



## PRIME MINISTER

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

THE NATIONAL PRESS CLUB  
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Members of the National Press Club,

There are two crystal clear issues of overwhelming importance which the Australian electorate must determine on 11 July.

Who can provide Australia with the responsible economic management it needs?

And who can provide Australia with the united and credible political leadership it deserves?

When I opened this campaign I said that in Australia's post-war period there had been no more important election than this.

As we near the end of the campaign, that judgement has been thoroughly vindicated.

For the last few weeks of campaigning have dramatically highlighted what the last four years of Government strongly suggested - that Labor offers Australia the only path to assured economic growth and political stability.

Let me first address the issue of economic management.

During our four years in office, my Ministers and I have consistently and responsibly outlined the facts about the economic challenge we face - the good news as well as the bad.

That's how we've campaigned in this election.

We have addressed the issues. We have not shirked the fact that sacrifices have been necessary in the past and that the way ahead will still require tough decisions and hard work.

But even while the campaign itself has progressed, a steady flow of evidence has emerged to confirm that our policies are working.

Figures were released showing falling interest rates, a shrinking balance of payments deficit and rising investment.

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Since February:

- 90 day Treasury note yields have fallen by 4 1/2 per cent;
- the 10 year bond rate has fallen by almost 1 1/4 per cent; and
- the maximum prime overdraft rate of the major banks has fallen by 2 1/4 per cent.

Three smaller banks have already reduced their mortgage rates. And bank representatives agree that, under Labor policies, a more general decline in mortgage rates can be expected before year's end.

Figures for the May balance of payments deficit were released. They came in well below market expectations

- the outcome this financial year is now expected to be some 1 1/2 billion dollars below the Budget estimate and a further fall is expected in 1987-88;
- exports of manufactures are up 34 per cent and we now have a surplus on tourism - compared with a large deficit just 2 years ago.

A most important but virtually unnoticed set of figures was released relating to investment. These suggest real growth in new capital expenditure of 3 per cent in 1986-87, compared with a 1 per cent fall expected at Budget time. They also raise expected growth next year by 4 per cent.

This echoed Westpac-CAI's survey which showed an improving outlook for investment in manufacturing. Encouragingly, that survey again showed an historically high expected level of exports.

Consumer sentiment and retail sales have picked up.

And further evidence has emerged of Australia's enmeshment with our dynamic region.

- Three years of patient work has paid off with the announcement that the Channar iron ore mine is to be developed as a joint venture with China, entirely for the Chinese market - the first iron ore mine to be opened in Australia in 15 years, further opening the door for other mines and other producers to participate in the rapid expansion of China's iron and steel industry;
- A new joint venture, also with China, was announced by the Victorian Government to fabricate aluminium products in China, partly using exports from the Portland smelter; and
- data released in Japan shows substantial growth in

primary products.

- We will seek further enmeshment of the Australian economy with our region.
- We will facilitate the expansion of our tourism industry.

And as a special priority, the next Hawke Government will further address the training and education needs of our greatest resource - the Australian people.

We will encourage more children to complete school, more young unemployed people will take up training opportunities, and more adults will get vocational help.

Each of these priority commitments will improve our capacity to compete with the rest of the world in the production and export of manufactures and services. Each will help remedy our balance of payments position and help reduce our reliance on debt.

If we do the hard work, Australia should be able to double its manufacturing exports by the early 1990s - and that will mean growth and prosperity for us all.

And I want to stress that each of these commitments is achievable, realistic, relevant to our overall strategy of building our national prosperity.

They are not illusory tax cuts. They do not depend on hypothetical "incentivation". They do not require us to tear up the safety net which supports the needy in our community.

Indeed they are achievable side by side with further progress in constructing that safety net.

We have promised in this campaign to introduce a new Family Allowance Supplement, to help Australia's neediest families to lift their children out of poverty.

It will direct to the mothers of some half a million Australian families a payment of \$22 a week for each child - or \$28 for teenagers aged 13 to 15.

We will also increase support for those families in private rented accommodation, and to those families who carry the care and responsibility of raising a disabled child.

We will make it easier for pensioners to take short-term work without losing their benefits.

As an election promise our commitment to Australia's families is everything the Liberals' tax cuts are not.

It is affordable, where their tax cuts would bust the budget. It is directed to those most in need, where the

Liberals would most help those who are better off. And it will be delivered.

But the surest ways a Government can lift the living standards of Australian families are by creating jobs for them, by creating the climate for greater productivity and by creating the social infrastructure that will allow the fruits of growth to be distributed fairly.

Let me briefly compare the records of Hawke and Howard in job creation.

In just over four years we have created nearly 800,000 new jobs.

That represents four times the annual growth in jobs under the Coalition and about twice the average for the OECD.

And if we stick at the hard task of reconstructing the economy we can expect a continued steady growth in the number of jobs.

All this leads directly to the great tax deception which is central to our opponents' campaign and central to the great issue of responsible economic management.

For it is no understatement to say that any serious attempt to implement the Liberal tax cuts would destroy the economic foundations we have built and tear apart the social fabric of this nation.

Look at how the Liberal tax cuts were discredited.

First there was the revelation that the proposed tax rate for average income earners was not 25 per cent as claimed, but 38 per cent - which forced the Liberal to withdraw their brochure publicising their Bicentennial tax scales.

Second there was the massive double counting in their spending cuts - an error which by itself should have been enough to flaw fatally the whole illusion of tax cuts.

Third was the discovery that the promised tax cut of \$26 a week for the so-called average family in fact would in fact cost most single income families on \$19,000 a year some \$14 a week.

But there was more. Fourth came the fib that the tax cuts could be paid for by cutting 3 cents in every dollar of Government spending - a claim which under pressure John Howard agreed was 9 cents but which in fact requires at least 16 cents in the dollar.

That prompted the unprecedented call by the Financial Review for Mr Howard to withdraw his "disgraceful" TV advertisement which persisted with the 3 cents claim.

Next came Ian Sinclair's declaration that tax cuts would be

the third cab off the rank after reductions in the deficit and interest rates, John Howard said no - all the cabs would leave at once!

And yesterday, the Liberals produced a sixth stunning revelation to discredit themselves.

The Opposition's health spokesman, Senator Baume, claimed the tax cuts would be phased in over a three year period - and not, as John Howard had said, introduced from the first of February next year.

In other words, the very basis of the Liberals' tax bribe - the \$26 a week tax cut - is fast becoming a case of tax cuts on the never never.

In 1977, Mr Howard grabbed their fistful of dollars back after the election. In 1987 they have excelled themselves - they have grabbed their tax cuts back before the election.

So here is the great conjuring trick - the Liberals say they will cut income tax and abolish the capital gains and fringe benefits taxes ... while cutting an unprecedented slice out of government spending ... while protecting the pensioners and the disadvantaged and protecting the defence budget ... while gradually eliminating the budget deficit!

Mr Howard said he wouldn't put his name to a tax policy that didn't add up. But this doesn't add up. It can't add up.

The net impact of the Liberals' tax cuts would be to make most people worse off. But let's just take them for a moment at their face value.

Their claim is based on the offer of incentives to workers to stay longer at work

- but for two million taxpayers Mr Howard offers a 1 cent increase in their marginal tax rate and, for a further 2.7 million people he offers only a 2 per cent cut; and
- for half of the group most likely to respond to such opportunities, that is, women, there will in fact be no added incentive. For one in ten there will be a marginal gain of two cents in the dollar while two in ten would actually lose.

That is hardly a basis for an incentive led economic reconstruction.

Nor is it a basis for the \$900 million of incentive effects which he has claimed to finance his promises.

So if incentive-led growth is not the product of Liberal policies, what is?

The sad reality is that a consumption boom financed by tax

cuts, if delivered, would blow out the current account deficit by an estimated \$1 billion.

Among other things that would weaken our currency and pump up our external debt which, as the EPAC Office has shown, "would be paid for in a sustained reduction in the share of resources available for domestic expenditure in the longer term"; that is, in plain language, and contrary to Mr Howard's claim, lower living standards.

Let's recall the assessment of the New York investment house, Goldman Sachs, that the Liberal tax cuts are "dangerous". This is the institution which John Howard himself described as highly reputable. Goldman Sachs expressed a preference for the continuation of the Labor Government, pointed to the disunity in the Opposition parties and applauded the distinct improvement in the major economic indicators over the last few months under Labor.

We clearly cannot afford the Howard experiment. Neither can our kids.

The Liberals claim to have policies to boost living standards - they don't.

Mr Howard said last November

"... when I unveil the (tax) policy I will explain where the money is coming from. I accept the responsibility, I always have, to explain to people that if you are offering lower tax ... you have to explain where the money's coming from."

And in February this year he said

"Any politician who thinks he can be a credible national figure without telling the people where the money is coming from is absolutely kidding himself."

And that leads me to the second great issue for determination by the Australian electorate on Saturday: the credibility of the political leadership offered by Labor and the Opposition parties.

For the Opposition parties suffer a disability more crippling than even their weakness on the tax issue.

It is not just a question of the impossibility of their carrying out any particular proposal.

They have proved incapable of governing themselves - they could not govern the nation.

This is their real credibility gap.

- Not only did the Liberals spend their time in Opposition squabbling over the mantle of leadership and dividing into factions of wets, dries and

innumerates;

- Not only did the foundation stone of conservative politics, the coalition, shatter into fragments;
- Not only did the National Party split in half;
- Not only all this - but when they came under the bright spotlight of the election campaign their hastily drawn up truce collapsed and they went back to fighting their battles among themselves again.

Ian Sinclair declared a conservative victory would be followed by a period of closed-door negotiations with the Liberals to work out which of their promises to implement and which to abandon.

John Stone then declared that the Queensland Nationals were simply not prepared to accept the policies of the Liberal Party.

And yesterday a senior Queensland National Party source was reported to say that Party would not join a Coalition without receiving concessions from the Liberals on tax policies and leadership positions. "We are not going to be part of a coalition which refuses to embrace our policies and beliefs," that source said. The Queensland Nationals would tell Mr Howard to embrace Joh's 25 per cent single rate tax.

This is a tax which Mr Howard has called "phoney" because it would either mean 20 per cent of the community getting a huge tax cut and 80 per cent being left for dead or sending the country "bankrupt by adding \$8 or \$9 billion to the deficit".

The logic of this is clear: the conservatives could not form a Coalition Government.

Has there ever been a clearer choice placed before the Australian people?

On one side stands a government with firm policies in place

- realistic, responsible, achievable policies;
- policies which are already yielding their success, as interest rates fall, as the deficit falls, as inflation falls; and
- policies which will be extended, in the ways I have outlined, to enable Australia to complete the task of rebuilding and revitalising our industry to meet the challenge of open and vigorous competition with the rest of the world.

On the other side stands an Opposition producing policies on the run

- An Opposition whose leader, three days before the end of the campaign, has still not confirmed any of his shadow ministry in their jobs.

Against the Government's united, competent team stand John Howard, 26 faceless men and Ian Sinclair.

But even here, perhaps there is something to thank Joh for. Because he has ruled out Ian!

The Opposition goes to the people incapable of teamwork - even for the purposes of an election campaign, much less the heavy responsibility of Government.

It is an Opposition whose political compromises won't work and whose tax cut fantasies can't work.

Ladies and Gentlemen,

Australia is mid-way through meeting the historic challenge of reconstruction.

But we're on the way

- Transforming the nation from the complacent Lucky Country to the Productive Country, the Innovative and Hard-Working Country.

Under Labor, we're moving

- To the challenge of open and vigorous competition with the rest of the world instead of the security blanket of protected introspection;
- To enmeshment with our region rather than insularity;
- To the resilience derived from economic diversity and productivity instead of the vulnerability born of our over-reliance on commodities;
- To the shared rewards of constructive co-operation instead of the fruitlessness of confrontation; and
- To a society whose hallmark is equality of opportunity for all instead of one in which the dice were loaded in favour of a privileged few, right through from the tax system to education.

This is a massive transformation and it will require yet more hard work.

And it is because we still have work to do as a nation that the issues of responsible economic management and credible political leadership are so crucial in this election.

Ladies and Gentlemen,



It is with optimism and a firm belief in Labor's unique ability to provide that management and that leadership that we are seeking a renewed mandate from the Australian people on 11 July.

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