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TRANSCRIPT OF THE PRIME MINISTER**THE HON JOHN HOWARD MP****POST - BUDGET ADDRESS****ANA HOTEL - SYDNEY**

E&OE.....

Thank you very much Michael; to the Leader of the New South Wales opposition, Peter Collins, my other Federal and State parliamentary colleagues, ladies and gentlemen.

This of course is the second budget in nine months so the Friday post-budget Prime Ministerial briefing to this particular gathering comes fairly rapidly after the budget that was brought down in August of last year. And in trying to put what was delivered by the Treasurer last Tuesday night and in trying to put it into a proper context, I want to invite you to see what governments do in relation to budgets but also what governments do in relation to other policy decisions and policy announcements as being a continuum of a three year approach.

It is now 14 months since my government was elected to office in March of 1996 - elected with a very large majority in the House of Representatives but not securing control of the Upper House. We've faced a number of significant economic problems. I said when I become Prime Minister that the Australian economy that I inherited was something of a curate's egg. There were some good parts about it; we did have relatively low inflation, and there have been a number of changes which the Coalition in opposition have very strongly supported implemented by the former government.

But there are number of areas where things were nowhere near as positive and our policy priorities were directed towards them. The first of those was of course about major changes to Australia's industrial relations system. Many of you will know that over the last decade, and the varying positions that I've held in Australian politics - and I sometimes think that's just about every one other the last ten years, different positions - I have regarded reform of the industrial relations system and deregulation of the labour market as being far and away the most important cultural change that needs to be undertaken by the Australian economy.

The *Workplace Relations Bill* that finally passed through the Senate was, I have said in the past, about 80 per cent of what we wanted. It wasn't everything of what we wanted but it went a great deal further than many of the rather immediate critics at the time said that it did, and the extent of the changes in that *Workplace Relations Act* are only now starting to become apparent. And I quite deliberately commenced my remarks about the budget at this luncheon in drawing your attention to the significance of the decision that was handed down by the full bench of the Industrial Relations Commission yesterday. And that particular decision, has in the words of one veteran industrial relations commentator, put the final nail in the coffin of the award system in Australia. And what that particular decision has underlined is the supremacy of enterprise bargaining under the industrial relations system ushered in by the *Workplace Relations Act*.

What the full bench did yesterday was to reject an agreement that had been entered into between the major transport employers and the unions in the transport industry - an agreement which if approved would have spread with adverse affects in the Government's view all through the many small businesses in the transport industry. But the real significance of that decision was the declaration by the full bench of the Industrial Relations Commission comprised I might add of a group of people who

have had a life long commitment to the centralised industrial relations system with the acknowledgment by the full bench that the design features of the *Workplace Relations Act* meant that the Industrial Relations Commission had to give supremacy to enterprise bargaining and had to regard the award system in the future as being very much in the nature of a safety net. Now that is a very significant decision and it proclaims, in my view, in a very practical way and as the implications of it spread through the business community, it will be seen by the business community as signalling the fact that the *Workplace Relations Act*, although not going as far as some would like, although only going perhaps 80 per cent of the distance that we would have liked when the legislation was first put into the Senate, it has brought about some fundamental changes to the way in which industrial relations is conducted in this country.

And right at the moment there is of course another industrial relations issue looming at a political level. And that concerns the decision I announced four weeks ago when I made a statement on initiatives to assist small business that we would introduce a regulation to exempt from the operation of any unfair dismissal laws, any unfair dismissal prohibitions of any kind, small businesses employing fewer than 15 people. The reason we had a limit of 15 was simply based upon the limitations contained in the legislation that we were able to get through the Senate. And that particular measure would have said that any small business employing fewer than 15 people was not liable to any unfair dismissal constraints in relation to employees that had been in their employee for fewer than 12 months. And we regarded it as entirely...as eminently reasonable, entirely fair that an employer in that situation be able to give somebody a period of 12 months' probation and if any time during that 12-month period the employee did not prove to be satisfactory then it would be reasonable to let the employee go without facing the threat of any kind of unfair dismissal suit. And the threat of some suits in relation to small business are very real. Anyway, we brought the regulation down and the Labor Party and the Australian Democrats have announced that they will disallow the regulation in the Senate. And if they secure the support of Senator Harradine and Senator Colston, well, that regulation won't become law. And I made it clear a few days ago and I repeat it again today, that if the Senate does in fact disallow that particular regulation the Government will immediately incorporate it in the form of a bill, pass it through the House of Representatives and present it to the Senate and we'll persist with the presentation of that piece of legislation because we think it is a very valuable element in the armoury of policy measures that we have to assist the small business community.

So ladies and gentlemen, we identified amongst the negative aspects of the Australian economy that we inherited in March of 1996, we identified industrial relations reform as being very high on the list of priorities. But the next area that we identified as being of a major challenge was, of course, the underlying budget deficit. We inherited an underlying budget deficit of about \$10.5 billion. Within a few weeks of taking office the Treasurer and the Minister of Finance declared that our objective was to achieve a structural surplus during our first term in government. We have, in fact, in the budget documentation that has been presented, we have in fact, if it is realised, we have in fact achieved that was then regarded as an extraordinarily ambitious aim. Because in 1998/99 it is estimated, according to the budget documentation, that we will have turned that structural deficit of \$10.5 billion into a structural surplus of \$1.6 billion.

And I would have to say to this audience as I would say to any business audience anywhere in Australia, that over the past few years there has been no theme that has been more regularly repeated at business gatherings and more regularly put to my party's vote in opposition and in government than the desirability of this country no longer being a debtor nation, but this country tackling the size of its budget deficit.

And under the budget announced by the Treasurer on Tuesday night we will, by the year 2000, have reduced to about 10% of GDP the entire national debt of the Australian nation from a figure of 19.5% of GDP in 1995. The cycle of debt and deficit is something that I believe had to be tackled as a first priority by the new government. There was no way that we could do that without understating, as we

did in our first budget, very substantial reductions in government spending. And the budget savings of between \$7 billion and \$8 billion that were announced by the Treasurer in August of last year, of course, have carried over into this year's budget. And we deliberately embarked upon a team programme of expenditure reduction. And like any intelligent government we quite deliberately undertook many measures in the expenditure area involving difficulty for sections of the community in our first year in government. Any government that has a social conscience as well as an obligation to govern in the economic interests of the nation must strike a balance between the desire to have a healthy bottom line and also the social and cultural obligations that are incumbent upon any government. And it is necessary to strike a balance.

We have imposed, over the last two years, a number of very significant changes in areas such as higher education, where the imposition of higher HECs charges, I think, restores an appropriate balance between public subsidy of university education and private provision and private contribution. I have never believed myself in the notion that a free tertiary education is the birth right of every Australian. I think the option of free education at a primary and secondary level is something that is very ingrained in the Australian community. But as far as tertiary education is concerned, I always regarded it as an exercise in unsustainability and unaffordability to tether the notion that this country could forever afford to provide free university places for all Australians who could win admission to this nation's universities. And that is why in the late 1980s when the former government introduced the HECs fee the Liberal and National Parties in opposition did not oppose it. In fact, it lured, albeit in a different form, policy proposals that we had put forward in opposition. And the HECs changes that were brought in last year have significantly increased the contribution of students towards their education. But we think that's fair. We think it strikes the right balance. Likewise with changes that we've introduced in relation to the admission of people into nursing homes. I support the principle that if people can afford to make a contribution towards their care in a nursing home in the later years of their life then it is reasonable for that charge to be imposed and that contribution to be sought from the person. I don't support the view that the untouched inheritance rights of the family of an older person take priority over the interests of the general body of taxpayers in relation to people in that situation.

I learnt from those two examples, ladies and gentlemen, to underscore the point that in trying to strike a balance between our economic obligations and our social obligations it is always necessary to seek an element of compromise. There will always be some who will say: you should have gone much further. There will always be people who argue that no matter how much is cut out of a budget you could always cut a lot further. And the answer to that is quite obviously you can. But, of course, you have to ask yourself whether the cost in terms of the impact of reductions in certain expenditure areas on individuals is sustainable given the kind of society and the kind of nation we are.

I always believe that there is a truly Australian way of approaching issues of equity between the economic imperatives of a government's obligations and the social obligations of that government.

We do not have as big a welfare state, nor as complicated, nor as expensive a welfare state as many of the nations of western Europe, and thankfully so. Equally, I don't think the Australian ethos would allow some of the gaps in the welfare system of the United States to be tolerated in this country. And as in so many things, Australia, I think, has struck a very clever and I think intelligent and certainly the right balance.

I believe that the budget is sound in all of the important economic elements. It will reinforce the pressure for lower interest rates within the Australian economy. I don't argue that there is day-follows-night connection, if I can put it that way, between reductions in the budget deficit and the level of interest rates. Obviously the rate of inflation, the rate of growth in wages and other considerations such as the current account deficit, have an impact on the level of official interest rates.

But quite clearly if a government is working its way towards a substantial surplus and this year we will

repay \$5.3 billion of debt, of national debt, the Government will not be a borrower for a dollar in the money markets of Australia in the coming financial year, and that is a very significant achievement. Obviously if we are doing that then that has a very healthy impact on the climate in which the monetary authorities set interest rates.

I believe the budget will reinforce the low inflation that exists in Australia at the present time. And in the long term low inflation, of course, helps to turn around the culture in Australia as far as household savings is concerned.

In the area of savings we have quite deliberately introduced an across-the-board non-means tested 15% tax incentive to encourage all kinds of savings within the Australian community. We are utterly unapologetic about the fact that it is not limited to particular savings. And in this context I want to say very, very directly and very firmly that this measure is quite purposely designed to attract the investment and the interest of those in the community who are in a position to save and therefore take advantage of the measure. This argument that because one particular measure is of greater advantage to one section of the community than another and therefore for that reason alone is flawed is the equivalent of arguing that because not every person in the community has children that it is a flawed economic policy to provide financial assistance to those people who do. The purpose of the savings measure is to encourage and to reward those people who might be discouraged to save or those people who have in fact saved. And that is why it is non-means tested. That is why it is not only available for bank deposits but it is also available for personal superannuation contribution. It is also available for rental returns on investments. It is also available in relation to certain returns from business investments. In other words it is an across the board incentive and it will be of particular benefit to self-funded retirees in our community who would have been completely shut out, utterly shut out of the matching contributions system of the former government which the savings initiative has replaced. It will over time make a contribution to turning around the culture against savings in this country. It will take time, not everybody simply because they are not in a position to save will be able to benefit, but that won't alter the overall value of the measure and I believe that one of the things that governments must do in implementing economic decisions and economic measures is not only to have regard to their real value to the community and this measure has real value, but also must have regard to the symbolic value of particular measures. And in the 22 or 23 years that I've been in politics, one of the most frequent entreaties I've had as I've gone around talking at business luncheons, being interviewed on talkback radio, addressing scores of meetings all around Australia, I've frequently been asked why is it that we tax savings twice. Why is it that we don't have some kind of tax break on savings. And I'm very proud to say that the second budget of the Howard government is the Budget that for the first time in the history of this country introduced a general taxation incentive for savings in this country and I believe it is a very, very valuable measure.

Mr Speaker... (I'm still in Parliament I'm sorry!)... the habit dies very hard... you know, you are sort of on automatic pilot to the Speaker. But ladies and gentlemen, quite understandably people have raised questions about the impact of the budget and the impact of other economic decisions taken by the government on the level of unemployment in Australia.

Unemployment was around 8.5% when we came to office and youth unemployment was in the order of 28-30%. It had gone to a level of 11.2% in the early 1990s and it had come down somewhat, but slowly, from that level, and it does remain, and I freely acknowledge it as a major social and economic challenge for my government. No government can intelligently pretend and no opposition can intelligently pretend that given the character of our economy, given the Australian commitment to a decent minimum wage which is very much part of the culture of this country, that reducing the level of unemployment is going to be an easy task.

I have quite deliberately avoided committing myself to a particular target. And that was a view I might say that was expressed frequently by some of my political opponents now when they were members of

the former government. There are two barriers in Australia to lower unemployment. The first of those barriers is that our economy is not growing fast enough to generate enough jobs to significantly reduce the level of unemployment and the way in which you get an economy growing faster is to remove some of the constraints on growth. And those constraints are interest rates that are too high, inflation that is too high, budget deficits that are too high and levels of national debt which are too high, and other constraints of course really account for what is in effect the second reason why unemployment is too high and that is that there are structural rigidities in the Australian economy which are working against the employment of people. And the bulk of those structural rigidities are to be found in the area of industrial relations.

It is my view that, as the value of our industrial relations reforms and perhaps some other changes which I mentioned earlier in my speech in the area of unfair dismissals, as those changes work their way through the Australian economy then some of the rigidities that now exist in relation to reducing unemployment will begin to disappear. I can't pretend to you anymore than I could pretend to any other audience around this country that that is going to happen quickly, but if we can run our economy at four percent or more and that is certainly in current circumstances an aim that if we can build on the success of this year's budget is an achievable goal, an achievable aim, then I believe that we will begin to make some inroads into the unacceptably high levels of unemployment.

I noted yesterday the remarks made by the governor of the Reserve Bank, Mr Ian Macfarlane to the effect that growth alone would not reduce our unacceptably high level of unemployment. I agree with that. You need to take action on other fronts. That is why we made changes to the *Workplace Relations Act* and it is why we are proposing further changes in that area. But it is also why we have introduced a work for the dole scheme. It is also why David Kemp has brought in a completely different training scheme. It is also why we have under study a number of other proposals in connection with the introduction of a common youth allowance, and one of those proposals is to remove the disincentives that currently exist as between young people opting to undertake a course of study and a course of training or alternatively going on the dole.

But I wanted to say to you, ladies and gentlemen, that the challenge of reducing unemployment remains a huge one, not only for my government and also for the business community but for the entire Australian community. It is unrealistic to pretend for a moment that it is something that can be achieved quickly. But I want to reassure you that it remains very much in my mind, it remains a strong personal commitment of mine, and a strong belief on my part that the Australian people require of us a continued commitment in moving towards that goal.

Finally, can I say to you ladies and gentlemen that as I look back over the last 14 months like any other seasoned politician, and like any other politician who has seen the highs, the lows, the middles, the ups and downs and the ins and outs of the vicissitudes of Australian politics, I am satisfied that the principal goals that we set ourselves in March of 1996 are well on the road to being realised. We have before us at the present time one or two extremely complicated and atypical issues. I will, as you know, journey into Longreach later this afternoon with my friend and my very decent and magnificent Coalition colleague Tim Fischer, and can I say it is one of the privileges of public life to share a platform with Tim Fischer who's one of the most decent, dedicated people in the Coalition firmament anywhere around Australia.

And I'll be going there to explain to the pastoralists not only of Queensland, but also of Australia that the plan that the Government after a lot of painstaking work has developed, is a very fair and balanced response to a very difficult problem bequeathed to this government by what I should best describe as a somewhat impractical decision handed down by the High Court of Australia. And that plan will deliver all of the certainty and all of the security which farmers and graziers of Australia are entitled. Notwithstanding some of the wild allegations to the contrary, the plan does not involve some kind of mass taxpayer funded handout of freehold titles. One of the major elements of the plan is to ensure

that if there is any upgrading of title after the proper processes of compulsory acquisition by the State governments of Australia and that should occur on the basis of the payment by the recipient of the updated title of a sum appropriate to the improved character of that title.

What this plan seeks to do ladies and gentlemen is to strike a balance. It respects native title but it does recognise that as a result of the Wik decision the pendulum of native title matters has swung too far in the direction of the Aboriginal community. And the Government's goal and the purpose of the 10-point plan is not to push the pendulum back to where it was before the Mabo decision, but rather to push the pendulum back into the centre and that is where I believe the great bulk of the Australian community want that pendulum to be. Most Australians would dread the thought that the farmers and graziers of this country were thrown into a sense of insecurity and a sense of instability so far as the title to their properties were concerned and their capacity to manage those properties was concerned.

Equally, in 1997 I believe there is a strong constituency in this country for acceptance and recognition of the concept of native title. There is a desire to have a proper basis of cooperation between all sections of the Australian community. Those who believe that blanket extinguishment of native title and pastoral leases is an answer to this very difficult problem ignore the dubious constitutionality of such an approach. They underestimate the potential compensation bill that would face the Australian nation. And I think they also disregard the negative symbolism of a sweeping act of general extinguishment of title that would affect only one section of the Australian community. What I believe my plan will do is to give to the farmers of Australia the security that I promised them and they are entitled to have. It will reassure them in their capacity to manage their properties without interference and without meaning to get the permission of native title claimants and at the same time it will do so in a character and in a fashion that does not offend the desire of most Australians to achieve a fair and just solution to this extraordinarily difficult problem.

Finally, ladies and gentlemen, can I thank the New South Wales Division and my own Bennelong Conference for organising this luncheon. Can I thank the business community of Sydney for the support that it has continued to give to the Liberal Party and to my Government over the last 14 months. I have regarded communication with the business community as being a very important part of providing good government. I hope that we have kept faith with that. I hope that that process of communication will continue not only to the benefit of the Government but to the benefit of the entire community of Australia.

Thank you.

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