



PRIME MINISTER

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

SPEECH BY THE PRIME MINISTER
VICTORIAN ALP FUNDRAISER
MELBOURNE - 2 MAY 1987

Mr Premier,
Nancye Cain,
Members of the Victorian Cabinet,
Federal Cabinet colleagues,
Ladies and gentlemen.

It is encouraging to see such a large and distinguished audience of Melbourne's business leaders and decision makers here tonight.

Many of you I know would not include yourselves among the traditional supporters of the Labor Party.

But on an occasion such as this, the partisan differences which may separate us are less important than the fundamental concerns which bring us together.

For tonight we meet on common ground. We meet with a common concern for the future of Australia and a common acceptance of the truth that only economic growth can guarantee that future.

Throughout my entire public life - as trade union leader, Opposition MP and Prime Minister - it has been my most deeply held conviction that the key to Australia's future lies with consultation and co-operation.

That co-operative approach is not just a preferable alternative to confrontation. It is in fact a necessary element of any credible strategy to solve our economic problems.

To put it another way: we have a shared destiny in this nation and that gives us a shared responsibility to work together.

That was the thrust of my campaign message when I was first elected to the Prime Ministership in 1983.

And my message to you tonight is that in 1987 that conviction is more relevant, not less, than it was in 1983.

For the nation faces a major economic challenge - the need to restructure our economy so as to ensure we have the capacity to provide jobs and income and security for our children and for their children.

In the four years since we came to office I am proud that my Government has fulfilled and more than fulfilled the chief responsibility of a political party in office: to formulate and implement the relevant and feasible policies required for economic progress.

For too long, Australia had been content to derive wealth from the export of wheat and wool and minerals.

Manufacturers were content to shelter behind protectionist walls serving the small domestic market.

We had too little appreciation of the pressures and opportunities of competition in the world's markets.

We failed to capitalise on our enormous potential to produce manufactured goods and services for export to our region and to the world.

It has been the responsibility of my Government - and it has been our achievement - to shift the nation away from those shortcomings towards a more realistic awareness of the challenge we face.

That challenge is economic restructuring - the need to build a stronger and more diverse export base. Only this week John Cain, along with Bob Fordham, Rob Jolley and Steve Crabb, announced a major new effort by the Victorian Government to advance this task.

The focus of the Victorian Government's efforts is just where it should be - on trying to boost the export potential of the state.

I don't want to take up time this evening by commenting on specific initiatives within that package.

But I do want to state that the goal of the Victorian initiative - to double Victoria's exports of manufactured goods and services over the next five years - is entirely compatible with the efforts of the Federal Government to restructure the economy. I congratulate the Victorian Government for that.

In addition to that initiative, we are seeing other pieces of evidence that businesses, trade unions and the whole community are striving to meet the challenge of economic restructuring.

Let me review that evidence briefly with you now.

Latest estimates of the 1986-87 current account deficit are of the order of \$1 billion less than the Budget forecast of \$14³/₄ billion.

Moreover net exports are expected to contribute substantially more to growth than the 1³/₄ percentage points forecast at Budget time.

Particularly pleasing has been the strong performance of manufacturing exports - up 30 per cent so far this financial year.

Tourism has also increased markedly. The net foreign deficit on travel has fallen 49 per cent.

The net services deficit, which covers freight and insurance in addition to travel, has fallen by 21 per cent.

Weaker than forecast consumption growth - a desirable development in present circumstances - has also greatly assisted this turnaround in the current account.

Interpretation of the trend in the current account is likely to become more difficult over coming months as the seasonal increase in the deficit begins to inflate the monthly statistics.

But the underlying improvement in the current account is now well established and is expected to continue in 1987-88.

As we predicted in the last Budget, the slowing in the economy then evident was short lived. The December quarter saw a return to strong growth with an increase of 1.1 per cent in the Gross Domestic Product.

In the twelve months to March employment has grown by 2.1 per cent. This means a further 147,500 jobs, and it brings the total number of jobs created under my Government to 760,000.

More than any other statistic, the robustness of employment growth this year demonstrates the underlying strength of the economy and the success of the Government's economic policies.

But I don't want to weigh you down this evening with a lot of statistics. The important point is what lies behind those figures - namely, a new and absolutely vital set of attitudes which now pervades the nation.

There is a dramatically increasing awareness of the need to export and, more generally, to make and market products of quality.

There is an awareness of the need for continued wage restraint.

There is an awareness of the need to re-examine past ways of doing things and an awareness of the need to address our industrial issues constructively.

Through the Australian Made campaign, there is a growing awareness of the need to support domestic rather than imported goods - though let me add there is still room for more Australian companies to adopt the green and gold kangaroo symbol to identify their products as Australian-made.

Taking all these into consideration, we enter the crucial next stage in our strategy of reconstruction with cautious optimism that the economic future is brighter than the months and years we have just passed through.

Building on this achievement is a task for all of us - business, government, trade unions and the wider community.

There should be no doubting the Federal Government's determination that the process of restructuring continues and that the gains we have already made are preserved and multiplied.

Since we came to office we have exercised a restraint in our own expenditure which is unparalleled among comparable nations.

When we came to office, we inherited a prospective deficit of 5 per cent of GDP. We have now wound that figure back to only 1.5 per cent of GDP.

Meeting as we are in the lead-up to the May Statement, let me remind this audience that we are not about to relax our efforts.

The May Statement, and the Premiers' Conference and Loan Council which will follow, are absolutely crucial stages in the Government's continuing economic strategy.

I do not want to go into details now about the decisions we have made. But I can say, as I have said on a number of occasions, that our approach will be tough. We will not be abandoning our commitment to fairness in expenditure restraint but we are determined to reduce both the Budget deficit and the total Public Sector Borrowing Requirement as a share of GDP.

Spending cuts in the May Statement will be spread across a number of portfolios. The Commonwealth is looking closely at its asset holdings to effect rationalisations where prudent, but the major focus of our attention is on general recurrent outlays.

There will, for example, be further measures to weed out welfare cheats and ensure that social security benefits go only to those who are entitled to them.

Indeed, a more wide ranging examination of welfare outlays has been necessary, producing some measures which, in earlier times, may not have been contemplated.

But we will not be wielding the knife indiscriminately.

We will be seeking, as we have sought in the past, to implement durable, structural reforms which achieve budget savings but which also bring about more effective and fairer delivery of Government services.

The collapse in our terms of trade since the end of 1984 has stripped some \$9 billion dollars from our national economic capacity. To distribute a loss of this magnitude equitably and to maintain employment growth has been no easy task.

But we have faced this task with firm resolve and we are succeeding.

Ladies and gentlemen,

I began this evening by stating that I did not want to make a partisan speech and I will not.

But I think I would be remiss if I failed to offer you some views about the extraordinary events we have seen in the Federal Parliament in the last week.

From one point of view it has been an entertaining couple of days as we observe hour by hour the ever-changing line-up of faces opposite us and listen hour by hour to the clash of ambitions among their many would-be and have-been leaders.

But I have to state honestly, as Prime Minister of a country which still faces a serious economic challenge, that the chronic shortcomings of the Opposition are disturbing.

Their basic failure has been their incapacity to develop workable and relevant economic policies - a failure of profound dimensions since the area of economic management has been the area of our greatest success.

The community is simply incapable of getting answers to its legitimate questions about where the alternative Government stands on the central issues in the national economic debate such as taxes, spending cuts and industrial relations.

As you can imagine this disarray provided an enormous temptation to go to the voters early. It would certainly have been a successful political move.

But I made the decision not to call an early election because to do so would have been inconsistent with our long-term strategy to restructure the economy so as to promote our best chances of prosperity.

That strategy means we must take the hard decisions to restructure the economy. We are taking them.

It means we must act with fairness and compassion. We are doing that.

It means we must continue to provide strong and stable Government, for all Australians. We will continue to do that.

Our strategy, finally, means we must govern for the long-term future even at the expense of copping some short-term flak for unpopular decisions along the way. And that is what we are doing.

We have a clear vision of how Australia must advance if we are to reach our goal of a more prosperous future.

Every decision we take is a step towards our goal:

- . a restructured and a more secure Australia;
- . an Australia with more people working in more productive jobs and creating more wealth for the nation;
- . an Australia with living standards on the way back up again.
- . an Australia steadily and constructively working our way through our problems
- . an Australia more capable of standing on its own two feet.
