, WE EXPECT ALL SIXTEEN TO BE OPERATIONAL BY THE END OF MARCH NEXT YEAR.

THE INCREASED COMPETITION WHICH IS ALREADY EVIDENT WILL USHER IN AN ERA OF NEW AND INNOVATIVE POLICIES IN FINANCIAL INTERMEDIATION IN THIS COUNTRY. POLICIES THAT WILL FACILITATE DEVELOPMENT AND RESTRUCTURING IN OTHER INDUSTRIES. POLICIES THAT WILL ASSIST AUSTRALIANS TO GROW AND PROSPER.

MONTHS BEFORE THE SUCCESSFUL FOREIGN BANK APPLICANTS WERE EVEN ANNOUNCED, THE MERE PROSPECT OF ADDITIONAL COMPETITION HAD PRODUCED MARKED CHANGES IN THE PRACTICES AND PRODUCTS OF OUR EXISTING BANKS. JUST IMAGINE THE SHAKE UP WHEN THE ADDITIONAL NEW BANKS ACTUALLY GET GOING.

SUCH RAPID CHANGE IN THE FINANCIAL SYSTEM HAS CATAPULTED THE GOVERNMENT AND PARTICIPANTS IN FINANCIAL MARKETS INTO A NEW WORLD OF MONETARY AND FINANCIAL MANAGEMENT. THE AUTHORITIES AND PARTICIPANTS ALIKE HAVE ALL LEARNT SOME NEW TRICKS. ONE SUCH TRICK CONCERNS THE INTERPRETATION OF THE MONETARY AGGREGATES UPON WHICH WE HAVE LONG RELIED FOR INFORMATION ABOUT MONETARY POLICY AND CONDITIONS IN THE FINANCIAL

MARKETS. ALL PUBLISHED MONETARY AGGREGATES ARE NOW DISTORTED - TO A GREATER OR LESSER DEGREE - BY THE STRUCTURAL CHANGE NOW OCCURRING: CHANGE REFLECTING IN AN INTENSE BATTLE FOR MARKET SHARE BETWEEN BANKS AND NON-BANK INTERMEDIARIES; A BATTLE TO INCREASE FINANCING THROUGH BANKS AND NON-BANK INTERMEDIARIES AS A GROUP VERSUS DIRECT FINANCING; AND, OF COURSE, A CHANGE IN STATISTICAL STATUS AS SOME OLD NON-BANKS BECOME RECLASSIFIED AS BANKS.

IN ORDER FOR US TO MAKE SENSE OF THESE DEVELOPMENTS, RATHER THAN BE MISLED BY AGGREGATES ARTIFICIALLY INFLATED BY CHANGING MARKET SHARES, THE MONETARY AUTHORITIES ARE PROVIDING MORE INFORMATION ABOUT THEIR OWN ACTIVITIES AND INTENTIONS. FOR EXAMPLE, THE RESERVE BANK NOW PROVIDES DAILY INFORMATION TO FINANCIAL MARKETS ON ITS DEALING INTENTIONS. FURTHER, THE RECENT BUDGET INDICATED FOR THE FIRST TIME THE SIZE AND APPROXIMATE TIMETABLE OF THIS YEAR'S BOND SELLING PROGRAM.

OF COURSE, THERE IS MORE THAT COULD, AND WILL, BE DONE. WE ARE ALL LEARNING. FOR OUR PART, WE WELCOME SUGGESTIONS FROM THE INDUSTRY. THE CHALLENGE FOR POLICY RAISED BY STRUCTURAL CHANGE WILL OUTLAST THE IMMEDIATE PERIOD OF RAPID CHANGE.

EVEN THOUGH THE GAME IS DIFFERENT AND THE RULES HAVE CHANGED, THE OBJECTIVES OF MONETARY POLICY REMAIN UNCHANGED. AS THE TREASURER AND I HAVE SAID ON SEVERAL OCCASIONS IN RECENT MONTHS, THE GOVERNMENT WILL CONTINUE TO ADMINISTER A FIRM MONETARY POLICY: ONE THAT KEEPS A TIGHT REIN ON INFLATION BUT, AT THE SAME TIME, ALLOWS ROOM FOR THE ECONOMY TO KEEP GROWING.

MONETARY CONDITIONS ARE CONSISTENT WITH THIS OVERALL APPROACH. BY ANY STANDARD THE PRESENT LEVEL OF FINANCIAL INTERMEDIATION IS VERY HIGH AND IT WOULD BE RIDICULOUS TO SUGGEST THAT GROWTH PROSPECTS ARE UNDULY DAMPENED BY OUR MONETARY POLICIES. YET THE PRESENT LEVEL OF INTEREST RATES SHOWS CLEARLY THAT POLICY IS FIRM.

LADIES AND GENTLEMEN, THE TRILOGY, THE ACCORD AND THE INDUSTRY RESTRUCTURING PROGRAM ADD UP TO AN IMAGINATIVE AND EXCITING "TRIFECTA" OF ECONOMIC POLICIES, WITH THREE PRINCIPLE OBJECTIVES:

- FIRST, THAT OF IMPROVING OUR SHORT TERM ECONOMIC PERFORMANCE. OF ENSURING THAT THE CAPACITY OF THE AUSTRALIAN ECONOMY TO GROW AND GENERATE JOBS IS NOT HOSTAGE TO THE FORTUNE OF THE INTERNATIONAL BOOM-BUST BUSINESS CYCLE;

- . SECOND, THAT OF MAINTAINING AUSTRALIA'S COMPETITIVENESS IN THE MEDIUM TO LONG TERM, SO THAT OUR CAPACITY TO DEVELOP BY IMPORTING CAPITAL IS UNDERWRITTEN BY EXPORTS AND NOT BORROWING; AND
- . THIRD, THAT OF UNDERWRITING OUR LONG TERM PROSPERITY AND JOB PROSPECTS BY ENSURING THAT PRIVATE ENTERPRISE IS EQUIPPED TO MEET THE COMPETITIVE AND TECHNOLOGICAL CHALLENGE OF THE FUTURE.

THIS "TRIFECTA" REPRESENTS A "TRIPLE A" STANDARD OF ECONOMIC MANAGEMENT BY THIS GOVERNMENT. AND WE INTEND TO RETAIN OUR "TRIPLE A" RATING.

I HAVE MUCH PLEASURE IN LAUNCHING THIS NEW PERIODICAL AND HOPE THAT IT, TOO, WILL RAPIDLY ACHIEVE "TRIPLE A" STATUS.

THANK YOU.

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