



PRIME MINISTER

**ADDRESS BY THE PRIME MINISTER THE HON P J KEATING MP,
COLLINGWOOD FOOTBALL CLUB POST-BUDGET LUNCHEON,
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Thanks very much Allan (McAlister), distinguished members of the Collingwood Club, supporters, ladies and gentlemen.

Well I was at 4,539 not so long ago, that's where I started, he told me no ones good enough to hold number one in Collingwood so I've advanced from 4,539 to 101; I regard that as a real complement indeed. Thanks very much Al and can I say that it is nice to be associated with Melbourne again and to be sharing the table, not just with Allan by with my colleague and friend, the Premier Joan Kirner.

Ladies and gentlemen, Allan just mentioned Tony saying now he knows what it's like to be a beetle, I spend my time these days between football clubs; Canterbury-Bankstown in Sydney and Collingwood in Melbourne and I was up in Canterbury-Bankstown last week launching a biography of another tough little player, captain Terry Lamb, captain of the Canterbury-Bankstown side and at the end of the biography, the biographer who wrote the book said put a question to him, he said how would you like to be remembered? He's a little short guy about 5"5 and he said tough as nails he said, how would you like to be remembered Terry? He said tall. And they said you're a streaky, long lank, what were you doing in rugby league? I said I was on the wing, they said well why didn't you continue in the league? I said well I wanted to do something tougher, so I joined the ALP. And here I am.

And that's why I suppose I like the organisations which have a great sense of tradition and particularly in the clubs who involve their players and also involve their supporters. And whether it's Collingwood or Hawthorn or Canterbury-Bankstown or St George the thing that's common about those sorts of club is it's the old values of the community, the family and the club that holds the show together where the players are part of it, where the supporters are considered, Allan was just talking about the 40,000 at Vic Park on Grand Final night where everybody has a piece of it and where the values go on from year to year and are held down. I mean even though football clubs are apolitical in Victoria, it's well known in the dark recesses of Collingwood's history it's had associations with Labor figures and to have a Labor Prime Minister again associated again keeps that traditional value their, that old link which has been there.

But despite the values the community and the family and the links with the players and the traditions, the clubs can also be dynamic and modern and innovative and we can see that with an old club winning the flag with one of the best managements of any club in the AFL which is innovative as Allan says, he carries the weight, they cross the four million mark because Collingwood's past the one million, they fund the clubs 350,000 or something to the other clubs. They can be innovative and modern and strong and still be traditional. So they're held together by tradition and strong values and the same can be said of successful countries. That is at the end of the decade of the '80s, the decade which finished off monetarism and finished off communism, where we had those two competing ideologies dead in the water, in the case of one after 70 years and the case of the other after about 15 or 20.

What we've seen emerge as a successful model, world wide around the world are the social democracies and just a couple of weeks ago I had a breakfast with Michel Rocard who was a former President of France and the likely contender for the French presidency from the Left of politics after Mitterrand, a moderate person from the Social Democratic Party of France and he was talking about the success today, the complexities of running a modern society and the clear role for Government that there has to be in government being involved in making a society tick, no eschewing a role for government suggesting that there's some sort of pure market approach where private initiative and private reward is all that needs to be there to make a society to tick. But one where there's a happy mix between efficient economies and at the same time a comprehensive social policy married to it and this is the role of the Social Democratic Parties which are now I think, becoming clear in a way the model in this sort of post-monetarist, post-communist era and where people are brought in and are made to become part of what's

happening in the nation where it works at its best where we're not wasting talent and where we can see people really feel as though they are part of the whole thing.

I think rather than to speak about the Budget directly and I will in some respects, I just thought I'd address these values, that is that ideology today is a luxury. The difficult thing in any society today is getting that economic growth, getting the employment and at the same time distributing the wealth. We've always distributed the wealth in western societies through employment, by and large through employment. But we're coming to a period where as we are now an external ly orientated country the focus is on productivity and it's on efficiency and that means producing more output for fewer people. A given level of output is produced by a smaller workforce and if that doesn't mean a permanent pool of unemployment, it must mean more output because if we are going to be producing a greater level of output with fewer people, how are we then to take the people up? How are we to hold a society together, to not develop for the first time in our history an underclass of people who are not wanted by society. How do we keep them in? And the answer is by just growing the thing faster. But how do you grow it faster and not have wages spill over into inflation, demand spill over into imports, all the other problems which come with high growth and these are the complex things that we have to deal with.

This morning I had the pleasure of presenting the Best Practice Awards which were recommended by a Committee set up under a Commonwealth program chaired by the Managing Director of BHP and in there we saw a stack of companies Toyota, Du Pont, BHP et cetera presented with awards for introducing best practice into divisions, into their companies in general, in divisions of their companies. And you could see these people all wading through how to produce and efficient business, how to get the right investment in the right place, how to reduce your costs, how to improve the management structure, how to make it leaner, more efficient, how to get better work practices, how to relate to the employees. Nearly every company that was there had the shop steward or the union person from the division represented with them today and you can see that co-operation moving, the efficiencies growing as those companies, many of which now actually have divisions around the world, are bringing best practice from their overseas subsidiaries back into Australia to benchmark against for the way in which their Australian division operates or the companies that are well and now the international leaders. We've got a couple there today who are international leaders; one a maker of spectacle optics which is actually the world leader so who does it benchmark against but itself? But all this sort of quest for efficiency which is what it has to be about for a country trying to build a new position for itself in the world as a trader of manufactures and a trader of services, the Sheraton Hotel for instance

was presented the same because they are trading a service and in their hotels they picked up a Best Practice Award.

So it's a case of trying to do these things so societal advance in the era of micro processing, robotics, where so much which was done formerly by people are now done by machines is going to be complex and it's going to be difficult and there's going to be no one simple solution. Yet the notion that some ideology whether it be Adam Smith or whoever, or survival of the fittest, or the market knows best or some simple solution where government is assured and where we are not together working as a society as the club works, to the players and to the supporters as we work to the players in our businesses, to the workers or to the customers or however it might be, if we're not running as a whole we are not going to make it. We're not going to be able to do this by some resort to ideology or some simple view.

We need in this country more output. That means more investment. How do you get more investment if you're not competitive? What's the key ingredient in competitiveness? Basically the inflation rate. How do you keep it? Basically by co-operation, consensus and agreement. You can't keep it by a draconian money bank with a flame thrower burning business off the pavement, you can only keep a low inflation rate by agreement, you can't do it basically by regarding the workforce as enemies of the management and if that's the view, we certainly won't make it. If the inflation rate is low, the interest rates will be low, and we've now got bill rates in this country at 5 and 3/4 per cent, that's not all flowed through for those who borrow, but as time goes by, as those margins come down it will, but we've already seen lower reductions in rates and we can now go through with lower interest rates. The same in that investment equation for more output is depreciation, you've got to have a tax system that works, a depreciation schedule which is competitive with the rest in the world. Profits have to be good to spur investment. How do we get a high profit share good enough to refire investment? Answer: by national agreement about the division of national income. What proportion of national income goes to profits? What proportion goes to labour? And just last week I opened negotiations up with the ACTU where for the first time in our history, nearly three quarters of all wage settlements in this country in the coming twelve months will be done by enterprise bargaining, by enterprise agreements and not by a national wage case where we're seeing another leap in our maturity so that we can negotiate and bargain our way through. But underlying that, in the end result is a profit share which is high enough to kick investment over again.

And then of course, we can't do all these things if we don't have the savings. So what are we going to do? Be out with the savings bowl in the 1990s when China,

the old Soviet states, India, South America rejoin the world economy and look for savings to invest in their industries, because no matter how competitive we are, no matter how low our inflation rate, no matter how great our expectations, if we don't have the savings we won't be able to develop as quickly as we might otherwise and we've now put into place through occupational superannuation a savings pool which will stand Australia in great stead through the 1990s, so that can happen. And the same with research and development, and with education. We're not going to be able to produce more output and run the current account deficit down and pick up more employment in an economy where only 3 kids in 10 complete secondary school. That's as it was in 1983, that's now 7 in 10 this year, it will 9 in 10 in a few years from now and by now not only reforming tertiary education, but by now recently reformed technical and further education, a role in the which the Premier played a leading role producing a new national training authority to do for vocational education what we've been able to do for tertiary education, picking up the advantage of those higher participation rates will actually produce the kind of educated workforce that you must have to produce the output in the goods we want to produce in.

We want to play in the international division of labour which brings wealth to Australia and that means selling product innovation, it essentially means selling our brains. We don't want to be playing in the international division of labour in the countries nearby, I don't want to see Australians compete with Indonesians, in cities like Surabaya where the wage per week for a semi-skilled process worker is \$7 a week operating state of the art equipment. We can't compete in those products and to try and push Australian living standards down to try and make it compete is the wrong way to go. The thing to do is sell the product they can't make and that's the product which has the natural advantage of our education system, because even though we wish these countries well in their development it will take them 50 years, even if they wish to try to catch up to us in education, research and development, scientific application, applied research and the sort of things we are capable of doing.

So it's going to be complex, so today when you see the Du Pont's and the BHP's and the Toyota's and I was at Ford a couple of weeks ago, climbing up those efficiency levels and producing products which are benchmarked and processes which are benchmarked around the world, it's all part of an inflation, interest rates depreciation, profit, savings, R&D education equation; it doesn't happen with some ideology, it's not going to happen with a consumption tax and our opponents are saying put in a consumption tax, all that will be solved. That is we go from a simple change from taxing income to expenditure, all of a sudden the inflation, interest rate, depreciation, profits, savings, R&D education equation changes

overnight. Well of course it doesn't and we're now on the way to actually make those changes.

I think many Australians forget how far we've come. In 1983 GDP in this country was \$200 billion, this year it will be \$430 billion. In 1983 there were 6 million people employed in the Australian workforce, this year it's 7.6 million, it's over 25 per cent larger than it was in 1983. We often hear people telling us about New Zealand and how we should adopt their policies. In 1983 when I became Treasurer, and compared to now the workforce of New Zealand is actually smaller than it was in 1983. There are fewer people employed in New Zealand today than there were in 1983. In Australia there's 26 per cent more people employed than there was in 1983. We had more growth in the Australian economy in the 1980s than there is total product in the New Zealand economy. That is we had more growth in our economy than there is total product in that economy across the Tasman. That's not to belittle them, it's just to make the point don't deprecate what we've done, people should not deprecate the great successes that we've had and the same in manufacturing, it's doubled. Manufacturing exports have tripled, exports of elaborately transformed manufactures have tripled, manufacturing exports this year are greater than rural exports or mining exports for the first time in our history. Services have tripled since 1985.

These are great changes, all important changes in those milestones along the way of moving along. Now, we believe in this country you can't produce the sort of society that gives you those sorts of outcomes where there's access to education, where you're producing a workforce which is educated to a high standard, where there are opportunities for employment, where there is high profits, where there is a decent basis of our productive wealth without having a safety net in there. That is, decent social policies as well, access to hospitalisation and medical care, as a right. Not if you can pay for it, as a right. Access to education. If you are a kid from a poor family but you have got it upstairs and you want to do something with yourself, you get the right. You don't get the right only if your parents can afford \$20,000 a year to pay for a fee paying place in the university.

These are the sort of policies which will crush off the consensus, that view where the players and the supporters have a role in running the club. Because I think if the players and supporters think that it is only for the club executives, and for the Captain and the Coach, and the rest of them are on the outer then what will happen is that club will diminish very quickly. And the club of Australia will diminish very quickly if that hard-hearted view that there is no place to look after people, a view which was expressed by my colleague, the Opposition leader, the other night. When I said a week ago we have got to lean down and pull those who are weak and poor behind us, he said if you lean down you will go back with them, you will end

up mediocre like they are. That's not the view that will hold Australia together. What will hold Australia together is saying we have an egalitarian spirit in this country, a spirit of fairness, a spirit of sharing. Not everyone is going to be equal, but there is a place for everybody. You can put a roof over your head. If you are sick you get looked after. If you have got kids they go to school, and opportunities are going to be there for you.

John Hewson promised us in his Budget reply the other night, a Hong Kong tax system. But what he didn't tell us is what you get with it, it is a Hong Kong social security system, a Hong Kong housing system, a Hong Kong health system and the rest. That's not to deprecate Hong Kong, we should admire the success that colony has had in changing itself to become one of the tigers in the world. But the fact is, I don't want to see people on Australian unemployment benefits on \$32.00 a week. I don't want to see Australian pensioners on \$50.00 a week, as they are in Hong Kong. And by the way, Hong Kong doesn't have a consumption tax, it's kicking along without one, I don't want to see that happen to Australians.

We are, bar a decimal point, the lowest taxed country in the OECD. There is only a decimal point that separates Australia from Japan as the lowest taxed country in the OECD. We have now got one of the smallest public sectors in the world, but one of the best. A really efficient public sector that looks after people and so this is the way I believe that we have got to keep the social wage together, if you want the high profit share, you want the low inflation rate, the better levels of productivity, the social wage has got to be there. Medicare, aged care, child care, occupational superannuation, access to education, these are all part of the fabric of the place we as Australia. And to get that fabric and tear it, and rip it, will produce a social reaction the likes of which we have not experienced.

And the great gains of the '80s, and coming from a closed little frightened economy to an open aggressive thing that is out in the world trading, that must trade on its inflation rate, its exchange rate, its competitiveness, its tax system, its profit share - all of that is put a risk if people take the view that survival of the fittest, if you are not a millionaire you are a layabout, and if the system is not for you a few crumbs fall of the table, that's for the others. If that's the view then I don't think there is very much left.

Now, in the Budget we put in a couple of important changes. We spent another \$3.5 billion over the course of the year on jobs. Now, John Hewson says they are not real jobs, they are jobs that have come off the public sector. But at a time when private investment is down, as it is in the State of Victoria, and where the Budget deficit is now \$13.4 billion, Dr Hewson is advocating that we should cut it back by \$7 billion, 2 per cent of GDP. You just imagine what that would do to this State.

What it would do to the recovery, it would kill it stone dead to take \$7 billion out of those natural stabilising in the Budget. That is, the payment on unemployment benefits, the general Commonwealth spending, the loss receipts, and the spending on labour market programs. This year those labour market programs will take 400,000 people through them. 400,000 unemployed Australians will get training, and or a job as a result of those programs. And why wouldn't we take those people who have been unemployed for six or nine months, get them the training and give them the job experience, and the Job Start support, wage subsidy provided to them so they can go and get that work experience and then go on to keep that job? Why wouldn't we do it? Why wouldn't we do it when the national economic condition demands we should do it?

Also we made a substantial change to Medicare. We are going to spend \$2.6 billion over six years on Medicare to make it easier for public patients to have access to public hospitals. So that elective surgery, but important elective surgery, particularly for the elderly like hip replacements and things which are not acute, but which are vital, but are in a sense elective, can be catered for without long waiting lists and so that Medicare is working better. Medicare is running at 8 per cent of GDP, it is one of the most cost efficient health systems in the world. The American system is running at over twelve per cent of GDP. In the United States if you arrive at a hospital door without your blue cross card in your pocket they turn you away. Even if you have got a cardiac condition, or whatever it might be, if you don't have the card, out.

That's not Australia, that's not what we are used to. And that's not what we are going to have.

So, we have got a big change in there which will mean that Medicare is a universal system that gives you medical consultations, 85 per cent rebate, no cost if it is a bulk billing doctor, and better access through the public hospitals of Australia for public patients. And also utilising the private hospital system better, and also a program in there to look after waiting lists and better distribute the demand for services between hospital by a computer booking system and the rest. As well as that we have got an increase for pensioners, singles and married, \$6.00 and \$10.00 a fortnight. We have offered fringe benefits to all pensioners, including part pensioners, which is a mile stone change in the Budget, rent assistance, improving rent assistance by better targeting it which will affect 70,000 people who are often not well off, who are basically in the lower income orders who are sitting in there, in our social security system, and who can deal with that support.

Now these are the sorts of things the Budget has cast I think exactly right for the time, exactly right for the time. That is, we have got the deficit out at a time where

private spending is down, we are trying to inject activity, and all the One Nation spending is starting to come through. Two weeks ago we ordered 3 million tonnes of rail steel to build that railway line between Melbourne and Adelaide. We ordered a million concrete sleepers, we have announced a \$2 billion road program, \$400 million then last year and Australia is starting to move again. We had 1.6 per cent economic growth for the year to June and we are forecasting 3 for this current financial year ending the 30 June 1993, so the economy is starting to move along again. In fact, we are now moving faster than Western Europe and the United States. I mean, I think a lot of people don't understand this is a very large, world-wide recession we are experiencing, and a colleague of mine came back from the United States last week and said, in Australia it is not to be compared with the atmospherics of the United States in the business community and the community in general. And in Britain, for instance this year, we finished the year to June with 1.6 per cent growth, they finished the year to June with -1.5 per cent growth. Their economy contracted by 1.5 per cent over the year to June. So, we are starting to grow and we have got it going.

Now, we had this debate the other week, we said that our starting point, we are proving tax cuts in 1994-94 and 1995-96, but because the receipts fell away this year our starting point deficit out there is around the order of \$5 to \$6 billion, and we said we will introduce some compliance measures to improve the starting point deficit if needs be, if in the end as forecasts the starting point is weaker. Dr Hewson ran round saying Labor has got secret taxes, these were taxes which we revealed in the Budget paper. Nothing secret about them, but were revealed in the Budget papers. But of course what he didn't say was this, that the income tax of Australia is \$49 billion, the revenue for the income tax system is \$49 billion. He wants to introduce a consumption tax at \$27 billion, it is over half the income tax. It might be 15 per cent on all goods and services, but it is actually 50 per cent plus of the current income tax. None of that consumption tax revenue is going to be paid for, is going to pay for the tax cuts. It is spent wholly on the abolition of payroll tax and cutting excise on petrol, and paying for the lost customs duty which comes from zero tariffs, and abolishing the wholesale sales tax. None of it goes to tax cuts. He has got tax cuts in there worth \$13 billion that have got to be paid for by cuts in Government spending. So, he is going to cut into, into a Budget of around \$110 billion, he is going to cut \$13 billion out of outlays and that is all going to happen basically in the welfare area, in the social security and health area. So, we are going to hop into all of that to give people up the top end a tax cut and try and hold the show together, and at the same time his starting point is exactly the same starting point we are starting with. That is, were he to win the next election, and we think that is an unlikely prospect, notwithstanding our relative positions at the moment, the starting point in 1994-95, 1995-96 is still going to be as we have it. That is, about 1 1/4 per cent of GDP and deficit. So, not only has he got to find

\$13 billion for tax cuts, but he has also got to find a couple of billion as we have to find it out there to start with the same strength in fiscal policy from when the tax cuts are paid. So, he has got a sort of \$12 to \$15 billion Budget cutting task on his hands which to date has sort of been hushed up in the media, but once that big consumption tax hits the economy, the inflation rate, the interest rates, and they start then ripping away at Medicare – he is going to abolish that he said, basically let the Doctors set their common fee and charge what they like and you can all privately insure yourselves which will cost you \$20.00 to \$30.00 a week at least to do that – when he starts ripping away at money in the education system, and things like child care and age care, home and community care, the hostel program, nursing homes, they all get hopped into and we then wheel out the survival of the fittest ideology and say this is the way forward, people then turn around and say, listen mate that was a way forward in 1979 when Thatcher was becoming Prime Minister; that was the way forward before monetarism was discredited in Europe; that was the way forward before the social values of social democracies around the world re-established themselves in the late '80s and early 1990s.

So that's what I think all this is about. We have introduced a Budget which is about right for the economy at this time, letting the shock absorber of the Budget take some of the strain of the economy, until the economy picks up. Still making those social changes, national training authority, building the rail highway, fixing up the airline system, creating a proper market for electricity down the East Coast of Australia by separating power generation from distribution. Repairing Medicare, getting that strength in there into the public hospital access. Getting those higher participation rates coming through in schools. These are the social advances we in the Labor Party continue with, because we want you in the business community to feel as though you are playing for a club where everybody matters: where the players matter, and where the supporters matter, and whether it be the employers or the employees, whoever it is, they have all got a role in Australia; that this is a society where we have a role. So, those values of egalitarianism, as I mentioned at the start, the family values, the traditions of the club are important traditions, and none of us in the political system put them asunder without putting society as we know it, and the mores as we know them, at risk. And that's why this Budget is very much a traditional Labor Budget. Very much in the groove, very much about doing the right things now for Australia. And I just hate to think of the State of Victoria with a federal Budget with \$6 to \$7 or \$8 billion cut out of it. Watching their recovery then plummet back into a recession and see the then secondary wave of damage go through the place, and the secondary wave of despair and gloom. We're getting out of it, the thing to do now is to come out of it, and don't believe that there are simple ideological solutions for the complex task of building a new industrial society for ourselves. We can do it, but we will only do it the hard way. And that's all those changes we were talking about at the Best Practice Program

this morning. All those efficiencies things, getting the workforce to work better, better management, better harmonisation, making it all come together. So, that's what the Budget is about, it is a serious attempt, I would like to say to you by serious people, about seeing Australia through a difficult transition into a very bright 1990s. A low inflationary environment, with low interest rates, high level investment, a banking system which has learned its lessons about asset prices and inflation, a stock of savings, and living in the fastest growing part of the world the Asia Pacific, with a society all committed to the one goals. So, in the big club, the club that matters most, Australia, in the Premiership we are after is for the high income shares around the world in the Asia-Pacific. And not scrabbling down there in the prelims after a low income share scrabbling with someone else about the sort of goods we shouldn't be producing anymore. That's the Australia we want to produce in, that's why the Budget is simply part of that whole ethos of playing to the traditions, the well established traditions of this country.

Thank you