

28



**PRIME MINISTER**

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

**SPEECH BY THE PRIME MINISTER  
AUSTRALIAN FINANCIAL REVIEW POST-BUDGET DINNER  
SYDNEY - 24 AUGUST 1988**

As my friend and colleague, Paul Keating, and I have always agreed, economic management has always been the main game in town.

May I say this has been and remains true, as a solid basis of our prosperity, as a sound basis for higher levels of targetted sustainable social justice and - let me add, as Prime Minister - as a sure basis for political success.

The political scene in Australia in the last few weeks has been dominated by the morally unacceptable and economically dangerous opportunism of our political opponents.

My Government will continue to fight - and we will beat - that make-or-break threat to Australia's well-being.

And with last night's Budget we passed the make-or-break point for the Australian economy.

Under Labor's policies the economy is going to make it - Australia is going to make it.

Last night the Treasurer brought down the second instalment of the Government's economic measures of 1988 - the first having been the May Statement.

Taken together these statements demonstrated once again the Government's complete mastery on the central issues facing the Australian nation - the issues of economic policy making.

They provide the policy framework needed to maintain the momentum of economic reconstruction which is underway in Australia.

They promote a sustained high level of investment.

They ensure demand does not unduly hamper the pace of improvement in our current account position.

They maintain the downward trend of inflation.

They promote increased productivity, flexibility and adaptability.

They preserve true social cohesion by the dedicated pursuit of social justice.

With those policies, Australia will make it.

There is a number of interconnected strands to that policy approach : fiscal restraint, initiatives to reduce inflation; initiatives to accelerate economic reconstruction and major advances in social justice.

Last night's Budget, the culmination of years of work, achieved a real decline in budgetted outlays of 1.8 per cent - an unprecedented third year of decline, bringing the share of outlays in GDP back to its lowest since 1973-74.

As a result the Budget surplus has now been lifted to \$5.5 billion. Equivalent to 1.7% of GDP, that represents a turnaround of about 7% of GDP from the anticipated deficit of \$9.6 billion which we inherited in 1983.

Note that none of this Budget's surplus growth is due to increased asset sales.

Moreover, contrary to those who assert it is all done with tax mirrors, budget revenue now forms a lower share of GDP this year than last - for the second year in a row.

In other words this year's achievements principally reflect the hard graft of earlier years - namely real outlays cuts.

Combined with the restraint exerted by the Commonwealth on other levels of Government, our surplus will reduce the net call of the public sector as a whole on the domestic savings to zero.

I say it again: the Public Sector Borrowing Requirement will be zero.

This year, for the first time ever, the saving of Australians is available entirely to finance productive investment in Australia.

Indeed the Commonwealth is now able to repay public debt.

The Budget's reforms to our economic infrastructure have been delivered in several stages.

The breadth and significance of the package introduced in May should not be underestimated.

No longer will investment decisions be determined by artificial props from the tax or tariff systems. They will increasingly relate to underlying economic returns - the returns which equate to the growth of national wealth. Coupled with progressive reform of Government Business

Enterprises such as Telecom and Australia Post to make them more responsive to change, the measures will also help to contain business and consumer costs.

The effect of such measures will naturally build up slowly - their benefit will be felt increasingly in years to come.

There have been further initiatives since the May Statement, with a particular emphasis on education and training.

The reason we have been paying such intense attention to the education and training systems is because if we get them right we get right the basic building blocks of our future economy, its workforce - to say nothing of personal fulfillment.

This Budget provides for a massive expansion in higher education places - some 40,000 places by 1991. Funding those places will be a major task for any Government.

The Higher Education Contribution Scheme will assist in that task - as well as help disadvantaged students put themselves through higher education using Austudy.

Under the scheme those for whom higher education is a means to higher income - the students - will repay a small portion of the costs of their education - but only if and when they have the financial capacity to do so.

The scheme is fair. It is sensible. It deserves the support of the whole community.

It complements steps already taken to lift the quality, relevance and efficiency of our schools, TAFEs and higher education institutions.

However the process of economic reform must not rest there.

Although there are many enlightened employers, Australia's attitude to training and retraining has too often been short-sighted. Too often training has been regarded as a cost to be avoided in economic downturn, leading to shortages when activity has recovered.

The Minister for Employment, Education and Training, John Dawkins, will be consulting with representatives of business on options to remedy this deficiency and I take this opportunity to encourage your active involvement in addressing it.

An improved training effort will have to accompany any serious attempt to improve the adaptability of our workforce through better design of jobs, multi-skilling and the like.

With the review of awards initiated by the Conciliation and Arbitration Commission in its recent National Wage Case

4.

Decision, and the Government's review of funding of training, those matters have been placed firmly on the industrial agenda.

A number of other reports and reviews which affect business costs and thus our capacity to adapt to change are still to come before the Government. These include the results of IAC and other inquiries into our shipping industry and waterfront, into Government charges and into tourism and the services sector.

It may be necessary after those reviews, for some of us to shoulder a greater share of the burden of change.

All of us - unions, business people, the community at large - simply cannot afford to fail to address these reviews co-operatively and positively.

Our children will rightly indict this generation of employers, unions and governments if we do not, together, make the most of the opportunities now before us.

Ladies and gentlemen

Inflationary expectations are easy to entrench, difficult to break.

This Budget introduces a circuit breaker.

This is possible because the overall Budget outcome is consistent with the restraint on demand which is necessary.

The reform of excise tax arrangements on beer, costing \$400m, are socially responsible and, given the expected budget surplus, fiscally sound.

This follows several price-cutting initiatives taken in May. The 2 per cent revenue duty has been abolished, returning \$250m to reduce private sector costs.

A further \$240m is being returned because of reduced tariffs on cars and other imports.

Each of these measures is a rational reform to promote greater economic efficiency.

And together they have the major additional benefit of knocking down the CPI this year by over 1/2 per cent - a shock which will secure an inflation rate of about 4 1/2 per cent by this time next year, and even less in the following year.

We aim to convert that achievement in 1989-90 into a wage-tax trade off which will achieve the slower wage growth needed to keep inflation low without the need to sacrifice the real living standards of ordinary workers.

Personal tax cuts will be introduced from 1 July 1989.

They will be structured to pay particular regard to the needs of lower and middle income earners - the people who have borne the real brunt of economic reconstruction so far.

But the scale of those cuts necessarily must depend on achieving appropriate wages growth in 1988-89 and on a suitably restrained prospect for 1989-90.

After five years of sustained wage restraint there is understandable impatience on the part of many workers for further increases in disposable incomes as quickly as possible.

Those legitimate aspirations can and will be met.

But we must go carefully and sensibly.

The reason, of course, is that we simply cannot afford to risk all that we have achieved so far by either excessive wage-price pressures or by a renewed burst of import-generating demand prompted by ill-timed tax cuts.

This year we need an orderly progress of wage rises, consistent with the Conciliation and Arbitration Commission's recent Decision.

Next year we will give as large a tax cut as can be afforded, in the context of arrangements to ensure appropriate wages outcomes.

Having laboured so hard to get Australia back on its feet it would be reprehensible to put jobs and living standards unnecessarily at risk by a less disciplined approach.

Ladies and gentlemen

Too often social justice concerns are greeted with a yawn by a lot of economic commentators.

That is economically and socially short sighted.

The Leader of the Opposition is fond these days of posing under the banner of social cohesion. Unfortunately, as his incursions into the immigration debate have shown, his posing is more likely to encourage disharmony than cohesion.

Labor's social justice achievements are designed to promote real national cohesion in a way that only Labor can.

Our approach these past 5 1/2 years has been based on the reality that commitment to economic change is likely to be greater, more enduring and more readily achieved if all the members of our community perceive it to be fair.

6.

It recognises also the essential dignity of all Australians and the right of the disadvantaged to a decent quality of life.

Our impressive record so far in promoting greater fairness - in tax, in education, in health services, in income support, indeed in access to the full range of Government programs - was spelt out in a publication which I launched in April called "Towards a Fairer Australia - Social Justice Under Labor".

That document also set out the Government's priorities for further improvements.

I am proud to say that, in this Budget, we have made substantial progress on each of those priorities.

This Budget will sustain durable employment growth. We will add significantly to the 1 million jobs we have already created, and at least preserve the reductions we have already achieved in the unemployment rate.

The Budget also includes further steps to meet our child poverty pledge - that by 1990 no Australian child need live in poverty. That pledge will be honoured in full next Budget. Last night, we increased the Family Allowance Supplement and foreshadowed new arrangements to obtain maintenance from non-custodial parents.

The Budget includes new programs to assist sole parents and the long term unemployed to break out of poverty by obtaining meaningful employment.

It includes phased increases in rent assistance for low income households renting in the private market, recognising that housing costs are a major contributor to poverty.

It incorporates substantial increases in funding for Medicare, nursing homes, hospitals and the Home and Community Care program.

It includes substantial real increases in funding of programs designed to improve the living conditions and self esteem of our Aboriginal peoples, including by a major expansion of self-help programs. Funding has been increased by about 20 per cent in real terms in this Budget, so that we have more than doubled real funding in this area over the life of this Government.

These social justice initiatives show the Budget has a particular focus on the needs of women - and this is furthered by additional expenditures to promote better health and an unprecedented expansion of child care places.

That expansion will take Commonwealth child care provision in significant new directions.

It will mean that within 4 years Labor will have trebled the number of child care places that we inherited.

In co-operation with the States, 20,000 of the 30,000 places to be provided over the next four years will be concentrated in the all too neglected area of out-of-school-hours care.

There is a further new element in the program of particular relevance to a business audience.

The Commonwealth is seeking to forge a partnership with business and is offering a new deal in the provision of child care facilities for employees.

Employers willing to provide work-based capital facilities and to contribute to running costs are able to take advantage of tax concessions, including in certain circumstances against liability for fringe benefits tax. Users will now become eligible for fee relief up to a ceiling of \$70 per week, with the greatest Commonwealth subsidy directed to those most in need.

Of course there is no suggestion of compulsion. Employers are free to take or leave this offer.

Details have been released by the Minister for Community Services and Health, Neal Blewett.

I urge all employers to look constructively at these proposals.

Ladies and gentlemen

I must at this point call upon the indulgence of my hosts to pick a bone with them.

Today's Budget editorial in the Australian Financial Review is seriously wide of the mark.

We are not relying on faith and hope. We have policies and results. And social justice is not about charity.

After five years of effort, the Australian economy has the most favourable base on which to build that it has enjoyed for some years - a base built up painstakingly but determinedly by the Australian community since 1983.

We do not need faith to forecast, as we do, that at present commodity prices, we expect a current account deficit of \$9 1/2 billion in 1989-90. That represents 3 per cent of forecast GDP - less than half the peak of 1985-86.

We do not need faith to demonstrate that inflation is trending firmly downwards.

We have the evidence, not faith, that business confidence is high.

We have the evidence, confirmed by no less a commentator than Brian Noakes of the CAI, that business investment will grow rapidly this year.

Indeed on current indications, by the end of 1988-89 business investment will have increased by almost 25 per cent in real terms in just two years, with a heavy emphasis on the traded goods sector.

Ultimately it is that kind of investment response, concentrated on the traded goods sector, which is needed to secure our future.

Our success to date in winding back the current account deficit, our renewed international competitiveness, and our determined fiscal record are eroding the risk premium which once was attached to investment in Australia.

That erosion can only accelerate.

But we do not have a Panglossian view of the future.

We recognise that if we are to remain competitive, Australian industry will need constantly to reassert its flexibility and adaptability.

For too long we have relied on rules of thumb from the past. The only rule of thumb for the future is that if we want to make a quid we will have to earn it the hard way - by meeting the demands of the world market place.

For example, our history shows that our real exchange rate fluctuates with real commodity prices. We don't have the power to abolish the world's commodity price cycle. But we do have the power to develop within our manufacturing and services sectors the flexibility and resilience that other countries have to maximise competitiveness by lifting productivity.

And as a consequence, we do have the power to moderate our dependence on primary commodity exports. Already, manufactures as a share of total exports have risen by 3 percentage points to 26 per cent in 1987-88.

That's what we've been working to achieve consistently for five years.

That is the purpose of our pathbreaking approach to policy making in this country.

Each of our Budgets and May Statements has gone to the very heart of what it is that we in the Labor Government want for Australia : a fair and prosperous country, confident in its future.

It is now well accepted that in the early eighties these aspirations had been thwarted:



- Australia's social cohesion was under threat;
- The tax and social welfare systems were seen to be unfair;
- The dice was loaded in favour of the relatively privileged;
- The legitimate needs of the genuinely disadvantaged were being ignored;
- Much of Australian manufacturing was insular and inefficient in world terms.
- Our wage bargaining systems concentrated on the short term balance of industrial power, which tended to shift with the commodities cycle, and less with the needs of the longer term;
- And our industrial relations system had degenerated into an arena of futile Government confrontation and counterproductive punitive legislation.

What we have done since 1983 is to break the mould which concentrated Australian minds on confrontation, on the short term, and on the domestic market. We are lifting our national sights beyond our shores and beyond the short term and beyond the purely sectional gain.

Since the fiasco of the Liberals' tax policy in last year's election campaign, the Federal Opposition parties have been notable only in their failure to advance a comprehensive and relevant economic strategy.

Their recognition of their failure in the central economic arena explains their recent foray into social issues, such as their breach of bipartisanship on immigration policy and by their rejection of the policy of multiculturalism.

But within this Budget, political debate in Australia returns to the mainstream of policy issues: the issues of fairness and prosperity determined by economic policy making.

Labor intends to continue in this vein until we have stabilised our debt, solved our balance of payments difficulties and set Australia on the path to steady improvements in living standards.

Australia needs, deserves, and from us will get, no less.

\*\*\*\*\*