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PRIME MINISTER

22 May 1997

TRANSCRIPT OF THE PRIME MINISTER THE HON. JOHN HOWARD MP SPEECH TO MACQUARIE FEC LUNCHEON, FAULCONBRIDGE - BLUE MOUNTAINS

E & OE.....

Thank you very much Kerry. To my other Parliamentary colleagues, Jim Lloyd, the Member for Robertson and the newly appointed Senator for New South Wales, Marise Payne, my former Parliamentary colleague, Alasdair Webster, the Mayor of Hawkesbury and the city of the Blue Mountains, other distinguished guests, ladies and gentlemen.

It is always a pleasure to come back to the mountains. I first visited the Blue Mountains in 1946 and stayed at a guest house, since demolished, in Katoomba Street and came back on regular occasions through the 1950s and 1960s and more recently, apart from political ties, a few family ties have brought me on a regular basis to the Blue Mountains. And of course as a political cause, coming to this part of the world is always a great delight and I certainly remember the lunch that I attended here at a time when we were sort of gathering ourselves together for the great assault on the then Keating Government. It seems a hell of a long time ago. A lot of water has passed under the bridge and a lot has been achieved and a lot has changed. One thing I can say is that you've got a terrific Member in Kerry Bartlett, he really is first class.

(inaudible) of a representative capacity. He really is a man of the mountains, if I can put it that way, in the sense that he understands the communities that make up the Macquarie electorate. It is an unusual electorate, I don't mean that critically, I mean that admiringly. It is an unusual electorate because it's made up of one single population centre but a series of population centres. It's got a lot of different character about it and it's got a lot of special affinities with the history of Sydney and the history of Australia and you have a really first class representative.

Now I have come to the Blue Mountains especially today not only to attend this lunch but also to announce formally the launch of the Natural Heritage Trust of Australia and the Natural Heritage Trust of Australia is the biggest ever capital investment by any Government of any political complexion in the environmental future of Australia and I launched it at Wentworth Falls about an hour and a half ago and I am very proud of the fact that this project has been formally launched here in the Blue Mountains because Kerry reminded me when we were at Echo Point that I think after the Opera House, it's the second most visited place in Australia for overseas tourists and you could have believed it today. There were tourists from everywhere. It was a wonderful sight to be there and to remind myself of what a beautiful part of the world the Blue Mountains really is.

Now that Natural Heritage Trust will provide \$1.25 billion of capital investment in the environmental future of Australia and there will be some major projects like cleaning up the Murray Darling basin and tackling the salinity problems of Western Australia and Eastern Australia, but there will also be some small projects and I am very happy to announce today that we're going to allocate \$1 million towards the development of a framework of integrated policies and mechanisms for the Nepean, for the Hawkesbury/Nepean catchment and this \$1 million is going to be administered by the Hawkesbury/Nepean Trust and it will get strong community support and this catchment, that is the Hawkesbury/Nepean catchment provides the bulk of Sydney's water supplies, has a very rich biodiversity, has over 500 plants and 2000 animal species, many of which have enormous conservation significance.

Now this contribution of \$1 million out of the Trust will make an important contribution towards the development of a more integrated approach to, or the potential of the catchment area and I am very, very happy after plenty of urging and arm twisting from the local Members, Jim Lloyd is here today too to sort of remind me that it's not just coming to the electorate of Macquarie but it will also be a very significant benefit to his electorate and I am very, very happy to announce that today.

Ladies and gentlemen, there are a few other things that I'd like to talk about. I'd like to talk about the recent budget. I would like to echo what Kerry Bartlett had to say and that is that nobody in this room and nobody anywhere in Australia should ever forget it. We did inherit a deficit of \$10.5 billion. We were told by Mr Keating and Mr Beazley that the budget was in surplus. We found, I found the Sunday morning after the election, and I wasn't at my most energetic self, I've got to say, the day after the election I was at my most excited self but I wasn't all that energetic, I don't know why. Perhaps I hadn't slept a lot the night before and perhaps I celebrated a touch but I found on Sunday morning when those three officials from the Department of Prime Minister & Cabinet walked in and presented me with a black book, or whether it was a blue book, I forget now, but they presented me with this book that had all the information and I immediately looked up the thing to see what the underlying deficit was and it wasn't what we were told and in fact, the underlying deficit then was \$10.5 billion and by the end of the last year of our first term of government we will have turned that around to a surplus of \$1.6 billion. And I know to a lot of people that's not very exciting. They say, oh well, that's just money. Your money. Not mine, not Peter Costello's, but your money, and what we've done is to fulfil the first obligation of any government and that is to make sure that the country lives within its means.

You've got to do it. You run a business, you've got to do it. You run a household you've got to do it. If you run a nation you've got to do it and for too long we tried to do it otherwise. I mean, over the last six years this country ran up total debts of \$75 billion and in that period we created a miserly 16 000 jobs. That's 6 years up to the time that we came to power. By the year 2000 we will have halved, we will have cut by 50% the accumulated national debt of Australia compared with what it was in 1995. In the coming financial year we will repay \$5 billion of the debts that were run up by Mr Keating and Mr Beazley - \$5 billion will be repaid and it's not a mere book entry because when you repay debt as you all know, you don't have to pay interest on it and that means that you keep getting better each year and equally, if you keep borrowing you keep getting worse each year, not only by the amount you borrow but also by the interest you've got to pay on the amount that you borrowed.

Now I know in the process of doing this we have undoubtedly done some things that people don't like. I am sorry about that but it has been necessary. There's just no point of being in government unless you are prepared to do things that you know are in the long term interests of the country and Peter Costello and John Fahey and I, as the three people principally responsible but the entire Government, and I acknowledge the strong support of the backbench and the understanding and the forbearance of newly elected members for some of the decisions that had to be taken. We set ourselves that task and I am very proud to say that in year three we will have got Australia back into the black and that is of enormous significance to the long term stability and the long term prosperity of Australia. The extraordinary thing is that we've been able to do that while at the same time we have delivered on all of the major promises that we made in the campaign and this morning I delivered by formally launching the Natural Heritage Trust of Australia, I delivered on the final major promise that I made at the last election campaign. Let me remind you, we promised a \$1 billion family tax package delivered on time, in full on the first of January.

We promised to deliver tax incentives for private health insurance and they will come in, in full without deduction on time on the first of July of 1997. It's a great pity that the former government hadn't taken the advice of its then Health Minister to introduce those subsidies five years ago. If they had have, some of the people who have recently dropped out of private health insurance wouldn't have done so because they could have afforded to remain in private health insurance.

We have over delivered in a number of areas. From the first of July this year everybody in small business will be able to sell a business and invest up to \$5 million of the proceeds of the sale of that business in the purchase of another business, without paying.., of any kind, not of the same kind, you can go from a restaurant to a software company. As far apart as that and that's pretty far apart. You can go from a restaurant to a software company and up to \$5 million of the proceeds of that sale will be completely exempt from capital gains tax. Now that is a very significant change to the structure of capital gains tax in this country and it delivers more than what we promised to do in that area so far as capital gains tax is concerned.

I am also very happy to say that the promises we made to self funded retirees in this country have also been over delivered. We said that we would lift the tax threshold for

self funded retirees to the same level as that applying to pensioners and this year will see the delivery of that commitment, this coming financial year, the delivery of that commitment in full. We also promised a far more modest savings initiative in the lead up to the election. It had a means test of \$35 000. We are being criticised, there's a new definition of broken promises in Canberra. If you deliver more than you promised, that's a broken promise. I mean, that's the broken promise a la the Labor Party and some members of the Parliamentary Press Gallery.

I mean, it's amazing. They held up this document of mine and I said it in the election campaign it would have a means test and because we have delivered a more generous rebate and we don't have a means test, I have broken my word, I mean, amazing, absolutely amazing. In other words, if we had cut the deficit in one year instead of three that would have been a broken promise. It's an amazing sort of approach that some of these people really have. What was contained in the budget in the area of savings is a very significant recognition of the years of grit and the years of providence and careful living and saving for the future which has been the practice of so many self funded retirees in Australia. We have an across the board, non means tested, 15% savings tax rebate and it represents for the first time an Australian Government actually doing something serious about encouraging savings. For years and years and years I have gone around this counter. I have met people, I have gone to lunches, I have gone on radio programmes, been berated by interviewers, questions interrupted, abused, everything, and people have said, what are you going to do about savings? We save and we pay tax on the money before we put it in the investment and then when we earn some interest we get taxed on it again and for the first time since Federation the Government has done something about that so that represents over delivery of another very, very important commitment that we made before the last election campaign.

Of course ladies and gentlemen, in the area of small business which has always been very important to me politically and it's always been very important economically to the future of the country and I remain as convinced as I was during the election campaign that revitalising small business, giving it more incentives, giving it more tax breaks, getting rid of unnecessary red tape, freeing the industrial relations system to allow small business to breathe a little easier and operate a little more efficiently and more expansively that that really holds the key to job generation in this country.

You won't reduce unemployment in Australia by looking to the big companies. What you've got to do is create an economic climate where the businesses that employ 3 or 4 people can afford to employ 5 or 6 people. That is the key, that's the way you reduce unemployment in this country, you don't look for large companies, they're all into downsizing. You don't look to governments because governments are responding quite properly to the desire of taxpayers to be efficient and to focus on the core responsibilities of government. What you've got to do is create a climate in which the 3 and 4 small businesses become 5 and 6 small businesses. And when you can do that, then you really do have the prospect, in a significant way, of reducing unemployment in this country. There are other forces that have an impact on unemployment but that is a very, very major part of the equation.

Now what have we done with small business. We have of course from the 1st of July introduced a very major tax concession in the area of capital gains tax. We have

changed the industrial relations system so that in future it will be easier and more beneficial to negotiate workplace agreements and workplace contracts between small business and employees. Importantly, we have changed quite significantly the unfair dismissal laws and we've tackled the unfair dismissal laws in two stages. The first stage was to throw out the Brereton unfair dismissal law which really acted as a disincentive to take on people. I mean I lost count of the number of men and women in small business around Australia who came up to me at gatherings like this and said I'd take on some extra staff only I'm frightened I mightn't get somebody who worked out and if I try and get rid of them, they'll have me in court and I can't afford to settle for \$15 or \$20 000. I don't have that much money.

And that has been a reality, it's been a reality now in this country for several years. Well we changed that, we took away the worst excesses of the Brereton unfair dismissal law but of course not having the numbers in the Senate to go quite as far as we would have like to have gone in the first time around. We tried again a few weeks ago to go even further. And that is, we put up a proposal in my small business statement which said that any small firm in Australia that employed fewer than 15 people, and that is a very large number of small businesses in Australia, something like 40 to 50 per cent of all small businesses in Australia employ fewer than 15 people. And what we said in relation to them was that for all of those firms they would be completely exempt, totally exempt from any kind of unfair dismissal law in relation to somebody who had been employed for less than 12 months.

Now I think that's a pretty fair deal. You say to somebody right, I'll give you a go for a year. If it works out normal rules apply, but if it doesn't work out in the first twelve months well, we ought to part friends and that's it. Now I think anybody who runs a small business and I'll bet there are a lot of people in this room who are involved in small business, know that is the reality. And it's no good writing laws, writing unfair dismissal laws on the assumption that a five person restaurant business has the human resources department like BHP. I mean it's a bit unrealistic. They don't and you've got to write laws that suit the small firms. So we proposed that and I thought that was pretty reasonable, but oh no, no that's exploitation according to the Labor Party. The Labor Party and Democrats and Senator Harradine, they're all going to vote against it, so we'll see. When that law comes up in the Senate there's going to be a motion of disallowance so we're told and if it's disallowed, well let me say on behalf of the Government we'll put it inside a Bill and we'll roll it up to the Senate again and we'll see what happens when they do that.

We've also made a number of other changes in the small business area. We've done quite a lot to reduce the paperwork burden and we're also brought in a law that says that if you run any kind of business and the aggregate value of the fringe benefits you give to your employees, the aggregate value of the fringe benefits you give to your employees is less than \$5 000 a year, then you have no obligation at all, no obligation at all to keep any records for the purposes of filing a fringe benefits tax return. Now that once again is a very significant little change.

Now all of these things are incremental and they all over a period of time will change the climate. We've seen some reductions of 1.5 per cent in across the board interest rates. Now I know the competitive environment for small business interest rates is not

as good as what it is for housing, I know that. And I think we need more competition in the banking system and not less. And that is one of the things that is going to motivate our response to the Wallis Inquiry and it's one of the things that is going to motivate our response to the way the whole of the financial system operates. I mean it's amazing what a bit of competition does. And we should never ever forget it when people come up to you saying, look, really you can have too much competition. I don't think you can have too much competition, you know, I think it's actually not a bad idea to have a lot of competition and that applies in a lot of areas. Competition is a good test and you need competition in areas like banks. I mean look at the housing area. The thing that has driven the sharper than average fall in housing loans over the last 12 months has been the entry of organisations like Aussie Home Loans and RAMS and those specialist housing providers. Now they have had a very, very significant impact and I think it's very, very important that we always keep that in mind. And if we could see something like that occur in the small business area, then I believe that would be extraordinarily beneficial to small business community.

Now ladies and gentlemen there are one or two other things around at the present time. And let me just mention one of them.

We made an announcement yesterday that we were going to reduce Australia's migrant intake by about 10 per cent of what it was last year. Now there's been a rather curious response to that particular announcement and let me deal with some of the responses that have been made.

The first thing that I want to say is that what we have done is not only reduce the overall size of the program but we have also quite unapologetically continued the shift towards having a greater proportion of migrants who come into Australia in the skilled category and a lower proportion in the family reunion category.

Now I think that is a more balance immigration program. Let me remind you that the Government remains completely and utterly committed to a non-discriminatory immigration policy, utterly and strongly committed to non-discriminatory immigration policy. And I take the opportunity to say this because whenever you do anything about the level of immigration, you have the noisy people out there who say oh, you know it's racially motivated. Now let me say on behalf of the Government I couldn't repudiate that more strongly and more deeply because it was a Liberal Government that introduced non-discrimination into Australia's immigration program and we will never support an immigration programme that is based on notions of racial discrimination.

I also notice that the rather empty populist who represents the seat of Oxley in the Federal Parliament, Mrs Hanson, is running around saying 'Oh, I did it. You know I persuaded them.' Well could I remind her, could remind the rest of Australia that my belief that there is a link between certain levels of immigration and high unemployment goes back to 1991, which is five or six years ago, long before anybody had heard of the current occupant of the seat of Oxley. I think in those days it was certainly represented by somebody else. And this notion that we have in some way we have responded, I mean we cut the migrant programme last year, we've cut it again this year. We think it's right for Australia at the present level.

You've always got to adjust the immigration program according to the economic and social needs of the nation. And you've always got to ask yourself what is in the best interests of Australia. And some of the old paradigms about immigration have changed. You can't look at immigration in the 1990s in the way you looked at it in the 1950s and '60s. And those who say that it is beneficial for employment levels are, in my view, locked into the paradigms of the 1950s and 1960s and they don't understand the globalisation forces that are at work and impacting on the Australian economy in the 1990s. They don't understand the fact that amongst some groups within the Australian community, unemployment levels amongst recently arrived people in this country are as high as 45 and 50 per cent. Now that is not fair to them, it is not fair to the rest of the Australian community. And you have to adjust your program accordingly and you ought to be able to do it without any of these stupid allegations of racism, you ought to be able to do it without people who have had nothing to do with it claiming the credit, and you ought to be able without unreasonable criticism from people who are locked into the paradigms and attitudes towards migration of 1950s and '60s.

We have made these changes because as a Government we believe, and I certainly very strongly believe that there is a link between the current high levels of unemployment and current levels of immigration and the current composition of the immigration programme and that is why we thought it was in the national interest of Australia to make those changes and there was no other forces at work or no other pressures in operation.

Ladies and gentlemen, the very, very last thing that I want to say to you is that it is great to be back, almost back on the stump. I mean I was down at Echo Point, we were down at Wentworth Falls, I'm back here in Kerry's seat talking to a very, very large gathering of supporters and people interested in the policies of the Government. It has been a very, very important 14 months.

I mean one of the things I have tried to do is to keep in touch with people. I haven't always succeeded and like any other person occupying the sort of position I do, there obviously area areas where people have been critical and I accept and I understand that, it's part and parcel of the job. But what I have tried to do is not lock myself up in a little cocoon in Canberra. What I have tried to do is to move around this country. I think I'm the first Prime Minister of Australia for more than 10 or 20 years who's addressed a large, anybody come along, open air rally in rural Australia. I don't remember Mr Keating or Mr Hawke doing that. I do remember them for having some manicured forays into rural Australia, you know, visiting selected farms and having visited this or that, I mean that's easy to do. But I think what politics is all about often is going out and being prepared to stand up and if somebody wants to have a go at you, let them have a go at you. That's politics, that's Australian politics. That's what we believe in this country. We don't want cocooned Prime Ministers. We don't want cocooned leaders and cocooned politicians, we want people who are prepared to go and listen to their critics and to go back at them. And can I say that I intend to over the next 14 months to do that sort of thing on a regular basis because it is very, very important in maintaining contact and maintaining a link between myself and my Government and the people of Australia.

Ladies and gentlemen it still remains the greatest privilege that could come the way of any Australian to be Prime Minister of this magnificent country. And it's enormously refreshing for me to be back here today to be amongst supporters and friends and some interested observers and I am sure the odd critic. Well good on you because that is what the system is all about. Again can I say how well you are represented by Kerry Bartlett and what a tremendous impression that he is making as a very thoughtful and understanding, effective backbencher, confidently getting on with the job, quietly winning concessions, quietly and effectively persuading ministers to do the right thing by his electorate and that's what the electorate of Macquarie needs and that's the sort of representation that Kerry Bartlett is giving.