



## PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP,  
ADDRESS TO ELECTORATE OFFICE STAFF, WORKERS CLUB, CANBERRA  
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Thanks very much for that very nice welcome and thank you Bob (McMullan) for the introduction and for warming up the crowd.

It is always important, I think, for people at the coal face of the Labor Party and its representation to know what the Government is doing and to be aware of the general direction and detail of the policy, and so therefore I thank you for coming today and I thank the National Secretariat for organising it.

It is important that when people, phone your offices and enquire about details of the various policy changes that you are in a position to know about the details and fit them into a bill of context. And so it is very useful, I think, for you to bother to come and to get that perspective and get the perspective right.

The interesting thing about the '80s and early '90s was that it was Labor that taught Australia change. It was not the Liberal Party. The Liberal Party put Australia to sleep, in policy terms, for a generation. And when we became the Government, the public of Australia were not used to change and they never had change. The fact is we taught them change, we taught the media change, we taught the whole political system change. And the thing about it is, the public now wants change. It's now become a driver in change. So instead of the Government tugging along with the community, the Opposition and everyone else, what's happened now is that the public are actually interested in change and they are forcing change and they're requiring change. And when they thought in the last year or so that we were not introducing change as quickly, they looked elsewhere for change. And whenever anyone else proposed something which was solid, then they lifted their eyebrows and looked. And when of course the Opposition came with its GST camouflaged as a policy change, they even looked at that.

But the fact is, it is we who have made the great changes. We are the people who have decided that we can no longer live shearing sheep and growing wheat, that would no longer pay for our imports, and it would no longer produce jobs where we needed them in the capital cities, that would consign a generation of Australians to the unemployment scrap heap. These were the problems we faced when we came to office in the early period of the 1980s.

We decided that we had to re-modernise the Australian economy, revitalise it, and we had to start investing in our people. And we started investing in our school children by keeping them on at school by putting them through universities, investing in the aged as well as young people and middle aged people. So we covered the spectrum, decided to invest in our community, to talk to it, to operate a policy of consensus, to get a better national result which has totally changed the way in which Australia now operates. That is, we have now become an international country. For the first time ever in the last twelve months the value of manufactured exports exceeded rural exports. The big service sectors we developed in the '80s, like tourism and financial services, are new to Australia and providing jobs all over the country.

And so we have had this very big change running through the 1980s interrupted by the boon of 1988-89 and the recession which followed. But, nevertheless, with a clear direction out the other side to a low inflationary prosperous future.

Now the challenge to us was to keep those changes going, to show that we were the people that stood back and said now what should we do now, what changes are best from this point on? And we had a process of consensus, we talked to people in the business community and in professions and across the community generally, the trade unions, the welfare organisations and said we think we have a fair idea where we're going, give us your views about where you think we are now and we'll see where that fits into our scheme of things. And we produced 'One Nation'. And One Nation is the policy of Labor from the '80s in the continuum. It's taking it down into those areas of the micro-economy after the great policy changes of the macro-economy have been left behind. That is, as we now have the challenges to make Australia more efficient and more competitive it matters greatly then that we deal with the States, particularly in these instrumentalities which have such a great impact on the way in which the country functions.

So we have said these things. How do we make Australia more efficient? How do we make the rail system more efficient? How do we get a container through a port more quickly? How do we have a competitive airline system? How can we supply power at competitive prices? How can we train our kids? how can we give capital support to do more in terms of investment which is the sole generator of employment? These

are the things we did. We sat down and said what can we now do for Australia which is best?

And what marks us out different to the Liberal Party, when John Hewson had to sit down as Opposition leader and say what can I now do as leader of the Opposition, what should I now do for Australia, what is best for Australia? He sat down, rather, and said what can I do that makes me different to Labor? Not what's best for Australia or how do I keep these great policy changes going or how do I make the place more efficient, but how can I be different? And then, of course, he then decided on his goods and services tax, the Hewson Consumption Tax. And he camouflaged it in all of his other changes so that the nastiness of the tax wouldn't become immediately apparent.

But the contrast is that's not what we did. We sat down and said what is the next thing we should do, and we decided on these things. We decided at a time when private investment was down to lift public investment, not a leap of logic, not a change of policy, though we have had some commentators saying that the change of policy is an entirely reasonable thing. When the economy was booming in the '80s we withdrew all, or as much as we could, of the public stimulus by producing budget surpluses. And now that private investment is weak we've decided to lift public investment, and we've lifted it where it matters. It matters entirely whether the port of Brisbane is connected to the railway line to Sydney, it matters entirely whether the travelling time between Sydney and Melbourne on the railway train can take trucks off the road and deliver us an efficient, competitive, relatively cheap freight service. It matters. It matters that Melbourne can ship freight north to Brisbane and beyond and west via Adelaide to Perth. It matters, it matters to Australia. It matters that a ship can dock in Adelaide, load cargo and deliver it within a day to a factory in Sydney or Melbourne. It matters that a ship can come into Fremantle and land bridge freight across the continent to Adelaide, Melbourne, Sydney, Brisbane as the case may be.

These things are the basic machinery of trade, let go by two generations of Liberal politicians. Two generations of them decided to invest nothing in rail, two generations decided to let that thing go, two generations decided simply to respond to Country Party pressure for roads and to not think about the way in which our highway system was developing. To not plan for trucks mauling the domestic roads of our capital cities, to not put the ring roads in, to not do the things which even were part and parcel of their own strategy. So these things matter. It will matter that a business looking for electrical power can ask for bids and have a bid from a Queensland power station, a New South Wales power station, a Victorian power station and have that power station fund the grid and supply that power. And that power price might make all the difference to whether that investment is undertaken, whether that business succeeds and whether the product of that business is internationally competitive.

We have a great natural advantage. Countries should play to their competitive strengths. One of our competitive advantages is a coal seam right down the east coast of Australia. One of things we should be able to produce cheaply, very cheaply, is electricity. But while ever we run these state-bound systems with over-capacity, under-capacity all these other problems, we will never actually realise that potential.

Now is this going to happen by taxing your Kelloggs Cornflakes? Is the railway line going to improve itself? Are the bridges going to be lifted? Are the roads going to be straightened? Are the dedicated freight lines out of Sydney going to be created? Are the electricity grids going to be created? - by taxing the old Weet-Bix or the socks and shirts and shoes or the dry cleaning or the other services which make up part of daily life. And, of course, the answer is it won't. It won't, and what we've found now with this Treasury study is that the Treasury has blown even the distributional features of the so called Fightback - Fightbackwards is a better name for it, Fightbackwards, the Fightbackwards program, the backward program of the Liberal Party, the distributional features of it actually make most Australian families worse off, most Australian tax payers worse off.

So not only do they not tackle the big things which are now the next phase in our changes, cracking all of these problems in the micro-economy, railroads, ports etc. Not only do they not tackle those, but as well as that they actually retard the economy with a tax which lifts the inflation rate, slows down domestic product and lifts unemployment - so says the chief modeller associated with the Hewson Fightback package.

Now, that's what it's all about. I mean, again here is Labor sitting down, taking its breath, thinking, talking, deciding and getting another great raft of changes going, including a big tax break for capital, with a new depreciation rate. I never minded giving capital a tax break in this country. We're the people that brought the corporate rate from 49 to 39 per cent. We're the people that gave them dividend imputation. We're the people now, giving a world ranking, competitive depreciation schedule. Because it's capital that creates the jobs. It's capital that puts that basic investment in. But if you look at the Fightbackwards program, they have got the company rate going backwards, from 39 to 42 per cent, nothing for depreciation, nothing that will actually change the way in which investment operates. And with the inflation rate rising, the inflation rate doubling on Dr Hewson's own submission and with it a consequent rise in interest rates.

So just as a Government is providing a very low cost of capital regime, via interest rates and depreciation, just as we are really setting the place so the investment can really start rolling again, here is the Liberal party saying, no,

no, no, what we think we are is higher inflation and higher interest rates. The Coalition will actually stick the company tax right up. And just while we are at that, we'll have a confrontation with labour, we'll try and wipe the unions out, we'll knock out national wage cases, there will be no consensus under us, and if there is any inflation moving I will just say to the central bank, stick the interest rates up further, so says Dr Hewson. And we just slipped back into a low growth mode. Not the 4 per cent in our program that will deliver 800,000 jobs in 4 years, none of that, but much lower rates of growth as they hit the monetary brakes.

Now, in 'One Nation', we've tried to bring the community together. To bring the unions together with business, a partnership between government and business. We're trying to get Australia going. No ideological approach, simply looking at the problems and trying to get a result. And the business community basically took the same view when they were meeting us. There was no ideology. People said, look forget all that, we are not here to say we want this, we want that, we just want to get cracking again. We want you to do this and do that, if you can do it. And we have undertaken those things.

As well as that we've done a couple of other very interesting things. We're going to take the TAFE system, the weak breed of Australian education, and make it a strand of equal strength with the universities. We are going to take that system closest to the community, beyond school, TAFE, where people train themselves for the first time, and retrain themselves and give it a status and a place in the Australian education system of substance and importance. In other words, we said its just not good enough to be A clever country, one has also got to be a capable country. And that means getting that capability up across our workforce, and so we will see a revolution in TAFE and we will do for it what the Commonwealth was able to do for universities.

Now John Hewson says, its irresponsible and its unaffordable. It's irresponsible, the package is irresponsible and it's unaffordable. He does not want to invest in those children. when we came to office 4 children in 10 only completed secondary school. They weren't worried about the other 6 in 10 that were left to wander off and try and find their way around, untrained, uneducated around the labour market, drifting into all the problems that young people drift into in that sort of state. They were never ever interested in lifting the retention rates in secondary school after we did it. And at the same time we lifted the intake in the universities creating the equivalent of a dozen universities' since the middle '80s, 120,000 places in higher education. They will embeace that, but their feeble policy to that is, it should be freedom to achieve, so that if you have \$12,000 or \$13,000 to send your child to university, that's as it should be. Places provided if you pay for them. But to earn \$12,000 or \$13,000 after tax, you have got to earn \$20,000 or \$25,000 pre tax, and for even a

two income familys it's half their income to send one child to university. That's what they call 'equal opportunity', that's what they call 'freedom to achieve'.

And so, they're quite happy to embrace our reforms... out of the universities, having done nothing about themselves about it themselves, but criticise it. But on the outside we'll take the rest of those kids who can't find a place in university because of their marks, or the available places, or the inavailability of places, but who can have interesting and fulfilling lives in a myriad of places in the economy. They are now saying that it's irresponsible and it's unaffordable, but they won't invest in our children in this respect. And this is unbelievable, unbelievable for a party which claims of itself to be interested in the freedom to achieve and the right to excel and all the rest of it.

The fact is, as always, it's only Labor that's ever really interested in the great body of the Australian population. They are about basically a tax break for the wealthy, and what the Treasury study will show you, is the Liberal party policy at its usual, that is, Fightback is not a package of reform and change, it's an excuse for a tax. It's simply an excuse for a tax. And a tax which shifts income from the low paid to the high paid. And on the way through, make sure that all the things that are worth doing, like giving kids the technical education, like lifting the capacity for capital investment in Australia, like fixing up the industrial archaeology of the railways, like making certain that the power system operates for Australia competitively. No, no it is all subsumed in the barren ideology, the barren accountancy of the ons and offs of the so called 'Fightback' package.

And that's why we are different and we're better. We've always been better, and we're still better, because we are the people who have decided what the change for Australia was when Mr Howard and his then adviser, Dr Hewson, left in despair in 1983. And Dr Hewson waddled off into private life, and Mr Howard sat mute and chastened on the front-bench looking at his handy work all around him. And we said, this is the way forward, let's remove exchange controls and float the exchange rate, let's open Australia up, let's internationalise the place, let's cut the tariffs, let's get the deficit down, let's produce a surplus, let's get the tax system tidied up, make it fair, let's put our kids through school, let's get to the point where we train people, let's change the labour market, let's do all these things.

Then we move on to the later phase, let's fix telecommunications, let's fix the motor industry, now the railways, ports, railways. I mean we are the people that have the big vista, the big vision. And what's his big vision? What his big vision is basically to go and tax your Weet-Bix and your Cornflakes, and the shirt on your back and your shoes, and to call this reform. And of course, in

there the sleight of hand, he pretended to people that he was going to give them a big tax cut, we will give you this consumption tax, we will tax your expenditure but we will give you a big tax cut.

And what we found was, that the GST was not going to give a tax cut at all. The GST simply paid for a removal of pay roll tax, cuts in petrol excise, and customs duty. In other words, here we have this tax which is going to attack the way of life of every Australian family which is going to assault the low paid and the middle incomes, which is going to totally change the way in which commerce is conducted in Australia, which is going to lift our inflation rate, and ought to remove pay-roll tax, cut the excise of petrol, and reduce customs duty because the personal income tax cuts are funded by what's called, fiscal drag, the impact of inflation on the tax system. And so he says, aren't we making big fellows of ourselves, we are going to give you a 30 per cent tax rate at 20,700 onwards through the middle income ranges and that will give you an incentive to work, but of course you pay a 50 per cent consumption tax. And we said, hang on there is nothing remarkable about that, we can give back the fiscal drag too. We always have. We have more than given back fiscal drag from the period that the Government came to office in 1983, with those vast tax cuts through the 1980's.

So we have done the same. A 30 per cent tax rate from \$20,700 but no consumption tax, no 15 per cent string attached, no 15 per cent sting in the tail. A 30 per cent tax rate by virtue of the fact that Labor can use its hard won fiscal inheritance from all those years of producing a structural Budget surplus and doing it with the Budget whirling back in to surplus in 1995-96. In other words, having produced \$18 billion of surpluses, Labor can adopt the 'One Nation' package and yet despite that and the recession, and the costs of 'One Nation', seeing the Budget come back into surplus in 1995-96.

So that's what we stand on. We stand on a package which is about Australians working together, which is about restarting growth and producing employment, 800,000 jobs over a 4 year period. About breaking through other log jams in the economy in the micro area, underiding further investment in our children, giving lower middle income tax payers a tax break without a consumption tax and bringing business back into that partnership by giving Australian business one of the lowest costs of capital regimes in the world. Now that's what we are for. And if that is not a big view, if that is not the view that Australia needs to continue to take it into the trading world, particularly the Asia-Pacific, which is the fastest growing area of the world, where you have got 6 and 7 and 8 per cent growth rates where we can sell our produce into those markets, if that's not the way forward, compared to this miserable approach of taxing people the basic necessities of life and then taking the proceeds of it and tipping it into the

highest tax payers in the land, that's what he is about, but that's what they have always been about.

I repeat, Fightback was never a package of reform, it was an excuse for a tax and in Australian terms, it is simply a backward step. 'Fightbackwards' is the right way to view it, it is the right mind set in looking at their policies. So, I will be happy to take some questions from you, but be assured about this, that this Government has been the motivator of change in Australia, it's been the agent of change, the party which has taught the Australian people change, has now encouraged them in change and it is the one continuing still to make the changes, still with the big view, the big vista, the big builders of Australia, is still the Labor party, still this Government. And that's why we are better, we always were better, and we will always be better than this sort of Opposition which we now face.

Thank you.



## QUESTIONS AND ANSWERS

PM: Now don't be shy, who wants to be first? Now you can't have read the documents that well.

Q: I was just wondering if you could comment on Dr Hewson's solution to what he sees as no progress in waterfront reform and his proposal to send in the troops.

PM: By Christmas this year waterfront employment will have fallen by 50 per cent over the last two years. That is, the same task being produced half as many people, a 50 per cent improvement in productivity. On the coast our ships now have crew levels below OECD crew manning sizes. And we have got to a point now where we have got to wait for a pooled labour on the waterfront, to waterfront employment by the stevedorian and companies.

In other words, with all the changes they could have done in their years of sloth, in the Rip Van Wrinkle years of Menzies, and the years which followed, we never heard from Mr Howard or Dr Hewson when they were running the place for seven years saying, oh look we have really got to get into this waterfront it's a problem, I mean low efficiency levels on the waterfront are going to retard our national growth, going to impede our competitiveness, never heard any of that. The only response, and the first response we got from him is the one you identified, we'll put the troops in. Isn't this a classic view from somebody who does not know about this sector of the workforce, does not know about the change, does not know about society. As I said, Dr Hewson would require a military map to find his way west of the Sydney Harbour Bridge. Once you take him out of the comfort station of the inner Eastern Suburbs to where the people mostly live, whether it be on the waterfront or in the suburbs around it, or to the west where all the problems of housing, pollution, educational opportunities and health, and all those other things are, this is a matter of which he is not conscious. That is, out of sight and out of mind.

So waterfront reform has been a great triumph for the Government and is now reaching its mature point of that change. And it will improve, as a result of these changes, by making the rail and port interface all around the country, more efficient. So it won't be just a matter of having an efficient waterfront, but having an efficient interface with the rail system so we can actually shift. Afterall, most of our merchandise trade now comes up in bulk commodities by containers and they're bulky, and every 1 1/2 containers you see on a train is one truck off the main highways. It's a transport system which makes sense.

Basically rail carrying a greater proportion of containers between cities and then the trucks doing their distributional role in the cities. And this is the way it should be, rather than the trucks racing the trains up and down the highways.

Waterfront reform will be something basically the Government has made enormous changes in, and where the sterile, I mean, he is still on about the criticism, he probably doesn't know that by Christmas waterfront employment will have fallen by half. He probably doesn't know. He still talks about it like he did three years ago, before these reforms were undertaken. So the fact is, they don't know what to do and wouldn't know where to start, and they just take the changes we've got, put it in their pockets and say oh yes we will do better. I was making that point a year or two ago, when they were talking microeconomic reform, I said it was like building the Empire State Building, and then having someone race up in the lift to put a brick on top and say, ours is bigger. And that's the Liberal Party - they adopt all of our things and say we will go one centimetre further, but never having the wit or the courage to build the edifice in the first place.

Q: Could you explain the reason for taking the 50 per cent ownership controls off foreign investment in the coal mining industry?

PM: One of the great concerns in the '70s was that we wouldn't be able to reap appropriate national rewards from the extractive industries in the hands of foreigners without a substantial level of Australian ownership. That's now, I think changed. There's been a substantial change in the way in which some of these industries are configured, we have had great change in the ownership of the coal industry, and we now believe that the 50 per cent rule was an impediment to further investment in coal mining. In other words, we weren't able to get new mines up while ever there was this requirement that there had to be 50 per cent Australian equity when the Australian equity paths were not really available. And given the fact that we have now got a much tighter income tax system, and we have got foreign source legislation and all other sorts or capacities to audit companies and to look at transfer pricing and the rest, and given the fact that our big bulk commodities have traded into an international trading system, and are not really in vertically-integrated companies where you can transfer price, we thought the transfer price risk was down, but the risk in terms of investment was greater to us by having that rule there, so we removed it. Which will make Australia freer for investment, more attractive for foreigners to invest, and the more equity and the less debt we get the better that debt and current account scene is.

Q: Does this also apply to the tourist industry?

PM: Foreigners always could invest 100 per cent in a tourist related investment, that is the case now. It was only ever in mining that this 50 per cent rule applied. But we have done a lot for tourism in the package. As I said in the Statement, tourism was one of the great performers of the 1980s and one of the stars in 1990s. It provides a tremendous amount of work and particularly for women, particularly and especially for women. So for the industry we have increased promotional budget of the Australian Tourist Commission for simply advertising Australia abroad, we have dramatically increased the depreciation rates for structures, hotels, integrated tourist developments etc, for investment. And we've changed the depreciation rates for all the things that go inside, like carpets, kitchens and bedroom furniture and all the other things, it is a much faster acceleration. As is often the case, hotels are refurbished every seven or eight years, it will mean a faster write off for them, a greater capacity, better cash flows, and a greater capacity to do it. And the tax rule supporting the development of a bigger level of tourist accommodation in Australia, which will be our need. As Australia becomes a more popular inbound tourist destination, we will need more capacity and accommodation than we have got now. And these rules will greatly enhance the ability of people to add to that capacity.

Q: I was wondering if you could explain the reasons and timing of the tax cut.

PM: The Government has always given back more than fiscal drag. Because it lowered the size of the public sector from 30 per cent GDP to 23 1/2, it cut the public sector back before the recession by 7 per cent of GDP which is 30,000 million a year smaller. It meant we didn't need a revenue share as large as we had, So therefore we were able to finance the Australian public sector with a smaller tax base. Therefore we were able to give real income tax cuts in the '80s. So not only do we give back the effects of inflation on a tax system, but as well as that we're able to actually give back some of the real level of taxation which was formally holding a bigger public sector together, financing a bigger public sector. Now, what we are proposing here is because there is a cyclical effect from the recession which has turned the Budget from a surplus to a deficit, and because we now wish to add to that deficit, to provide a stimulus to growth, recovery and employment, we don't want to be making the deficit larger by tax cuts now. But as a cycle turns and the Budget comes back towards surplus, where those tax cuts become affordable, we're going to pay them at the earliest opportunity in 1994-'95 and '95-'96, and they will be paid from \$20,700 upwards. So I make two

points to you, that in the 1980s the area of employment that we concentrated those tax cuts in most was below \$20,000, to the low paid. Where I lifted the tax free threshold from \$4,900 to \$5,400 and cut the first rate, the rate from \$5,400 to \$20,000, from 30 per cent to 20 per cent, providing enormous tax cuts to those people down the bottom, and of course we introduced the family allowance supplement, which we added to substantially in this Statement with another \$250 million. And it will remain again that low paid families will get targeted and valuable support from the family allowance supplement and from these changes. So the tax cuts are being paid when the Government can afford it, when the Budget can afford it, and even paying them, the Budget will still come back to surplus. I might just take one more, then I have got to go back to a Caucus meeting.

Q: How soon will the job creation aspects of 'One Nation' lock in?

PM: They will start quickly I think, particularly the road programs which can be built up quickly, the rail programs will take sometime to start. But one of the things we wanted to do was to inject some funds into the economy to get spending going in the retail areas and through business generally, and that's why we've made the one-off payment to families of between \$125 and \$250 so that families would spend it, and that would generate activity and start to get business going. So there is that happening in April. And as that happens we will have the build-up from the infrastructure program. And no doubt the depreciation changes will bring forward investment and cause investment to occur which otherwise wouldn't occur with slower rates of depreciation. And of course we have got the stimulatory effects of the low interest rates which I reduced first in January 1992, over two years ago, as they become an 11 per centage point reduction interest rates, starting to really have their impact inside the economy. So those things, that is the general stimulus coming from lower interest rates, the stimulus coming from the change from the Budget from a surplus to a deficit, the one-off payment to families and the build-up of the infrastructure program and depreciation from investment, should start to get the economy cracking again, and we will start to see those growth numbers come through - 4 3/4 per cent through the year in 1992-3 which will get Australia back to growth. Employment and growth are so tied together. If you look back right to the 1960s every time you see a lift in GDP you see a lift in employment. Where it trails off you see one following the other. If we get activity up and GDP moving we will get it employment moving and I believe we will.