

8 June 1997

ADDRESS BY THE PRIME MINISTER**THE HON JOHN HOWARD MP****QUEENSLAND LIBERAL PARTY STATE CONVENTION - CAIRNS**

E&OE.....

Well thank you Warren Entsch for that very stylish understated welcome. To Joan Sheldon the Deputy Premier and Treasurer of Queensland, to Bob Tucker the President of the Queensland Division, to Tony Staley, our Federal President to all of my federal ministerial colleagues and in particular John Moore, the Senior Minister from Queensland, my state parliamentary colleagues, ladies and gentlemen.

Can I start by telling you the text of a message I sent to the Captain of the Australian Cricket Team this morning. I simply said: "A fantastic innings Mark, you have made all Australians proud. You and your colleagues have fought back magnificently. It is a true reward for your great Australian grit." If I slur any of my words or I look a bit bleary-eyed you will understand why.

It is a great pleasure to back in Cairns in Far North Queensland. It's terrific to be addressing a Liberal Party Convention in Cairns as the Liberal Prime Minister of Australia with a Federal Liberal Member for the seat of Leichhardt. And I do congratulate the Queensland Division for demonstrating not only to the people of Queensland, but also to all of the people of Australia, that the Liberal Party is more than just representation of the major metropolitan areas of Australia. It is also a party that represents the regional areas of Australia. It has more members in Federal Parliament representing rural seats than any other party on the Australian political landscape. So we are, in every sense of the word, not only a broad church but a party which represents the entirety of the Australian community.

It is now almost half-way through our first term in Government, and it is appropriate to both look back and also to look forward. And as we look back over the last fifteen months, it can truly be said that we have kept faith with the people who supported us. We kept faith with the commitment we made to get our books of account in order. To repair the horrendous budget deficit legacy left to us by Mr Keating and Mr Beazley, who blithely and dishonestly assured us that the budget was in balance, yet we inherited a deficit of \$10.5billion. And in our first term of office, we will have turned that into a surplus of \$1.6billion. And no-one should underestimate the scale of that achievement.

In 1995, the amount of debt that the Government of Australia owed to the rest of the world including Australians, for whom it had borrowed, was almost twenty per cent of the amount of wealth that Australia produces each year. By the turn of the century we will have reduced that almost twenty per cent - we will have cut it in half, we will have reduced it to about ten per cent of our gross domestic product. This coming financial year we will repay over \$5billion of the Keating/Beazley debt that we inherited. Now that is not the be all and the end all of economic existence; it's not the be all and end all of good government.

But you can't do a lot if you are running every day deeper and deeper in debt. You can't be a strong country to the rest of the world, you can't provide a decent safety net for the people in our community who need help; you can't build incentives for investment; you can't look towards a better taxation system, if you are constantly going further into debt. And it remains one of the great shames of the former Labor administration, that over its last six years of office, it added about \$75billion to the total national debt of Australia. And it has taken the courage and the strength of the new Coalition Government to start to turn that around. And I'm very proud of the way that we have tackled

Australia's legacy of debt and deficit, and I'm very proud that we have been able to do it whilst keeping faith with many of the other commitments we made in the election campaign.

We said that we'd have a \$1billion Family Tax Package, and that was delivered on the first of January, on time, in full, without deduction. We said that we would give tax incentives for private health insurance, and they will start in a little under four weeks' time on the first of July this year. And from the first of July this year we will begin the process of stopping the haemorrhaging of people out of private health insurance. Six years ago, the then Labor health minister, Graham Richardson, warned the then Federal Labor Government, and warned all the state governments of Australia, if something were not done to stop the flow of people out of private health insurance, we would face a disaster in that area in a few years' time. At that time, almost forty per cent of Australians had private health insurance. Nothing was done because of the ideological hostility of the Labor Party towards the medical profession and towards private health insurance. That's why nothing was done. And as a result we now face a situation that thirty four per cent, only of Australians have private health insurance, and we are beginning the fightback on that front on the first of July. We are beginning a campaign on the first of July to restore the confidence of the Australian public in the private health insurance system. We are beginning a campaign on the first of July to tell the Australian public that unless there is a restoration of the strength of private health insurance, there will be an intolerable burden placed upon the public hospital system of this nation.

Now this is something that should have been attended to years ago. When we left office in 1983, sixty one per cent of Australians had private health insurance. And after thirteen years of Labor Government, the ideological opponents of the medical profession and of private health provision in this country, had driven that level down to thirty four per cent.

We made a commitment in the election campaign that we would retain the Medicare system and we've honoured that commitment. But we also made a commitment that we would improve that system. And improving that system means restoring the strength of private health provision. And we've done that and on the first of July the campaign will really begin in earnest.

In another area, where we made very strong commitments, and one that, as many of you here in the seat of Leichhardt know, is very close to my own heart, and that is the small business sector of Australia.

I've always believed that the small business sector of Australia holds the key to reducing unemployment over the longer term. It's not the big companies that are going to reduce unemployment, it's creating a climate in our society where the firms that employ three or four Australians can be encouraged to employ five or six. And if you get that happening amongst the hundreds of thousands of small businesses around Australia, then you will start to see a steady and sustained fall in the levels of unemployment within our community.

And we made a number of commitments that were going to be beneficial for small business. We promised a new industrial relations system, and we delivered it. It was delayed by the Senate, and only came into operation on 1 January this year. But it is beginning to flow through the business community. And it's of particular benefit to small business. It encourages people at a workplace level to strike their own bargains without the compulsory interjection of unions.

We've restored in full the secondary boycott provisions of the Trade Practices Act, that protects small firms and big firms alike against the predatory behaviour of trade unions. We've ended for all time compulsory unionism throughout Australia. We have restored the authority of the courts of Australia in areas where that authority ought to run. And we have reduced in areas where it ought to be reduced, the influence of the Industrial Relations Commission. And you are already seeing in decisions of the Commission, in actions taken by individual employers and their workers, you're beginning to see

the benefits of that legislation work its way through.

We have improved the unfair dismissal laws at a Federal level. And in my Small Business Statement, of couple of months ago, I took that improvement one stage further, by saying, that at a Federal level, any firm employing fewer than fifteen people, and that captures literally hundreds of thousands of small businesses in Australia, any firm employing fewer than fifteen people would be completely exempt from unfair dismissal restraints in relation to the probationary employment of anybody, up to a period of twelve months.

Now what that further measure did, was to strike at the insecurity that many small firms still feel in taking on more staff, fearing that if it doesn't work out, they can't let them go without fighting a costly court case which most small businesses in Australia simply can't afford to do. And unbelievably, the Labor Party and the Australian Democrats have said that if when that regulation is put down they will vote in the Senate to disallow it. Well let me repeat what both Peter Reith and I have said already. That if that regulation is disallowed in the Senate, we will wrap it up into a piece of legislation, probably add something to it, and then put it up to the Senate for decision and vote again, and if it's knocked back we'll put it up again after the appropriate time has elapsed.

Now it's not only in the area of unfair dismissal, but the area of industrial relations, where we have taken action to boost small business. Once again, on the first of July this year, a major change to the Capital Gains Tax Law of Australia will come into operation. As from the first of July this year, any small business can be sold and the proceeds of that sale, up to \$5million, can be invested into any other kind of business, or the same kind of business, without incurring any liability for Capital Gains Tax. And that represents, my friends, an over delivery on the commitment that we made at the time of the last election.

And that, of course, has spawned a new definition amongst the Labor Party, and some of my critics in the wider community about a broken promise. Apparently it's a broken promise if you deliver more than you said you were going to at the time of the election. And that of course brings me to the savings rebate in the Federal Budget.

For the first time since Federation, a national Australian government has introduced an across the board non-means tested savings rebate. For years and years governments exhorted Australians to save. For years and years commentators have exhorted Australians to save. They've said how wrong it is that you should pay tax on your income, and that when you put it in an investment, you pay tax again on the interest that you earned from that investment. Well as from the first of July next year, that is going to change. That is going to change in a very big way, and we're going to introduce a tax rebate of up to fifteen per cent in relation to savings up to an amount of \$3000 a year. And it will be across the board, it will deliberately non-means tested. And this is an infinitely better system of encouraging private savings than the scheme that it replaced, the now discredited LAW co-contributions that were promised by the former Labor Government.

One of the great weaknesses of the Labor Government system, was that it gave no reward whatever to self-funded retirees in the Australian community. Whereas this particular measure will be available to all Australians irrespective of age and irrespective of social circumstance. And contrary to what has been said by Labor Party, it's been demonstrated by independent analysis, that the proportionate gainers under this proposal are far greater in the low income bracket of our community than in the high income bracket. For the first time, my friends, a federal government has been prepared to put its tax incentive where its rhetoric is and actually do something to amend the taxation act to encourage Australians to save.

And we've also kept faith with our programme in such important areas as the environment. And I know in Far North Queensland how important it is to strike a balance, a sensible balance, between

development and the environment.

Despite the opposition of the Labor Party and despite the opposition of the Australian Democrats, we were able to secure the passage of legislation to authorise the sale of one third of Telstra. And out of that the Natural Heritage Trust of Australia has been created. And there's \$1.25 billion available out of that Trust for new expenditure on major environmental projects. And this money won't be frittered away in a thousand little projects that amount to very little on the national scene. It's going to be invested in a major attack on the long term threats to the Australian environment.

We're going to do something about soil degradation. We're going to do something about river pollution. We're going to do something about the disgraceful of the Murray-Darling Basin, and we're going to do something about ocean outfall. We're going to tackle salinity problems which are particular challenges in many parts of Australia. In other words, we're going to challenge the bread and butter ongoing problems of the Australian environment. Because concern for the environment is a mainstream Australian political issue. The years are now long behind us when the environment was just a preoccupation of a noisy radical minority.

Older Australians worry about the environment their grandchildren will inherit. Middle-aged Australians worry about the impact of the environment on their daily lives, and younger Australians worry about the environment in which they hope to live years of their lives. So it cuts right across the Australian community. And what I'm saying to you today, and what we'll be able to say between now and the next election, ladies and gentlemen, is that we led the way in the area of environment. It was the Liberal and National Parties at a federal level that invested more capital in the long term resuscitation of the Australian environment than ever before. And it was the members of the Australian Labor Party and the Australian Democrats who voted against that programme. And never let any of us ever allow the Labor Party to escape the odium of having voted to destroy the greatest ever gift to the Australian environment of any Australian government.

Oh, and of course, isn't the Labor Party a lovely picture on privatisation? I said before the last election that the real difference between the Labor Party and the Coalition on the sale of Telstra was that we were only going to sell one-third of it if we won the election. They were going to sell the lot despite the fact that they had said that they weren't going to sell any. And I've got a lot of field evidence and on these sorts of things, if you've got form it's pretty hard to convince the public that you're genuine.

In the mid-1980s when we first started to talk about privatisation and Bob Hawke said that Ben Chifley would spin in his grave if Qantas and Trans-Australia Airlines were sold or if the Commonwealth Bank were touched they said it was absolutely sacrilegious that we should even talk about it. They won the 1987 election and then they started making noises about changing. Before the 1990 election Paul Keating wrote to every employee of the Commonwealth Bank and said over his dead body would they sell any shares in the Commonwealth Bank. And right on the death knock to the 1993 Budget Kim Beazley gets in touch with me and says I assume that you'll support our legislation in the Senate to privatise part of the Commonwealth Bank. So being consistent we said yes we would because it was our policy.

One of the extraordinary things of course about privatisation is that the Labor Party has said one thing in government when they're in an election campaign and done a completely different thing and now they're doing the reverse of all that in Opposition. And then of course you have the beautiful demonstration of the NSW Premier a few days ago. He said he is going to sell the power generating capacity of NSW for \$22 billion. Well I think that's quite a good policy. I saw him the other day and I congratulated him on his policy and that he ought to pass it on to his Federal colleague. I even offered to address the left-wing delegates if he was having a bit of trouble. I think he is half tempted to take it up.

We've been consistent on privatisation we're not zealots about it but we believe there are certain things governments shouldn't do and that it is more appropriate that commercial undertakings of that kind should be sold. And we've kept our word about Telstra and I'm sure that the programme will go forward very effectively and the great benefit from that is that you will have this huge investment in Australia's environment.

And we've also, in the Federal Budget, committed ourselves to the expenditure of another \$1 billion and this will be of particular benefit to rural and regional areas of Australia and that is through the Federation Fund. This country does need some major infrastructure projects. Infrastructure in some areas of Australia has become badly run down. It is a big country and it is important from time to time that we take stock of the quality of the infrastructure of Australia. And there is nothing irresponsible, there's nothing economically foolish and there's nothing unwise about making sensible provision for infrastructure development and expenditure in a country such as Australia. And the \$1 billion that has been provided for the Federation Fund to begin from the 1st of July 1998 will be a very important earnest of my government's commitment to infrastructure within the Australian community.

Ladies and gentlemen there is just two or three other things that I did want to mention. A few days ago we took a very important decision in the area of industry policy. A decision in which John Moore as the Minister for Industry was very heavily and intimately involved. And that decision was to secure two things and that is major investment and Australian jobs. And whenever you take an economic decision as a government you've always got to ask yourself what is the jobs impact, what is the employment impact. And the decision that we took on the motor vehicle industry was a practical commonsense decision. It was not driven by ideology, nor was it driven by any old-fashioned belief that you can erect a gigantic tariff wall around this country and shut out the rest of the world - those days are gone forever. We live in a global economy and we must respond to the forces of globalisation. But we must do it realistically, and we must do it with an eye to the progress that other countries are making towards lifting their own trade restrictions. It was only in 1987 that the motor car industry in Australia had a tariff level of 57½ per cent. That will fall under current legislation to 15 per cent by the year 2000 and under our proposal it will stay at that level until the 1st of January 2004 and then it will fall by another 5 per cent to 10 per cent and that will put Australia in very good fettle amongst other APEC nations.

We are not dragging the chain on trade liberalisation. We are able to hold our head very high on the question of trade liberalisation. But we have a responsibility to Australian workers. We have a responsibility to take decision that have beneficial effects on Australian jobs and Australian investment. And we will always take account of Australian jobs and Australian investment when we take decisions in the industry area.

As John predicted on television this morning, this particular decision should bring forth about \$4 billion of new investment involving the creation of about 5,000 new jobs. We have done our part we believe that the employees of the companies are prepared to do their part and we hope and confidently expect and, of course, require the companies to do their part.

And finally, in the economic area can I just say how important it is that over the coming months the Liberal Party and the Coalition and its supporters, not only in the business community, but throughout the wider Australian community consider and debate the challenge of taxation reform. I know some people will say it's risky and I know some people will say remember 1993. Well, life is never static. This is 1997, it's not 1993. We're in government now, we were in Opposition then. The world has changed and I believe the attitude of the Australian community has changed. And we have an obligation as a great political movement to take on the inevitable fear campaign that will be generated by our old-fashioned backward looking, out of date opponents. I mean do they seriously believe that we can go on forever with the taxation system that we have at the present time. Do they seriously believe, does anybody seriously believe that the present Australian taxation system which does act as a

dissincentive to personal effort, which does contain heavy sanctions against middle income earners because of the higher rates of marginal tax on now middle income earners. I mean 40 years ago you paid the top marginal rate of tax, personal tax in this country when you're income was 14 times average weekly earnings. You now pay that when you're income is about one and a half times average weekly earnings. Now that is a ridiculous comparison, maybe it's one and three quarters, even if it were two the point would still be made.

Now you can't leave that unattended, it's got to be examined, it's got to be looked at. And there's not much point in having the responsibility of government unless you are prepared to examine those sorts of things. And of course our opponents are going to run around and say how ridiculous this is and how it shouldn't happen and, you know, we've looked at the GST before and it's off the agenda. Well, can I just say that that really is backward looking. And of course the other delightful thing about Mr Beazley and Mr Evans attempting to do that is that they've got a bit of form on that subject as well.

I don't know whether any of you saw that very illuminating ABC series call Labor in Power. Well it was the best of political documentaries because they all were interviewed on the assumption that they thought they were going to lose. It was before the 1993 election and they were very frank and very candid. And there's a beautiful interview with a chap called David Morgan who was then a senior official in the Treasury and he is now with the Westpac Bank, and he was advising the then government on the tax proposals in the mid-1980s, the Option C proposal. Mr Keating's 12½ per cent consumption that he wanted to have amnesia about 8 years later. And David Morgan said the break through really came he said when Gareth Evans threw down his papers, that sounded right, and his glasses and said we've been debating this damn thing for the last two days and he says "I can't find a hole in it and it's about time we went for it". And of course there is further evidence that in the mid-1980s the two senior Ministers who gave the strongest possible support to the Keating proposal were, apart from the then Prime Minister, Bob Hawke, were Gareth Evans and Kim Beazley. Seems, you know on a lot of these things in the past they're together. They were together in 1983 on some travel allowance things too. But it's all different when you're in Opposition, say one thing in government, do another thing in Opposition, you know the Crowned Princes of inconsistency.

But ladies and gentlemen, we do need a better taxation system in this country. But in debating the taxation system we've got to constantly ask ourselves three questions. Will a reform help job generation? Will a reform boost Australian exports? And will a reform produce greater incentives to invest and to save.

Tax reform is not some kind of suspended ideology out there that once you've achieved it you've got nirvana. Tax reform is only a means to an end. Don't anyone in this room imagine that just striving after tax reform so that you can say we did it is necessarily going to help Australia. Tax reform is only good if it is the right reform and it's only the right reform if it matches those sorts of goals and I'm not in favour of putting a whole new tax on top of the existing structure. What I'm in favour of doing is having a thorough going debate about the sort of fundamental changes that are going to match those three criteria. And I think that as a nation we ought to be prepared to have that debate, as a government we ought to be prepared to lead on that debate and as the Liberal Party as always we should play a very integral role at the organisational level. Now I don't pretend it will be easy and I predict now that the Labor party will crank up all the old fear campaigns of 1993. But they will be a lot less credible on this occasion. They will ring hollow because deep inside themselves the Australian community know that the next great economic reform that this country needs is taxation reform.

The last two months, of course, have probably been the most hectic and in some respects the most difficult that we've had in the 14 months that we've been in power and that was to be expected. There have been a number of major challenges. The challenge of getting the right balance in the area of native title is a very important one and I believe that we have got the right balance. The 10 point plan that the government has devised strikes a fair balance between the need to wind back the

impracticality of the Wik decision by the High Court at the end of last year whilst respecting the principle of native title laid down in the Mabo case.

The Native Title Act that we inherited from the former government was a shambles.

There is nothing wrong with the concept of native title, there was nothing wrong with the decision of the High Court in the Mabo case. Anybody reading that decision would recognise it as being a very fair and balanced and just decision. What went wrong was when Mr Keating and his mates got hold of it and turned it into an unworkable piece of legislation. A piece of legislation that has had very deleterious effects on investment in a number of industries. Legislation that has led to a fear in this part of the world, for example that there would be native title claims of the reef. Well let me make it clear under our amendments that will never be allowed to happen.

But our proposals do not involve the blanket extinguishment of native title in the circumstances that were demanded by some sections of the Coalition. And could I say how much I enjoyed and I say that very deliberately, how much I enjoyed the journey that I paid to Longreach a couple of weekends ago to talk directly to pastoralists. I don't know when the last time was that an Australian Prime Minister addressed an open air gathering to which everyone was invited in rural Australia. I seemed to remember that Bob Hawke and Paul Keating paid pre-arranged, fairly antiseptic visits to rural Australia. And can I say that was a very successful meeting because I think for the first time many of the people who were at that meeting understood exactly what the government had in mind and they understood the security that it delivered to farmers and to graziers and the security that it gave to rural people. But they also understood why I remained and the government remained committed to the principle of native title as laid down in the Mabo case.

The reality is that the Native Title Act is badly flawed although the principle of native title is fine and defensible. The High Court's decision in the Wik case in my view respectfully was quite impractical. And you need a balanced but strong response to that situation and that is what the 10 point plan represents. The legislation is being drafted at the present time, there have been consultations between the officials at a Commonwealth level and at a State level regarding the drafting instructions and I hope to see a first draft of that legislation before I go overseas early the week after next.

It is an important issue and there is still a long public debate ahead of us. But having spent a lot of time devising our position the fundamental principles are not for negotiation because they are right, they are fair and they are balanced and we are determined to go ahead with them.

Finally my friends can I say how much I have appreciated the tremendous support and understanding and loyalty that I have received from all sections of the Liberal Party since the election last year. To many of my parliamentary colleagues and ministerial colleagues who are here, senior Ministers to members of the parliamentary party, to the party organisation it has been an absolute delight and a real privilege to be the most public face of the Liberal Party cause over the last 15 months. It hasn't been easy but I never expected that it would be and you would have been disappointed if we'd have found it easy through the whole of that time. But I have been sustained enormously during that period of time by the grass roots loyalty and strength that I continue to receive from members of the party all over Australia.

The Queensland Division of the Party delivered magnificently at the time of the last election. And can I take this opportunity of thanking Bob Tucker as President of the Queensland Division of the Liberal Party over the last four years. The Liberal Party result here in Queensland at the last Federal election was more than I dared hope for. To reduce the Labor Party to a miserable two seats and now you've got the spectacle of Wayne Goss who's wanting to go to Canberra. The track record of former Labor Premiers going to Canberra is not all that flash. He's wanting to go to Canberra but instead of taking on one of our sitting members I understand Mr Kaiser's trying to have the boundaries redrawn to

create a safe Labor seat for Wayne Goss.

But you really have delivered magnificently and the organisation has done a great job. Can I also congratulate Bob Carroll on his election as the new President and we will, at a Federal parliamentary level, we will be very keen to work very closely with Bob and the State Executive in the next year or 18 months. I wish Joan Sheldon and Rob Borbidge in their partnership here in Queensland the best of good fortune. We may have had the odd flicker of difference for a moment over native title but in the long scheme of things that counts nothing compared with the fundamental accord that exists between us at a Federal and a State level. I mean none of us should ever forget, particularly at the Federal level, that we were in Opposition for a long time and we all got very tired of it and we ought to be ashamed of the number of elections we lost during that period of 13 years. And we learnt a lot of lessons about unity and cooperation and teamwork and we've retained those lessons in government and it's very important that we continue to retain those lessons because don't imagine that the Labor Party is a beaten clapped out outfit. We may think it is very unsuitable as an alternative but never underestimate your opponents, they made that mistake about us and they lost and we should never make that mistake about them and we should always remember the barren years of Opposition. We should always remember how futile and frustrating and irritating and aggravating it was. All you could ever do was talk, you could never do anything and it is very, very sole destroying and I still remember it, many of my colleagues in this auditorium remember it so let's keep that in mind and let's stay in government so that we never return to that state.

Thank you again, your loyalty and support has been magnificent and I owe so much for what has been achieved over the last 14 months.

Thank you

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