



PRIME MINISTER

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

LABOR BUSINESS FORUM
ADELAIDE - 27 AUGUST 1986

THANK YOU FOR THIS OPPORTUNITY TO EXPLAIN DIRECTLY TO YOU JUST HOW THE BUDGET MEETS AUSTRALIA'S CURRENT ECONOMIC CIRCUMSTANCES. BECAUSE IT IS UNQUESTIONABLY THE RIGHT BUDGET FOR AUSTRALIA TODAY.

IT IS IMPORTANT TO RESTATE AT THE OUTSET, BECAUSE SOME IN THE OPPOSITION NOW SEEK TO DENY IT, THAT THE VERY CONDITION FOR AUSTRALIA'S CAPACITY TO MEET THE CHALLENGES WE NOW FACE TOGETHER IS THE CO-OPERATION OF ALL SECTIONS OF THE COMMUNITY - BUT ESPECIALLY BETWEEN GOVERNMENTS, BUSINESS AND UNIONS. THIS IS NO LESS TRUE NOW THAN IT HAS BEEN FOR THE PAST THREE AND A HALF YEARS. IN FACT, IF ANYTHING, THE NEED FOR THAT CO-OPERATION IS NOW ALL THE GREATER.

THROUGHOUT THE PAST WEEK, PAUL KEATING AND I, TOGETHER WITH OUR SENIOR COLLEAGUES, HAVE UNDERTAKEN THE RESPONSIBILITY OF EXPLAINING TO THE PEOPLE OF AUSTRALIA THE NATURE OF OUR PRESENT PROBLEMS, AND THE ECONOMIC STRATEGY NEEDED TO MEET AND OVERCOME THOSE PROBLEMS.

THE BUDGET, CRUCIAL AS IT IS, IS ONLY PART OF THAT STRATEGY.

LET ME SAY EMPHATICALLY, THAT THE TASK MY COLLEAGUES AND I HAVE UNDERTAKEN IS NOT SOME SORT OF POLITICAL EXERCISE TO "SELL" THE BUDGET. WE SEEK TO PUT TO THE NATION - FAIRLY AND SQUARELY - THE ECONOMIC REALITIES WE NOW FACE. BUT HAVING DONE THAT, WE SEEK ALSO TO MAKE PLAIN THAT NOT ONLY DO WE RECOGNISE THE NATURE OF THE TASK BUT ALSO THAT WE HAVE THE POLICIES TO SEE US THROUGH.

AND, CERTAINLY AS FAR AS THE PEOPLE OF AUSTRALIA ARE CONCERNED, WE HAVE BEEN HEARTENED BY THE NATURE OF THEIR RESPONSE.

IN ALL THE RESPONSIBLE SECTIONS OF THE COMMUNITY - OVER AND BEYOND THE PREDICTABLE REACTION OF THE OFFICIAL OPPOSITION AND THE SELECTIVE CRITICISMS OF PARTICULAR INTEREST GROUPS - THAT RESPONSE HAS BEEN OVERWHELMINGLY POSITIVE.

IT HAS BEEN THE RESPONSE OF A MATURE AND INTELLIGENT PEOPLE.

IT HAS BEEN A RESPONSE BASED UPON A CLEAR RECOGNITION OF THE REALITIES.

IT HAS BEEN A RESPONSE BASED UPON A REALISATION OF THE IRRELEVANCE - TO USE THE KINDEST TERM - OF THE ALTERNATIVE OFFERED BY THE OFFICIAL OPPOSITION.

AND ABOVE ALL, IT HAS BEEN THE RESPONSE OF A PEOPLE WILLING TO ACCEPT THE POSTPONEMENT OF SHORT-TERM BUT ILLUSORY BENEFITS FOR THE SAKE OF LONGER-TERM AND ENDURING GAIN - NOT JUST FOR THEMSELVES, BUT FOR THEIR COUNTRY AS A WHOLE AND FOR THE NEXT GENERATION OF AUSTRALIANS.

I AM CONVINCED - MORE THAN EVER OVER THE PAST WEEK - THAT THE AUSTRALIAN PEOPLE WILL ALWAYS RESPOND IN THIS WAY: BUT ON ONE CONDITION, AND ONLY ON ONE CONDITION.

AND THAT CONDITION IS THIS: THE PEOPLE OF AUSTRALIA MUST BE ABLE TO BELIEVE, AFTER ALL THE RELEVANT MATTERS ARE PUT TO THEM, FAIRLY AND SQUARELY, THAT THE TOUGH DECISIONS THEY ARE CALLED UPON TO ACCEPT ARE THE DECISIONS OF A GOVERNMENT ON THE RIGHT TRACK. AT THE END OF THE DAY, THEY MUST BE CONVINCED THAT PRESENT SACRIFICES ARE THE PRICE WE MUST ALL PAY FOR HOPE AND CONFIDENCE IN A STRONGER, BETTER FUTURE.

AND I BELIEVE THAT THIS IS NOW THE UNDERSTANDING AND CONVICTION OF THE VAST MAJORITY OF THE PEOPLE OF AUSTRALIA.

IN PARTICULAR, I BELIEVE THEY HAVE COME TO UNDERSTAND, EVEN MORE CLEARLY THAN BEFORE, THAT AUSTRALIA IS NOW BETTER ABLE TO DEAL WITH OUR PRESENT STRAITENED TRADING CONDITIONS ONLY BECAUSE THEIR GOVERNMENT WAS SO EARLY COMMITTED TO DEVELOPING AND IMPLEMENTING ECONOMIC REFORMS TO MAKE THIS COUNTRY BETTER EQUIPPED TO COMPETE ON WORLD MARKETS. IF IT HAD NOT BEEN FOR THIS VISION, AUSTRALIA WOULD NOW BE FACING A VERY REAL PROSPECT OF A PROLONGED AND DEEP ECONOMIC RECESSION. INSTEAD, WE ARE IN A POSITION TO FACE UP TO THESE CHANGED CIRCUMSTANCES WITH GROWING CONFIDENCE.

THAT IS THE REAL MESSAGE OF THE BUDGET. THAT IS OUR MESSAGE OF THE PAST WEEK. IT IS MY MESSAGE TO YOU TODAY.

OF COURSE, THIS IS NOT A NEW MESSAGE TO THE PEOPLE OF SOUTH AUSTRALIA.

JUST TWO WEEKS AGO I CAME TO THIS CITY AND HAD THE PLEASURE OF OUTLINING JUST THIS MESSAGE TO A SEMINAR CONDUCTED BY THE SOUTH AUSTRALIAN EXPORTERS ASSOCIATION. THE PARTICIPANTS AT THE SEMINAR WERE EXPORTERS WHO WERE KEENLY AWARE OF THE TRADING ENVIRONMENT THAT WE NOW FACE.

THEY ARE PEOPLE WHO HAVE TO CONFRONT EVERY DAY OF THEIR LIVES THE REALITY THAT THE PRICES THAT WE ARE RECEIVING FOR THE GOODS WHICH WE EXPORT ARE PITIFULLY LOW.

MEASURED AGAINST A BASKET OF WORLD CURRENCIES, METALS PRICES FELL BY ABOUT 17 PER CENT, ON AVERAGE, OVER THE COURSE OF 1985-86.

NON-FOOD AGRICULTURAL PRODUCTS PRICES DECLINED BY 15 PER CENT. IN JUST THE JUNE QUARTER WHEAT PRICES FELL 23 PER CENT IN \$US TERMS AND THE DECLINE HAS CONTINUED SINCE.

THE DECLINE IN WHEAT PRICES IS A PARTICULARLY HARD PILL FOR AUSTRALIANS TO SWALLOW. IT REFLECTS NOT ONLY THE CONDITION OF WORLD EXCESS SUPPLY IN WHEAT. IT REFLECTS ALSO AN UNFORTUNATE AND, FOR ALL CONCERNED, A VERY COSTLY CHANGE IN THE TRADING PRACTICES OF OUR CLOSEST ALLY, THE UNITED STATES.

THIS CHANGE WAS IN TURN A REACTION TO THE DISASTROUS POLICIES OF THE EUROPEANS. FIRST, THE EUROPEANS SOUGHT SELF SUFFICIENCY - BUT WENT FAR BEYOND THAT GOAL. IN THE PROCESS THEY CONSTRUCTED AN EDIFICE OF AGRICULTURAL PRICE SUPPORT WHICH RISKS UNDERMINING WORLD TRADE IN AGRICULTURAL PRODUCTS. THE COSTS OF THESE POLICIES ARE NOW BEING SHEETED HOME DRAMATICALLY TO EFFICIENT SUPPLIERS SUCH AS AUSTRALIA.

THEY ARE ALSO TELLING HUGELY AGAINST THE COUNTRIES WHICH INITIATED THEM. THE CITIZENS OF THE SUBSIDISING COUNTRIES ARE PAYING VIA MASSIVELY BLOATED BUDGETS, HUGELY MISALLOCATED RESOURCES, AND, IN THE CASE OF THE EUROPEANS, TRAGICALLY SWOLLEN UNEMPLOYMENT QUEUES.

IT WILL TAKE MANY YEARS FOR THESE WRONGS TO BE UNDONE, EVEN IF WE WERE TO START PURPOSEFULLY TOMORROW. IT IS FOR THAT REASON THAT THE CURRENT MEETING OF AGRICULTURE MINISTERS IN CAIRNS AND THE FORTHCOMING NEGOTIATIONS ABOUT THE RULES WHICH GOVERN WORLD TRADE UNDER THE GATT, ARE VITAL. BUT WE SHOULD NOT HAVE UNREALISTIC EXPECTATIONS ABOUT EARLY SUCCESS.

IN THE MEANTIME, OF COURSE, AUSTRALIA HAS TO COPE WITH THE SITUATION AS IT IS. IT IS NOT JUST AGRICULTURAL PRODUCTS WHICH ARE BRINGING DEPRESSED PRICES. AS I SAID EARLIER, MANY METALS, MINERALS AND FUELS ARE ALSO SUFFERING. THE CONSEQUENCE IS THAT AUSTRALIA'S TERMS OF TRADE - AN OVERALL MEASURE OF THE PURCHASING POWER OF OUR EXPORTS, AND THUS OF OUR LIVING STANDARDS - HAVE FALLEN BY SOME 15 PER CENT SINCE THE END OF 1984.

IF THE FURTHER DECLINE IN THE TERMS OF TRADE WHICH IS FORECAST IN THE BUDGET FOR 1986-87 EVENTUATES, AUSTRALIA'S TERMS OF TRADE WILL SINK TO THEIR LOWEST SINCE THE 1930'S. INITIALLY THE BURDEN IS BEING BORNE BY OUR EXPORTERS. BUT IT CANNOT ULTIMATELY BE BORNE ONLY BY THEM.

THE DECLINE IN OUR TERMS OF TRADE TO DATE IS CURRENTLY COSTING AUSTRALIA \$6 BILLION PER ANNUM. IT IS A LOSS IN OUR NATIONAL ECONOMIC CAPACITY WHICH WE CAN IGNORE ONLY TO OUR COST.

ONE WAY OR ANOTHER, THE ECONOMY WILL ADJUST. WE CAN CHOOSE HOW WE COPE WITH THE NEW ENVIRONMENT - WE CANNOT CHOOSE WHETHER WE WILL ADJUST - FOR ADJUST WE MUST.

THIS BUDGET REFLECTS THE CHOICE OF THIS GOVERNMENT TO OPT FOR THE ADJUSTMENT PATH WHICH WILL GIVE US THE BEST PROSPECT OF AVOIDING MASSIVE, PROLONGED RECESSION AND MASSIVE, PROLONGED UNEMPLOYMENT.

INDEED THE DECLINE IN OUR TERMS OF TRADE HAS HIGHLIGHTED ANOTHER QUITE FUNDAMENTAL LONG-TERM DEVELOPMENT.

THAT IS THAT WHILE AUSTRALIA HAS BEEN ABLE TO MAINTAIN A HIGH LEVEL OF CURRENT CONSUMPTION IT HAS ONLY BEEN ABLE TO DO SO BY BORROWING MORE FROM ABROAD. LAST YEAR WE SPENT, AS A NATION, 6 PER CENT MORE THAN WE EARNED.

WE CANNOT CONTINUE TO DRAW ON OTHER PEOPLE'S SAVINGS TO THAT EXTENT TO FINANCE OUR OWN LIVING STANDARDS. WE NEED TO BEGIN NOW BY TAKING A TEMPORARY CUT IN THOSE STANDARDS AND TO BOOST OUR DOMESTIC SAVING EFFORT.

WE NEED, ALSO, OVER THE LONGER-TERM TO RAISE THE LEVEL OF OUR EARNINGS FROM ABROAD. INDEED THE ONLY WAY THAT WE CAN REGAIN OUR FORMER GROWTH IN STANDARDS IS TO TRADE OUR WAY OUT - I.E. TO EXPORT MORE AND TO SWITCH AWAY FROM IMPORTED GOODS TO COST COMPETITIVE DOMESTICALLY CRAFTED ALTERNATIVES.

THIS UNAVOIDABLE REALITY HAS CLEARLY BEEN RECOGNISED BY THE FOREIGN EXCHANGE MARKET AND IS REFLECTED IN THE 40 PER CENT FALL IN THE VALUE OUR CURRENCY AGAINST THE AVERAGE OF OUR TRADING PARTNERS - AND, INDEED, A 50 PER CENT FALL AGAINST THE YEN.

THESE DEVELOPMENTS HAVE UNLEASHED THE MOST POWERFUL INSTRUMENT OF ECONOMIC ADJUSTMENT WHICH IS AVAILABLE IN INTERNATIONAL FINANCE: A DRAMATIC CHANGE IN OUR INTERNATIONAL COMPETITIVENESS.

THE QUESTION FOR US IS:- WHAT WE DO ABOUT THE CHALLENGES THESE FACTORS PRESENT US WITH? AND HOW DO WE MAKE THE MOST OF THE OPPORTUNITIES WHICH THEY PROVIDE?

THE RESPONSE FROM THE AUSTRALIAN PEOPLE NEEDS TO COME AT SEVERAL LEVELS. IN RECOGNITION OF THAT REALITY, GOVERNMENT POLICY IS DIRECTED AT SEVERAL LEVELS.

THE BUDGET IS QUITE FUNDAMENTAL IN EACH CASE.

WHEN I LAST SPOKE IN THIS CITY, I SAID THAT THE THEN FORTHCOMING BUDGET WOULD BE A TOUGH ONE. I CHARACTERISED IT AS AN INSTRUMENT FOR OUR FUTURE AND THAT OF OUR CHILDREN. I SAID THAT IT GAVE ME NO JOY TO FORESHADOW A TOUGH BUDGET BUT THAT NO OTHER COURSE WAS OPEN TO A RESPONSIBLE OR FAIR GOVERNMENT DEDICATED TO MAXIMISING LONG-TERM JOB PROSPECTS.

THE BUDGET HAS DELIVERED HANDSOMELY ON THOSE PROMISES. THE CENTRE-PIECE OF THE BUDGET IS ZERO REAL GROWTH IN COMMONWEALTH OUTLAYS. THAT WAS NOT EASILY ACHIEVED. POLICY DECISIONS SINCE THE FORWARD ESTIMATES FOR 1986-87 WERE PREPARED HAVE HAD TO BE TAKEN WHICH YIELD NET SAVINGS OF \$2 BILLION. BUT JUST AS IMPORTANTLY, THESE DECISIONS WILL REDUCE OUTLAYS IN NET TERMS BY SOME \$1.5 BILLION IN 1987-88 - IN OTHER WORDS WE HAVE GIVEN OURSELVES A FLYING START IN PREPARING NEXT YEAR'S BUDGET.

IN CONJUNCTION WITH SOME MEASURES TO LIFT COMMONWEALTH RECEIPTS IN LINE WITH THE NEED TO LIFT OUR DOMESTIC SAVINGS EFFORT, THIS HAS ENABLED THE BUDGET DEFICIT TO BE CUT BY MORE THAN \$2 BILLION TO \$3.5 BILLION.

I HAVE SOMETIMES HEARD IT SAID OVER THE PAST WEEK OR SO THAT IT WILL TAKE MORE THAN JUST ONE GOOD BUDGET TO SOLVE AUSTRALIA'S ECONOMIC PROBLEMS. I HEARTILY AGREE.

BUT THIS IS NO PAULIAN CONVERSION. THE RECOGNITION OF THE NEED CONSISTENTLY TO PURSUE FISCAL POLICY APPROPRIATE TO THE TIME HAS UNDER-PINNED THE ENTIRE 3 1/2 YEARS OF MY GOVERNMENT.

LET ME REMIND YOU THAT WE INHERITED A PROSPECTIVE DEFICIT OF \$9.6 BILLION FROM OUR PREDECESSORS. LET ME REMIND YOU THAT I SAID AT THE TIME THAT AUSTRALIA REQUIRED A DEGREE OF FISCAL STIMULUS TO KICK-START THE ECONOMY FROM THE RECESSION AT THAT TIME, BUT THAT IT WOULD BE OUR AIM TO PROGRESSIVELY REDUCE THE STIMULUS. AND LET ME REMIND YOU THAT IN FACT WE QUITE RESPONSIBLY TOOK THE VIEW, EVEN IN THE RECESSIONARY CONDITIONS WHICH WE INHERITED, THAT A DEFICIT SIGNIFICANTLY BELOW \$9.6 BILLION WAS REQUIRED - AND WE SET ABOUT PARING IT BACK.

AS I SAY THE REASON THAT WE BEGAN THAT PROCESS - AND SUSTAINED THE EFFORT IN EACH OF OUR THREE SUCCESSIVE BUDGETS - WAS OUR ACCEPTANCE OF THE FACT THAT AS PRIVATE SECTOR DEMANDS FOR CREDIT GROW, THE PUBLIC SECTOR MUST ADJUST. IN OUR NEW ENVIRONMENT, IN WHICH THE WORLD VALUE OF OUR NATIONAL INCOME HAS BEEN CUT, THAT FACT HAS EVEN GREATER RELEVANCE.

TO IGNORE THAT REALITY WOULD SIMPLY BE A RECIPE FOR FURTHER HIKE IN INTEREST RATES, SUSTAINED CURRENCY INSTABILITY AND PROLONGED UNEMPLOYMENT. ONE OBJECTIVE OF THIS BUDGET, THEREFORE, IS TO PERMIT THE BURDEN OF POLICY TO SHIFT AWAY FROM HIGHER INTEREST RATES. THIS IS THE WAY SIMULTANEOUSLY TO CREATE THE CONDITIONS FOR A LOWER CURRENT ACCOUNT DEFICIT AND AN INCREASE IN GROWTH SUSTAINING INVESTMENT.

BUT, JUST AS IMPORTANTLY, THE HALLMARK OF OUR APPROACH TO FISCAL POLICY HAS BEEN TO ACHIEVE THE NECESSARY "BOTTOM LINES" IN A WAY WHICH IS ALSO CONSISTENT WITH OUR OVERRIDING OBJECTIVE TO PROMOTE FAIRNESS AND TO SUPPORT THE GENUINELY NEEDY.

AS A GOVERNMENT, WE HAVE CONSISTENTLY SOUGHT TO RE-ORDER OUR SPENDING PRIORITIES IN FAVOUR OF THE NEEDY. THIS IS REFLECTED PARTICULARLY IN THE FACT THAT BY END 1986 THIS GOVERNMENT WILL HAVE INCREASED THE STANDARD RATE OF PENSION BY 7.3 PER CENT IN REAL TERMS, COMPARED WITH THE MISERLY 1.5 PER CENT INCREMENT DELIVERED OVER THE WHOLE PERIOD OF THE FRASER GOVERNMENT.

ALTHOUGH SEVERELY CONSTRAINED BY THE TIGHT FISCAL DISCIPLINE WHICH WE HAVE HAD TO ACCEPT WE HAVE NONETHELESS BEEN ABLE TO INCREASE THE BENEFITS PAID TO THE POOREST OF OUR PENSIONER

FAMILIES WITH CHILDREN, TO INTRODUCE SOME NEW PROGRAMS IN RESPONSE TO THE MILLER REPORT ON ABORIGINAL TRAINING NEEDS AND TO BEGIN TO IMPLEMENT POLICIES TO PROVIDE IMPROVED CARE FOR THE AGED.

IN ADDITION, WE HAVE ALSO CONSISTENTLY SOUGHT TO DELIVER MORE OF THE WELFARE DOLLAR TO THE RECIPIENTS. WE HAVE DONE THIS BY MORE EFFICIENT ADMINISTRATIVE PROCEDURES; THE BETTER TARGETING OF PROGRAMS; AND MEASURES TO ENSURE THAT BENEFITS ARE DRAWN ONLY BY THOSE ENTITLED TO THEM.

THIS BUDGET IS NO EXCEPTION.

IN THE BUDGET WE HAVE INSTITUTED A QUITE FUNDAMENTAL REVIEW OF THE WAY IN WHICH UNEMPLOYMENT BENEFITS AND SOLE PARENTS BENEFITS ARE ADMINISTERED. IN BOTH CASES, THERE WILL BE GREATER SCRUTINY NOT ONLY IN THE INTEREST OF PROVIDING APPROPRIATE SERVICES TO THE LONG-TERM UNEMPLOYED AND THOSE WITH SPECIAL NEEDS, BUT ALSO TO ENSURE THAT THESE FUNDS ARE DISPENSED PROPERLY.

BUT EVEN THOSE MEASURES ON THEIR OWN WERE NOT SUFFICIENT AND ADDITIONAL SAVINGS HAVE HAD TO BE FOUND.

IN ALL SOME \$500 MILLION HAS BEEN CUT FROM THE EMERGING SOCIAL SECURITY BILL AND SOME \$300 MILLION FROM THE HEALTH AREA. OF COURSE, WE WOULD HAVE MUCH PREFERRED TO AVOID MAKING THESE SAVINGS. BUT THE MAGNITUDE OF THE TASK WAS SO GREAT THAT THERE WAS NO ALTERNATIVE; THE FIGURES JUST WOULD NOT ADD UP IN OUR NEW ECONOMIC CIRCUMSTANCES IN ANY OTHER FAIR WAY.

ONE PARTICULAR DECISION IN THAT AREA RELATES TO THE PHARMACEUTICAL BENEFITS SCHEME.

IT IS PROPOSED IN THE BUDGET THAT THE COST OF A SCRIPT SHOULD RISE FROM ITS PRESENT \$5 TO A MAXIMUM OF \$10 FROM 1 NOVEMBER 1986. CURRENT ESTIMATES PUT THE AVERAGE EXPECTED SCRIPT CHARGE A LITTLE OVER \$7.

HOWEVER, CONSISTENT WITH OUR WISH TO PROTECT THE NEEDED, THE RISE FOR HEALTH CARE CARD HOLDERS WILL BE LIMITED TO 50 CENTS (BRINGING THEIR TOTAL CHARGE TO \$2.50) AND PENSIONERS WILL CONTINUE TO RECEIVE ITEMS ON THE PHARMACEUTICAL BENEFITS LIST FREE OF ANY CHARGE. MOREOVER WE HAVE TAKEN SUBSTANTIAL STEPS TO PROTECT THE CHRONICALLY ILL.

NO INDIVIDUAL OR FAMILY WILL BE REQUIRED TO PAY FOR MORE THAN 25 PRESCRIPTIONS IN A YEAR. IN OTHER WORDS THE ABSOLUTE MAXIMUM A FAMILY OR INDIVIDUAL WILL PAY PER YEAR UNDER THE NEW SCHEME IS \$250 - AND FOR CONCESSIONAL USERS THE MAXIMUM COST PER ANNUM WILL BE \$62.50.

THIS MOST NECESSARY REFORM WILL CLEARLY PROTECT THOSE IN NEED. BUT IT NONETHELESS ACHIEVES SIGNIFICANT FULL YEAR SAVINGS OF \$67 MILLION TO THE BUDGET.

I WOULD ADD THAT SIGNIFICANT NEW MEASURES HAVE ALSO BEEN INTRODUCED TO CONTAIN, EQUITABLY, THE GROWING COSTS OF HIGHER EDUCATION. AN ANNUAL ADMINISTRATION CHARGE OF \$250 IS TO BE INTRODUCED IN 1987 FOR STUDENTS AT UNIVERSITIES AND COLLEGES OF ADVANCED EDUCATION. POOR STUDENTS, NOTABLY THOSE IN RECEIPT OF TERTIARY ALLOWANCES, WILL NOT BE DISADVANTAGED BY THE CHARGE.

BUT IN THE CURRENT ENVIRONMENT WE WERE FORCED TO THE VIEW THAT WE COULD NOT CONTINUE WITH THE SITUATION IN WHICH STUDENTS MADE NO CONTRIBUTION TO COVER THE COSTS OF THEIR EDUCATION - THE AVERAGE COST FOR A FULL-TIME STUDENT IN TERTIARY EDUCATION IS \$8200 PER ANNUM. THE CHARGE IS TO DEFRAY SOME OF THE ADMINISTRATIVE OVERHEADS FACED BY INSTITUTIONS. SUGGESTIONS THAT THE CHARGE EQUATES TO A TERTIARY TUITION FEE ARE CLEARLY LUDICROUS WHEN SET AGAINST THE AVERAGE COST OF PROVIDING A PLACE.

PART OF THE PROCEEDS, WHICH ARE PUT AT SOME 97 MILLION IN 1986-87, WILL BE RETAINED BY INSTITUTIONS FOR THEIR OWN PURPOSES. PART WILL BE DEVOTED TO PROVIDING OFFSETTING BENEFITS TO POOR STUDENTS. AND PART WILL ALSO BE USED TO PROVIDE AN ADDITIONAL ONE THOUSAND PLACES OVER AND ABOVE THE ADDITIONAL TWO THOUSAND WHICH IT WAS PREVIOUSLY INTENDED TO PROVIDE FROM THIS BUDGET.

WHILE SIGNIFICANT SAVINGS OVERALL HAVE BEEN MADE IN THE AREAS OF EDUCATION, HEALTH, SOCIAL SECURITY AND HOUSING AND COMMUNITY AMENITIES, THE SHARE OF TOTAL OUTLAYS DEVOTED TO THESE PROGRAMS WILL RISE FROM 46.4 PER CENT TO 46.7 PER CENT IN THIS BUDGET. THIS IS THE CLEAR EVIDENCE OF THE PRIORITY WHICH WE CONTINUE TO GIVE TO THESE AREAS, EVEN WITHIN THE TIGHTEST LIMIT ON AGGREGATE SPENDING.

THE BUDGET GIVES EFFECT TO THE NEXT STAGE OF TAX REFORM.

THE REFORM PACKAGE WILL DELIVER SUBSTANTIAL TAX CUTS TO PERSONAL TAX PAYERS, BEGINNING ON 1 DECEMBER WITH THE FINAL INSTALMENT ON 1 JULY 1987. THE BUSINESS SECTOR WILL ALSO RECEIVE THE BENEFIT OF THE INTRODUCTION OF THE IMPUTATION SYSTEM TO REMOVE DOUBLE TAXATION OF DIVIDENDS AND A SIMILAR MEASURE IN RESPECT OF SMALL BUSINESS, THE REMOVAL OF DIVISION 7. THERE ARE NO NEW DIRECT IMPOSTS ON BUSINESS IN THIS BUDGET.

THE PACKAGE OVERALL WILL YIELD REVENUE TO THE GOVERNMENT OF \$1.5 BILLION IN A FULL YEAR, BUT WILL RETURN TAX BENEFITS TO THE COMMUNITY OF \$4.5 BILLION I.E. THREE TIMES THE YIELD FROM THE NEW MEASURES.

BOTH THE TREASURER AND I HAVE MADE PLAIN ON A NUMBER OF OCCASIONS OUR WILLINGNESS TO LOOK AT LEGITIMATE COMPLAINTS ABOUT THE ADMINISTRATION AND TECHNICAL DETAILS OF THE FRINGE BENEFITS TAX. IN LINE WITH THAT COMMITMENT THE TREASURER YESTERDAY ANNOUNCED SOME MARGINAL CHANGES TO THE CURRENT LEGISLATION DESIGNED TO AVOID SOME UNINTENDED CONSEQUENCES OF THE TAX.

BUT THERE CAN BE NO DOUBTING THE ESSENTIAL VALIDITY OF THIS MEASURE. BUSINESS CANNOT ON THE ONE HAND ARGUE FOR WAGE RESTRAINT AND ON THE OTHER CONTINUE TO PAY UNTAXED BENEFITS TO A SELECT GROUP OF INDIVIDUALS. OTHER TAX PAYERS - THE OVERWHELMING MAJORITY OF TAX PAYERS - WOULD HAVE TO BEAR A HIGHER BURDEN IN ORDER TO PERMIT THAT TO CONTINUE. A GOVERNMENT COMMITTED TO FAIRNESS AND EQUITY COULD NOT ACQUIESCE IN THAT.

THE BUDGET HAS ALSO OUTLINED IN UNEQUIVOCAL TERMS THIS GOVERNMENT'S APPROACH TO WAGES POLICY.

WAGES HAVE UNAMBIGUOUSLY BEEN THE SUCCESS STORY OF THE LAST THREE YEARS. FEW OTHER COUNTRIES IN THEIR HISTORY HAVE MANAGED TO PRODUCE A DEGREE OF WAGES ADJUSTMENT TO MATCH THAT OF AUSTRALIA.

REAL UNIT LABOUR COSTS HAVE DECLINED BY 7 PER CENT OVER THIS PERIOD. A MAJOR ELEMENT OF THAT HAS BEEN A FALL OF THE ORDER OF 5 PER CENT IN REAL WAGES.

THAT HAS OCCURRED IN AUSTRALIA BECAUSE OF THE GOOD SENSE OF AUSTRALIAN WORKERS. THEY HAVE RECOGNISED THE NEED TO WORK WITH MANAGEMENT TO BEGIN TO UNDO THE MANIFESTLY UNCOMPETITIVE COST STRUCTURE OVER WHICH COALITION CONSERVATIVE GOVERNMENTS HAD PRESIDED FOR SO LONG - NOT JUST, INDEED, PRESIDED OVER - BUT WHICH THEY HAD POSITIVELY FOSTERED.

THAT ACHIEVEMENT STANDS IN SHARP CONTRAST TO THE UNITED KINGDOM WHERE THERE WAS A REAL RISE IN EARNINGS OF 10 PER CENT.

THE BUDGET DOCUMENTS MAKE IT CLEAR THAT IT WILL BE NECESSARY TO SEEK AND OBTAIN YET FURTHER WAGE RESTRAINT IN THE PERIOD AHEAD. TO THAT END WE WILL BE SEEKING A 2 PER CENT DISCOUNT AT THE NEXT NATIONAL WAGE CASE. IF NECESSARY, A FURTHER DOWNWARD ADJUSTMENT TO WAGES WILL BE SOUGHT AT THE FIRST CASE AFTER THAT IN 1987.

ON THE FIGURES NOW BEFORE US THAT WILL PERMIT A FURTHER DECLINE IN REAL UNIT LABOUR COSTS IN 1986-87 OF 1 PER CENT. IT WILL HELP SUBSTANTIALLY TO PRESERVE THE MASSIVE IMPROVEMENT IN OUR INTERNATIONAL COMPETITIVENESS - AN IMPROVEMENT WHICH BEGAN WITH THE WAGES OUTCOMES DELIVERED UNDER THE ACCORD AND WAS FURTHERED BY THE SUBSTANTIAL DEPRECIATION WHICH HAS OCCURRED OVER THE PAST YEAR OR SO.

WE WILL BE SEEKING FURTHER WAGE RESTRAINT NOT BECAUSE WAGES HAVE BEEN RESPONSIBLE FOR THE DIFFICULTIES WE ARE NOW FACING. BUT IT IS INESCAPABLE THAT WHEN OUR NATIONAL INCOME IS UNDER ATTACK, PART OF THE BURDEN OF ADJUSTMENT MUST BE BORNE BY WAGE AND SALARY EARNERS, WHO RECEIVE OVER AROUND 60 PER CENT OF OUR NATIONAL INCOME.

WE WILL BE SEEKING THAT RESULT ALSO BECAUSE IT IS AN INESCAPABLE FACT THAT THE ONLY WAY THAT WE CAN TRADE OUT OF OUR EXTERNALLY IMPOSED DIFFICULTIES WILL BE TO PRESERVE OUR

IMPROVED COMPETITIVENESS. PASSING HIGHER IMPORT COSTS INTO HIGHER WAGES COSTS WORKS DIRECTLY AGAINST THAT REQUIREMENT.

I SAID EARLIER THAT THIS GOVERNMENT RECOGNISES THAT THE RESOLUTION OF OUR PROBLEMS DOES NOT REST WITH ONE GOOD BUDGET, NOR EVEN WITH FOUR GOOD BUDGETS IN SUCCESSION - AS WE HAVE PRODUCED SINCE 1983. I HAVE NOTED ALSO THAT WE HAVE PURSUED A WAGES POLICY WHICH HAS DELIVERED RESPONSIBLE OUTCOMES - THE OUTCOMES NEEDED TO GET AUSTRALIA BACK INTO THE INTERNATIONAL GAME.

BUT THE GOVERNMENT'S APPROACH IS EVEN BROADER THAN THIS.

FOR THREE YEARS NOW THIS GOVERNMENT HAS PURSUED POLICIES TO REVITALISE AUSTRALIAN INDUSTRY. WE HAVE SOUGHT TO INTERNATIONALISE AUSTRALIAN MANUFACTURING AND THE AUSTRALIAN SERVICES SECTOR. WE HAVE IMPLEMENTED POLICIES:

- . TO ENCOURAGE R&D;
- . TO REFORM OUR EDUCATION SYSTEM SO AS TO IMPROVE OUR SKILLS BASE;
- . TO LIFT THE THE NUMBER AND QUALITY OF TRAINING OPPORTUNITIES WHICH WE GIVE TO OUR YOUNG POST-SCHOOL WORKERS; AND
- . TO REMOVE THE BARRIERS WHICH WOULD OTHERWISE HAVE INHIBITED THE EXPANSION OF EFFICIENT AUSTRALIAN ENTERPRISES.

THOSE POLICIES ARE OF THREE YEARS STANDING. THOSE POLICIES HAVE PREPARED AUSTRALIA TO CONFRONT THE CHALLENGE POSED BY THE FALL IN OUR TERMS OF TRADE.

BUT IN SAYING THAT LET ME MAKE IT CLEAR WHAT IS NEW ABOUT THAT CHALLENGE. THE NEW ELEMENT OF THE CHALLENGE IS NOT THE FACT THAT WE HAVE TO RESTRUCTURE OUR INDUSTRIAL BASE. THAT HAS ALWAYS BEEN ON THIS GOVERNMENT'S AGENDA - AS IT SHOULD HAVE BEEN ON ALL PREVIOUS AGENDAS, BUT FREQUENTLY WAS NOT. THE NEW ELEMENT TODAY IS RATHER THAT WE FACE A MUCH SHORTER TIME-TABLE FOR RECONSTRUCTION THAN COULD HAVE BEEN ENVISAGED EVEN A YEAR AGO. IT IS THIS RECOGNITION OF URGENCY WHICH PROVIDES THE POINT OF DEPARTURE FOR THE 1986-87 BUDGET, ON THE STRONG FOUNDATIONS LAID BY ITS THREE PREDECESSORS.

LADIES AND GENTLEMEN,

THE BUDGET - AND ITS ASSOCIATED POLICIES - GIVE THE ECONOMY THE NEW DIRECTIONS IT NEEDS. THEY SET IN TRAIN THE NEW DEGREE OF ADJUSTMENT NEEDED TO ENSURE THAT THE ECONOMIC NUMBERS ADD UP - ESPECIALLY THE BALANCE BETWEEN DOMESTIC AND FOREIGN SOURCES OF SAVING. NOW WE NEED, AS A NATION, TO TAKE ADVANTAGE OF THESE NEW DIRECTIONS TO ENABLE US TO GET OUR COLLECTIVE ACT TOGETHER.

DESPITE THE CHANGE IN THE NATURE OF OUR CURRENT PROBLEMS, THAT WAS ESSENTIALLY THE TASK AND CHALLENGE FOR US ALL IN 1983. THE AUSTRALIAN COMMUNITY - AND ESPECIALLY BUSINESS AND UNIONS - RESPONDED IN A REMARKABLE WAY.

THE SPIRIT OF 1983 LIFTED AUSTRALIA TO THE JOBS PINNACLE OF 1986. IT WAS THE SPIRIT OF CO-OPERATION AND RESTRAINT OF 1983, AS MUCH AS THE POLICIES WE ADOPTED, WHICH ACHIEVED THE RECOVERY AND GROWTH IN THE YEARS WHICH FOLLOWED.

THE SPIRIT OF 1983 PRODUCED A COMMONALTY OF PURPOSE AND A WILLINGNESS TO ACCEPT REAL WAGE CUTS IN ORDER TO MAXIMIZE THE LIVING STANDARDS OF AUSTRALIANS TODAY AND IN THE FUTURE.

THAT WAS THE SPIRIT OF 1983, AS IT REMAINS THE SPIRIT OF THE ACCORD. AND THE WORD "SPIRIT" IS NO MERE RHETORICAL FLOURISH. IT IS NOTHING MORE THAN A READINESS TO RECOGNISE REALITY. IT IS NOTHING LESS THAN A COMMONSENSE, DOWN-TO-EARTH AUSTRALIAN APPROACH.

IN THE PAST WEEK, I HAVE BEEN STRENGTHENED IN MY FIRM BELIEF THAT THE SPIRIT OF 1983 WILL EMERGE AS STRONGLY AS EVER, TO LIFT THE AUSTRALIA OF 1986, AND THAT ONCE AGAIN WE WILL EMERGE TRIUMPHANT.
