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PRIME MINISTER

24 May 1997

ADDRESS BY THE PRIME MINISTER THE HON JOHN HOWARD MP GENERAL MEETING OF NSW STATE COUNCIL

E&OE.....

It is as always a great delight for me to be with you this morning to say a few words about the Federal political scene and to share with you a very important theme as we approach the half way point of our first term in Government. And that is the theme of keeping faith. And this morning I want to develop with you the way in which the Coalition Government has kept faith with the people who voted for it, how we have kept faith with the interests of the Australian community and how we have kept faith with the long term goals that we, as the Liberal Party, have.

When we were elected in March of last year it was rightly said that there were many people who voted for us on that occasion who had never previously done so. And that one of our prime responsibilities was to keep faith with those people - commonly called, often called, the battlers of Australia.

Ladies and gentlemen, one of the biggest problems that we inherited when we became the Government of Australia in March of last year was, of course, the appalling state of the budget deficit. I said then, and this is true, that there were some features of the Australian economy that were good, that there were some that were bad and there were some that were very bad. And one of them that was very bad was the fact that we inherited a budget deficit of \$10.5 billion. In the last financial year that the Keating/Beazley government was in power the national debt of Australia - that's the total of all the debts run up by governments in the past - had risen to almost twenty per cent of the total wealth generated on an annual basis by the entire Australian community. And I am very proud to say that at the end of our first term in Government, we will have turned that \$10.5 billion deficit into a surplus of \$1.6 billion.

Now it's not the most exciting thing in the world to talk about, it's not the only thing in the world to talk about, but it's pretty fundamental because if you are going broke, if you are not paying your way, if you are borrowing on the backs of your children's future, which is what previous governments had done, then you don't have many options and you don't have much of a capacity to do anything else. But in the coming financial year, 1997/98, my Government will repay \$5.3 billion of Paul Keating's debts and I am very proud indeed to be able to say that.

I'm very proud to be able to say that we won't be going into the financial markets in 1997/98 to borrow anything because there will be no borrowing requirement by the Commonwealth. And what, of course, that means is that we are laying the foundation for a stronger and more prosperous and a faster growing future for all of the Australian community.

So the first news, and the really good news about the Budget brought down two weeks ago, is that it has kept faith with our fundamental responsibility to repair the budget, to repair the national accounts of Australia and to make certain that once again this country is able to pay its way, and we make no apology at all for having given it such an enormous priority. But it's not just something that makes you feel good but it's something that delivers hard and credible and strong gains and strong rewards and strong benefits. There can be no doubt at all in my mind and there can be no doubt at all in the minds of any fair observer but if it hadn't been for the deficit cutting policies of my Government, we would have not have seen a two per cent reduction in interest rates since we came to power in March of last year.

Those who created the problem, that's Mr Beazley and Mr Evans, can crow all they like about how it would have happened anyway, and it's all the result of something else. The brutal reality is that because we are not borrowing and in fact in paying debt, there's greater room for the Reserve Bank to do what it did yesterday. And once again we are keeping faith with the battlers. Delivering interest rate cuts which on an average housing loan have been worth \$225 a month, that's over \$50 a week - let me repeat - over \$50 a week added to your disposable income, after tax, to the average wage and salary earner. I can't think of a greater delivery on the commitment we made to the battlers of Australia in March of last year than to be able to deliver that kind of reward - for their support, for their wage restraint, and for the fiscal policies of the Howard Government.

So ladies and gentleman there is a great message in yesterday's interest rate reduction. And that message is that there are rewards for wage restraint. It's much better for a wage and salary earner in Australia to show wage restraint and get an interest rate cut on a housing loan, than it is to lack wage moderation and to have the high wages consumed by the progressive taxation system and higher interest rates.

The strongest possible message that should go to the wage and salary earners of Australia is that if you continue to show wage restraint you'll get further interest rate relief. That's the message that ought to go to the wage and salary earners of Australia. Good on you for showing wage restraint. Good on you for being part of a combined effort to tackle the economic problems of Australia. And there is a reward at the end of the road and that reward is lower interest rates. And it is worth far more than a wage increase, far more every time. And I think that is a reality that has dawned on a large number of people in Australia. It is perhaps the reality that terrifies our political opponents but it gives happiness and satisfaction to the battlers of Australia and to middle Australia, because they deserve rewards. I mean let us not forget that we still have very high real interest rates in this country. They may have come down, but when you've got an inflation rate of two per cent they ought to come down and there ought to be a reward. And that is what I think the wage and salary earners of Australia have received over the last fourteen months, and that is why they know that we have kept faith with them.

We weren't elected to government to ignore the mainstream of the Australian community and we have kept faith with that mainstream. And the budget that Peter Costello delivered the week before last did the job on deficit reduction. It also, for the first time since Federation, delivered something that, year after year, people have asked me: "Why can't we have in Australia and that is an across-the-board tax incentive for savings?" I have lost count of the number of meetings I've been to, I've lost count of the number of resolutions that have been passed by Liberal Party gatherings calling for a savings break. Those innumerable occasions when I've sort of been pinned against the wall by an irate branch member who said: "Why is it that we are taxed twice on savings, why is it that we pay income tax on our income and then we put what's left over into some investment and we're taxed on the return for that investment. Why is it?" Well it's a good question. I was never able to answer it. But I always said, well you know, good idea, good point, take it on board. And all the other sort of excuses you're left with when you don't have an answer. You've all heard it, probably every one of you has had the conversation with me. I feel like it after twenty two years.

But at long last we're able to do something about it. And quite unapologetically it is non means tested. Cheryl Kernot wants to put a means test at \$35,000 on it. And extraordinarily enough I am getting criticised for breaking a promise because the savings initiative we brought in in the budget is more generous than what we promised during the election campaign. Now this is the new ALP - and from some sections of the Australian media - definition of a broken promise. If you deliver more than you promise you have broken your promise.

So in other words, ladies and gentleman, be on notice from now on, if we do in any area more than what we said we were going to do, you can bet your bottom dollar that some of those smart alecs will be on our backs, saying: "Oh there they go again, dishonouring their promises."

I'm proud of the fact that I over delivered on my savings tax promise. I'm proud of the fact that I've over delivered on the capital gains tax concession for small business. And that's another group in the community with whom we have well and truly kept faith, and that is the small business community. I said during the election campaign that providing incentives to small business so that they could generate more jobs was one of the great goals of a Coalition government. And we've kept faith with all of the promises we made. We delivered the relief in relation to provisional tax.

From the first of July this year, every small business operator in Australia will be able to sell his or her business - and thirty per cent, let me say, of new small businesses being established in Australia now are owned and operated by women. And I say that very advisedly because it's one of the great growth areas of the Australian economy where the influence of the women in our community is being increasingly felt. And from the first of July this year, any person who sells a small business, whether it's operated through a company, a partnership or a trust or whatever, will be able to invest the proceeds of the sale of that business into any other kind of business. It doesn't have to be the same, or anything like it. You can go from being a bookmaker to a software operator, whatever you like. Doesn't matter what the combination is. You can invest up to \$5million out of the proceeds of the sale of that business without being liable for a cent of capital gains tax. Now that represents an over-delivery of a promise and it represents a massive new incentive for people to put their money into small business.

We've also changed the industrial relations laws to help small business. We made major changes to Laurie Brereton's unfair dismissal law. And we had those changes contained in the industrial relations amendments. And then six weeks ago when I announced my small business response to the Bell Report, we went a step further in relation to unfair dismissal. We said that any firm in Australia that employed fewer than fifteen people would be completely exempt - completely and utterly exempt - from any kind of unfair dismissal law in relation to a person who had been employed for less than one year.

Those of you in the audience who run small businesses will know that if you could feel that you can put somebody on for a trial for up to a year, and if it didn't work out you could let them know without ending up in the industrial relations commission, at the end of a fairly modest claim like \$15,000 or \$20,000, modest it may be for the claimant but crippling for you if you're starting a new business - then you might be inclined to take the person on. And that was our thinking - it's a pretty reasonable proposition and we brought down a regulation to give effect to it but predictably perhaps the Labor Party and the Australian Democrats and Senator Harradine have said they're going to vote to disallow it. They're going to vote to stop us giving small business in Australia a greater incentive to take on people, particularly young people. Because the truth is that we will only substantially reduce unemployment in this country if we can get the small firms that employ three or four people to employing four or five or six - that's how you're going to reduce unemployment in Australia. You won't reduce unemployment by looking to the big companies. They're all down-sizing. You'll reduce unemployment in this country by taking the shackles off small business, and one of the ways you take shackles off small business is to take away the intimidatory effect of unfair dismissal laws.

It is as plain as the proverbial nose on one's face, yet sure enough echoing the instructions of the trade union movement of Australia who told the Labor Party they couldn't support it. Two weeks the federal Parliamentary Caucus said it was going to vote to disallow the regulations. And the Trade Union movement of Australia, what a sorry group. I mean, if you think of the last 14 months, what's the most vivid memory of the Trade Union movement of Australia - trying the bash down the door of Parliament House on the evening of the Federal Budget after having heard an inflammatory speech from the President of the ACTU and the Secretary of the ACTU. And who was on the platform with them but none other then the Leader of the Federal Opposition.

The fact of the matter is that they contribute nothing to the public debate about employment. They contribute nothing to the public debate about Australia's economic future. The Trade Union movement in Australia at the present time is locked into an introspective, backward looking attitude towards protecting what they have rather than trying to build and grow the strength of the Australian economy, and their attitude to unfair dismissal laws is evidence of that.

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Ladies and gentlemen we have kept faith. We've kept faith with our families of Australia. We introduced on time, without deduction, in full the \$1 billion family tax initiative from the first of January with greater equity to families with young children, particularly those living on one income.

On 1 July this year we will again keep faith with the families of Australia by delivering in full, on time, without deduction the \$600 million tax incentive scheme encouraging people to maintain or take out private health insurance.

And what a shame is that our predecessors, what a crying shame it is that our predecessors hadn't acted in this area years ago. If something like this had been introduced in the early 1990s we would now have 40 per cent of the Australian population with private health insurance, instead of 34 per cent and they were told in the early 1990s by the AMA, they were told by the then Minister, they were told by everybody who had any understanding of what private health insurance was all about that unless you provided an incentive, unless you put a floor under the fall in private health insurance, it would gather momentum and run the risk of becoming a self-fulfilling prophecy. And now you have the deplorable situation where even sections of the current leadership of the AMA are denigrating private health insurance.

We have inherited a very parlous situation in this area. I believe that the private health initiatives that come into operation on the first of July will staunch the deterioration in this area. They will put a line under the fall and over time they will lead to more people taking out private health insurance. But we are certainly late in the game because of the inactivity, the indolence, the ideological hostility to private health insurance of the former federal Labor Government.

But we will keep faith in that area. We will also keep faith with the retired people.... We promised that we would put them on the same footing as pensioners in relation to the tax free rebate and by the end of our term, first term in government, that will have occurred.

And the savings initiatives will be of enormous benefit to self funded retirees and let me say to them that it will be of enormous benefit if it is non-means tested.

And attempts to means test it, particularly of the type proposed by Cheryl Kernot, show a complete misunderstanding, a complete misunderstanding of the situation and the needs of self-funded retired people in Australia and they completely ignore the facts that although interest rate reductions are of great benefit to small business, to home buyers, to battlers who have young families to bring up, they're not all enjoyed for self-funded retirees.

I know that. My Government knows that. My colleagues know that. And that is why we have a non-means tested savings rebate. That is why we have a tax incentive for private health insurance. That is why we brought in a tax rebate for self funded retirees and that is why we will always follow policies that keep faith with self-funded retirees.

But just remember who doesn't know that. Just remember that Cheryl Kernot and Kim Beazley want to means test it. Just remember that they are opposed to the health insurance rebate. Just remember that when they were in Government for 13 years they hit the self funded retirees in the eye by treating them in a very discriminating fashion.

Once again, my friends, this is an area where we have kept faith with the people who supported us and kept faith with the Australian community.

It remains the fact, ladies and gentlemen, that unemployment in Australia is still unacceptably high. As always unemployment is the last of the indicators to come good after a deep recession. We have made major changes to the industrial relations system which over time because of their greater flexibility, their greater focus on workplace agreements, their rejection of the compulsory role of trade unions, will produce freer, more flexible workplaces and will add to job creation.

It is also true, ladies and gentlemen, that you cannot hope for a sustained fall in unemployment until we have a sustained and higher level of economic growth.

The great problem that this country has had year after year is that it has never been able to run the economy at a high level of economic growth for a long period of time without something going wrong and the shutters had to be brought down to stop the current account blowing out or inflation going through the roof.

And we have had these major breaks on the rate of economic growth. We've had these road humps along the path to sustained economic growth and we are starting to see daylight on that front.

We are now in an era of very low inflation. We now have interest rates that are at pre-Whitlam levels. We haven't had housing interest rates where they are at the present time since the late 1960s and it is an extraordinary achievement and it has a long term significance if we can maintain it for the strength and stability of middle Australia. It is very important to their psychology. It is very important to the outlook for average Australian families.

We have begun to tackle the structural impediments to Australian labour markets and we have gone a long way down that path although there is further distance to be travelled.

We have fundamentally tackled the problem of the structural budget deficit. We are not just relying on asset sales for a transient improvement in the Budget deficit. We have made long term improvements to the budget deficit.

And by the turn of the century spending levels, as a proportion of national wealth generated each year in this country, will be at the sort of levels they were in the early 1970s. And to go further than that will, of course, be to threaten the fundamentals of the social security safety net which we will not do or to threaten such fundamental areas as a necessary level of defence expenditure.

And on that point, ladies and gentlemen, and on the question of keeping faith, let me say another thing of which I am particularly proud, is that my Government has kept faith with its commitment to maintain the level of defence expenditure.

I know it is fashionable in some corners to say you don't need any defence commitment now that the Cold War is over. I know it is fashionable in some circles to say that there is a never ending, bottomless pit called the peace dividend and you can keep on cutting and cutting and cutting defence expenditure.

Well, that is a very misguided notion. I mean, our levels of defence expenditure now are at historically low levels and it would be nothing short of a repudiation of our responsibilities as a Government to cut them even further. And that is why we have quarantined them from expenditure reductions. At the same time we are going to achieve a major shift in the emphasis of defence expenditure away from what I might loosely call officialdom towards these men and women in the front-line....

So, ladies and gentlemen we have kept faith on all fronts. We have kept faith with our responsibility to repair the economy of Australia. We have kept faith with small business. We have kept faith with families. We have kept faith with self funded retirees and very importantly we have kept faith with the battlers of Australia who deserted the Australian Labor Party in droves in March of last year and the latest and most dramatic piece of evidence was the interest rate reduction that occurred yesterday.

And let me say in relation to that that the major banks of Australia carry a very heavy responsibility in the interest of their customers and the interest of Australian community to pass on in full and without reduction and without the delay the full measure of the official interest rate reduction.

Let me make it clear, ladies and gentlemen, I am no bank-basher, I never have been, I understand the role of banks in the Australian financial system. I inaugurated a landmark inquiry that led to the deregulation of the Australian financial system. I supported the introduction of foreign banks into Australia. I continue to support the further deregulation of the banking system but it's pretty hard to believe that we have a highly competitive banking system at the present time, when there can be delays of the kind that we are apparently about to witness in the passing on of reductions in official interest rates and those who argue that there are adequate levels of competition at the present time might have a bit of explaining to do if that apparent tardiness in passing on those increases actually occurs.

So, let me say again that it is in the national interest that those reductions be passed on quickly and in full. The battlers of Australian who have waited a long time for their reward and they are entitled to have it on time without delay and without reduction.

Finally, ladies and gentlemen, can I say something, you'd be disappointed if I didn't. Can I say something about our political opponents...(interjection)...no, I'm a charitable man.

Can I say something about this marvellous thing called privatisation. I had a talk to Peter Collins about this yesterday. Very interesting thing - privatisation. That was the thing that way back in the mid 1980s I started advocating when I was first Leader of the Opposition and the Labor Party said: oh dreadful.

With their hand on their heart they said we would never privatise Qantas. We would never privatise it was then Trans Australian Airlines. But, of course, the Commonwealth Bank. I mean, the sweetest fruit of all of the tree of Barcaldine - the Commonwealth Bank. How could you ever privatise the Commonwealth Bank? Sure enough that's what they said when we were advocating it. Then they win an election in 1987 and Bob Hawke says: oh well, we'd better have another look at it.

So they did. They had another look at it. And then they started to privatise Qantas and Trans Australia Airlines and then you came to the 1990 election and we had a policy of privatising the Commonwealth Bank and Paul Keating said: oh, no, he said, what's this, he said I'll write to them all. So he wrote to every single member of the Commonwealth Bank Employees Association saying that it was a solemn commitment, a solemn commitment this one, a solemn commitment of the Australian Labor Party that it would never sell shares in the Commonwealth Bank. They even put out a prospectus after they decided to sell half of it, saying they didn't sell the other half.

I mean, if the provisions of the Companies Act was applied Ralph Willis would have been in the slammer as a result of that.

But no, they ended up and of course the crowning glory of it all was that Beazley had to come running to us before the 1993 Budget to guarantee our support in the Senate if they went ahead with the sale of it.

I mean, we were consistent, we were policy consistent. We have always argued that Governments have no business running commercial undertakings. And we have been arguing it for years, we have been arguing it without alteration. But, of course, I thought the hypocrisy had sort of scaled Himalayan heights in relation to the sale of the Commonwealth Bank but then of course we come to Telstra.

We come to dear Telstra. At the last election we said we would sell one third of it and I said then and Mr Egan and Mr Carr here in New South Wales have delivered proof positive of what I've said was right. But the real difference on privatisation between myself and the Labor Party at the last election was that if they won the election they were going to sell the lot having promised not to sell any of it, but if we won the election we would sell a third, precisely what we said before the election we were going to sell. And what Carr and Egan are proposing to do here in New South Wales, which is, of course, a direct steal of the policies of the Coalition here in New South Wales. But I have always said, and I said it again to Peter Collins yesterday, in politics as in life, imitation is the sincerest form of flattery.

They've decided to do something that federally they did when they were in Government yet hypocritically they promised not to do when they were in Opposition.

Time and time again the Labor Party has gone to the Australian people, be it here in New South Wales, be it federally, be it anywhere in Australia and have said: We will never sell any of the jewels in Labor crown. We will never sell any of these great Australian assets, that Ben Chifley and Eddie Ward would roll in their graves if they thought any of these assets were being sold and yet when they get into office they relentlessly say: We need the money, so let's sell, sell the assets.

It is a bankrupt, hopeless, hypocritical policy. They believe in nothing, they stand for nothing. And they demonstrate by that kind of blanket searing hypocrisy why they are no longer the government of Australia and why they are held in such low-esteem as the Government of this State.

Ladies and gentlemen, Michael said at the beginning that the last three months marked the end of the honeymoon. Well, let me say I've always thought that the basis of a long and stable and happy marriage is a very long and happy honeymoon.

We had a very long and happy honeymoon as a Government and I can tell you we are going to have a very long and stable marriage with the Australian people.

Thank you

Q & A Session:

Question: Prime Minister would you consider provided funds from the Commonwealth Government for the screening of prostate cancer which is prevalent in men, particularly over 50 years. This disease is more common in men than breast cancer in women and if left undetected can result in death. I understand that this screening is supported by the Association in New South Wales.

Prime Minister: I was briefly associated with the launch of a video on prostate cancer put together by the Department of Veterans Affairs and I do think it is an illness which should be talked about with the same degree openness and the same acknowledgment of the threat that it poses to the health of men and breast cancer and other forms of cancer it talks about in relation to the health of women.

~~I will consider what you have put to me and will talk to Mike Wooldridge about it.~~

Question: Prime Minister thank you very much, it was an inspiring speech. I have a question. Is it possible for you to take out time on television and make that sort of speech to the Australian people who regrettably, every time I see you on television you're being asked some ridiculous question about something of really no great interest to people other than journos. If you could really take time out to make that sort of speech to the Australian people ... (inaudible) I don't believe they do.

Prime Minister: (inaudible)..

Question: I am speaking to you this morning as a six generation citizen of the city of Newcastle. I am pleased to hear your affirmation of faith of battlers.

This week there couldn't have been a more miserable or embattled city in the whole of Australia from what we felt in Newcastle. BHP has confirmed that it will withdraw from Newcastle and we are in a situation where we will be losing very shortly 2,500 jobs from the current skilled workforce. The question is, Prime Minister, we are looking at a situation where the best remedy of loss of workforce would be with (inaudible) steel... Can you give us a pledge of your assistance to the steel workers in Newcastle today?

Prime Minister: Well, can I just say a couple of things in relation to the BHP ... I have said that we will match the offer made by the New South Wales Government of assistance. We think that the way it was proposed was kneejerk, fairly superficial. We think that there are better ways of spending the resources. We'll also look to BHP for a great contribution than was involved in the New South Wales proposal. We think that BHP should match the contributions to the Governments and we will certainly work to that end. I don't (inaudible) deliberately, but I think it's a fact of life.

Next Thursday, at their request, I will meet a delegation of steel workers. They're not being filtered through the ACTU, they're coming to see me direct. And, a number of my Ministers have been to Newcastle already and I intend to also go to Newcastle sometime within the next few weeks. I haven't picked a particular day. There's no point in going there just for show, I want to talk to the steelworkers, I want to talk to

the Civic leaders, I want to talk to the Chamber of Commerce and the elected representatives of both political persuasions.

Of course, we have a Newcastle-based (inaudible) Bob Hawke, this idea that Newcastle/Hunter is a Labor area, is quite wrong, it is not. It's a mixed political area and we should try to tackle this in a non-political fashion.

Simon Crean, I trust, believes that (inaudible)

It won't be quite as devastating now as it would have been ten or fifteen years ago, because there has been a diversification. But Newcastle is a symbol of industrial Australia. I understand that. And I understand the psychological impact of it. I am not unfamiliar with Newcastle. I have, through my wife, I have family connections with the area (inaudible)

(inaudible) can I just make one thing perfectly clear, it wouldn't have been any different. If the Labor Party had won the last Federal election, BHP would still be closing down. Can I make that very clear - they're now running around saying that if we'd been in power it would have been different (inaudible). I mean while they were in power, BHP's payroll went from 56,000 to 24,000. (inaudible)

But I am very sympathetic with the area. I know the psychological impact of what has happened. We will match the New South Wales Government's offer. We will encourage the company to match the contributions of the two governments and we will see that what resources we put into it are all wisely spent. I've sent a number of Ministers there already. I'll be going there again sometime in the next few weeks and I'll be seeing (inaudible) next Thursday unhindered by the ACTU.

Question: Is the next Budget likely to be showing more of these incentives (inaudible) and are tax cuts likely (inaudible). Also, just another question, (inaudible) ...

Prime Minister: (inaudible) well, I don't know that I want to speculate about next year's Budget. But as I often say when I'm being interviewed, if I can get a word in with some of them, I often say (inaudible) always expect a few surprises, and I think one of the things that people should understand is that we are about sensible reform and sensible change, there's been a bit of debate about taxation over the last week, and can I just repeat that if you're thinking about taxation reform in this country you've got to ask yourself three questions. The first question is will it help create more jobs? And the second question is will it make Australia more competitive, and the third question is will it lift the living standards of the Australian people? So they're the three benchmarks against which we will assess any changes we make in relation to the taxation system. And the reason why we brought in the savings initiative is that I'm a great believer in incentives. You can change (inaudible) if you give people the right incentive. And in giving people the incentive to save is a great gift. And what we've done is tackled the savings problem on two fronts. By reducing the deficit we're tackling public savings, and by giving people tax incentives we're encouraging private savings. When the two things work together they complement each other and that really is what a good savings policy is all about.