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**TRANSCRIPT OF THE PRIME MINISTER
THE HON. JOHN HOWARD MP
SPEECH TO THE HERBERT LIBERAL LUNCHEON
TOWNSVILLE**

E & OE.....

To Peter Lindsay, the Federal Member for Herbert, to all of my Cabinet colleagues led by the Treasurer and Deputy Leader of the Parliamentary Liberal Party, Peter Costello. To Mayors and other members of councils in the Townsville district, ladies and gentlemen. We are here today in fulfilment of a very important promise that we made to the Australian people before the last election and that was that if we won Government, we would take the Cabinet around Australia and we wouldn't operate in the foolish belief that all wisdom resided in Sydney, Canberra and Melbourne. North Queenslanders are expected to cheer about that.

Ladies and gentlemen, I am reminded of many things about Townsville. One of them of course is that on a per capita basis it's the most fanatically devoted rugby league town in the whole of the nation because the attendances, I mean if you think the ratio of attendances at AFL games, given the population of Melbourne, is high you look at the attendance. You get 25 - 30 000 people watching your local team and given the size of the district, it's an extraordinary devotion. The other great distinction about Townsville is that it has an incredibly energetic and persistent local Federal Member in Peter Lindsay. The people of Herbert, when they swung by something like 9.5% away from the former sitting Labor Member towards the election of Peter as the Federal Member in this electorate in March of last year, chose very wisely. They not only chose a very good local Member but in electing Peter you also elected a Government that has been ever since March of last year more understanding of and more in touch and more concerned about the basic problems and the basic values and the basic attitudes of the people of North Queensland and particularly the people of Townsville.

There are many things that we said at the time of the last election that we would do if we were elected and I don't have the time today to go through all of them. I want to touch upon some of them because we are now roughly halfway through our first term in Government and it's an opportunity briefly to stocktake, to remind the Australian public, to remind regional Australia of what we said we would do, to remind the people of areas like Townsville of the commitments we made to small business in particular as a commitment to that sector of the Australian economy that holds the key to our economic growth and our economic future and also that sector of the Australian economy that still holds the capacity to generate more jobs than any other section of the Australian community.

We said that we would reform Australia's industrial relations system and although we were delayed by the Senate for about six or nine months, we finally got that legislation through at the end of last year and we are now starting to see the benefits of those changes to the Workplace Relations Act flow through into the workplaces, into the mines and into all the other industrial centres of Australia, and it will take time yet for the benefits of that legislation to come through for already those benefits are starting to be experienced and starting to be felt and companies are finding that they have more flexibility, that companies and their employees are finding that they have a greater capacity to arrange their working hours, to arrange the way in which their businesses are run to the mutual benefit of both the owner of the business and the employees of the business.

We said that we would get rid of Labor's job-destroying unfair dismissal laws. We did get rid of Brereton's unfair dismissal law and we replaced it with a much more sensible and a much fairer unfair dismissal law, and a few months ago we went a step further and said that we would get rid of it altogether in relation to firms with under 15 employees for people that had been in their employ for less than 12 months, and that particular measure which would do great things for small business that would encourage many men and women running small businesses around Australia to take on more staff. That particular measure has been blocked in the Senate by the Labor Party and the Australian Democrats and the Australian Greens and in response to that we have put back a Bill into the Parliament saying that we are going to remove the unfair dismissal restrictions altogether in relation to small business because we believe that is going to give to the small business sector the flexibility that it needs, the capacity to take decisions in confidence that if an arrangement with an employee doesn't work out then the business can quite reasonably make other arrangements.

I have recently returned from a visit to the United States and although there are some aspects of American society that I would never embrace and there are some aspects of American society which when I took the stand that I did on gun control legislation last year, we determined as a community not to embrace, there are equally some aspects of American society that we can learn something from and the extraordinary flexibility of the small business sector and of the labour markets in the United States, the way in which new businesses come into existence at a fantastic rate, and the capacity of those businesses to generate wealth and to generate activity in a very short period of time encourages me to believe that giving even more encouragement, incentive and flexibility to the small business community in Australia is the way of the future on the path to higher employment and to greater prosperity within our community.

If you wanted an example of what my Government has done for the small business community of Australia, can I just draw your attention to two events alone during the last week. The first of those was a week ago today when the new capital gains tax provisions came into operation. As from the first of July this year, any man or woman owning a small business in this country can sell that business, invest the proceeds of sale into the purchase of another business and up to \$5 million, \$5 million of the proceeds of the sale of that business will be completely free of any capital gains tax liability. Now what that does is to not only deliver the commitment that I made on behalf of the Coalition at the last election in that area, but in fact we have gone way beyond the commitment that we made.

The other very significant piece of good news for small business are the benefits that will flow to it from the deregulation of the telecommunications market in Australia. I am told that for many small businesses, the second most expensive item, the second highest overhead after salaries is the cost of telephones and telecommunications and the deregulation of the telecommunications market, something pioneered in this country, something brought to fruition on the first of July 1997 by Richard Alston, my Minister for Communications, if the other crowd had stayed in office, the advent of deregulation would have been delayed for another two or three years, that particular change means that small businesses within Australia have within their grasp the capacity to reduce their telephone and telecommunications charges by anything from 30 to 40 to 50%, and the impact that that will make on the overheads of all of you who operate small businesses here in Townsville and when you add that to the capital gains tax changes, you throw in for good measure the four reductions in interest rates that have occurred since we came to office in March of last year, you throw in the changes that we've made in relation to the fringe benefits tax, you throw in the \$180 million of the provisional tax uplift factor, you throw in the benefits of the industrial relations changes and together I can honestly face any of you in the eye and say that we have more than honoured the commitment we made to the small business community of Australia before the election in March of last year.

That remains, my friends, one of the proudest boasts that I can make in relation to the achievements of the Government. That, of course, is something addressed to the particular interests and the particular concerns of a very important sector of the Australian economy but if I can spend a moment or two

looking at one of the other commitments that we made when we came to office last year and that was to repair the national accounts of this country.

We all know that we cannot live beyond our means without paying very dearly very soon for that excess and that indulgence, and when we came to power we had a budget deficit of \$10.5 billion. We'd been told by Mr Beazley and Mr Keating that the budget was in surplus when they both knew it was massively in deficit. We discovered the scale of the deficit to be \$10.5 billion and in just three years we had turned that into, it would be turned into a surplus, a deficit of \$10.5 billion will be turned into a surplus of \$1.6 billion. I can't think in the recent history of Australia of a budget turn around of that magnitude in such a short period of time and I can say to you that as Prime Minister of Australia, I was immensely proud when I had a meeting in Washington a couple of weeks ago with Dr Alan Greenspan, the Chairman of the American Federal Reserve system. He's like the Governor of the Reserve Bank of the United States and because of his role in the United States, he probably has more economic authority than any other individual in that country and therefore any other individual in the western world.

And after we'd chatted for a moment about the reasons for America's remarkable economic performance, he was able to say to me quite spontaneously, he said, I've had a look at your economy, and he said, it's in absolutely superb shape. You seem to have all the fundamentals right, and of course he's right. The OECD has forecast that in 1997 and 1998 we will have a growth rate which is faster than the average of the big seven industrialised countries. We will have a lower debt to GDP ratio of virtually any country, any country in the OECD area. By the year 2000 we will have almost cut in half the ratio of our national debt to our annual wealth output and that's an extraordinary achievement. It was something like 19.5% in 1995. By the year 2000 it will be down to 10%.

Now these may seem to some of you dry abstractions but they are not, because they directly affect the interest rates you pay. When a Govt runs a deficit, when a Government lives beyond its means, when a Government borrows to finance profligate expenditure, it's really taking the money out of your pocket, because it's driving up interest rates, because in order to finance the profligate spending, it's got to go into the money markets and borrow and when it borrows it competes with all of the small business men and women in this audience who are going to their banks and going to their lenders in order to borrow.

One of the reasons why interest rates have come down in Australia, and I would like to see them still lower and I will bet every one of you in small business would like to see them even lower, but one of the reasons interest rates have come down in Australia is that we are no longer running such large deficits. In fact, this financial year, as a result of the splendid work of Peter Costello as Treasurer, supported by his other colleagues, we will repay \$5.3 billion of Mr Keating's debts and there's nothing nicer than repaying Mr Keating's debts, nothing nicer because it gives you the satisfaction of knowing that you are doing the right thing for Australia and you are doing the right thing for the future of Australia.

Now I don't pretend to you my friends that every single problem that this country has has been solved by the new Government. I acknowledge that we still face a big challenge in relation to unemployment. It is still high but we are laying the foundations for a fall in the level of unemployment during the course of next year because when you get the economy right, when you get inflation down to one or two percent, when you get growth running at three and a half percent, when you get your debt levels down, when you get your interest rates falling, when you get your current account deficit improving, when you have record levels of business investment, when your reputation abroad is high, when you are able to watch the investors of the world look with increasing favour on Australia, when you hear that the credit rating agencies of the world are saying that our economic performance is improving and deserving of greater recognition, you know that you are laying the foundations for a fundamentally stronger economy.

And I think that it is very, very important that all of us who care about the future of Australia and who care about the future of the Government understand that message and relay that message around

Australia because it's stronger growth particularly in the small business sector that will lay the foundations for a sustained fall in unemployment over a period of time.

There are, of course, many particular things that we have focussed on which have been of special benefit to the electorate of Herbert. I know that the electorate of Herbert is home for one of the largest military establishments in Australia, namely Lavarack Barracks. I also know that the electorate of Herbert and the city of Townsville has been very deeply touched by the tragedy that befell the men of the SAS and the parachute regiment in the Blackhawk disaster last year, and I know that the community rallied magnificently to the families and to the various military establishments when that occurred. And I am very pleased to say that one of the many important promises that we made and have been fully honoured, was our commitment to not in any way reduce the Defence budget. And our maintenance of the same level of expenditure on defence which in my view is the bare minimum that a nation in Australia's strategic circumstances can do, I regarded it as without any doubt one of the most important commitments that we made before the last election.

The notion that because the Cold War is over, that we no longer live in an unstable region of the world, the notion that Australia can forever just accept that it doesn't have to play its role and make its own contribution to the defence and the stability of the region is a very foolish and a very misguided notion.

And I want to say to this North Queensland audience that my Government's commitment to the maintenance of an adequate level of resources to the Australian Defence Forces is as strong today as it was when we were elected, and as strong today, as that day I went with my colleagues to the Lavarack Army Barracks early in March of 1996 to release the Coalition's Defence Policy in the lead up to the election.

We have recently undertaken a review of the resources that are spent on defence and the purpose of that review has been in fact to shift resources away from, what may I call it, the bureaucratic centre towards the sharp end of the defence forces and areas like Townsville represent the sharp end of the defence forces because it is in areas like Townsville that some of the great military and army establishments of Australia are located. And I mention that because of the great importance of the ADF to Australia and the great priority that my Government places on the maintenance of an adequate commitment and an adequate level of support for defence in this country.

Another decision that I am very pleased to say again that we took very early in our term in Government that greatly benefited North Queensland was the decision that we took to allow the Port Hinchinbrook development to go ahead without further interruption and without further delay. And one of the messages that I received when I arrived in Townsville this morning was one from the Mayor of Cardwell who said ignore the noise, listen to the majority, focus on the 2,000 new jobs that the Port Hinchinbrook development is going to generate.

Can I say to the Mayor, yes, yes, yes on all three counts because deep down what this country wants is a government to take decisions, to stick to those decisions and to take decisions that are important to the long term generation of jobs within the Australian community.

The last thing that I want to say to all of you, my friends is that politics is, at the end of the day, about having a Government in power that has an understanding of the concerns and the hopes and the aspirations of the community that it is elected to lead and elected to govern. One of my roles as Prime Minister of the country is to communicate with, to listen to, to understand and to remain in touch with the people of Australia. I am here today and I'll be in other regional areas of Australia over the next 18 months because we are determined to stay in touch with the Australian people. We are determined never to take them for granted. We didn't regard our election in March of last year as some kind of recognition of divine selection Rather we regarded it as a belief on the part of the Australian people that we offered a superior way of doing things, but on the understanding that they were entitled to run a critical eye over

what we'd done and if they weren't happy with what we'd done in the proper Australian way they would let us know and let us know fairly directly and fairly bluntly.

And I have to say it's been my experience as Prime Minister that the character of the Australian people has not changed over the last 18 months. I've had some pleasant experiences. I've had some direct experiences. In the main, though, I find amongst Australians in all walks of life, in all parts of this country, a tremendous hope and a tremendous enthusiasm about the future.

I think what a gathering like this encourages me to believe is the enormous privilege that all of have of living in a country such as Australia. To be able to gather in such a peaceful fashion, to be able to gather in such a benign and pleasant environment, to be able to get the views very directly of so many sections of the community here in Townsville, to take part in an exercise in a two way exchange, a two way communication between the Government of Australia and the people of Australia is a marvellous example of how fortunate we are in the vibrant democracy that we have in our country.

And as I look around this crowd, it is also a reminder of the great and rich diversity of Australian society. It's a reminder of the great tolerance and the great openness and the great decency of the Australian people and one of the great stories of Australia, particularly since World War II has been our capacity to take people from all around the world and to absorb them into a harmonious, tolerant, open and purposeful community. And I think one of the great Australian achievements of the last 20 or 30 years is the way in which we have built such a diverse and tolerant Australian community.

Can I thank all of you for coming along. Can I particularly commend to you the work again of your local member, Peter Lindsay and also Senator Ian MacDonald who, although he's not formally called the Senator for North Queensland, he in reality is the Senator for North Queensland because both of them do an absolutely fantastic job representing the interests of this very special part of Australia, representing the interests of North Queensland.

It's been a great delight to bring the Cabinet to Townsville. We have some more work to do this afternoon. I think I'll be seeing some of you over a drink later on this evening. But it's been great to amongst you.

Thanks for supporting the gathering and continue to give your undivided support, attention and loyalty to Peter Lindsay. He'll continue to do the right thing for you as your man in Canberra.

Thank you