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**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
ADDRESS AT THE ACT DIVISION OF THE LIBERAL PARTY'S
ANNUAL DIVISIONAL DINNER
THE HELLENIC CLUB, CANBERRA**

E&OE.....

To Kate Carnell, the Chief Minister of the Australian Capital Territory; to my Federal Parliamentary colleague and President of the Senate, Margaret Reid; to Tony Staley, the Federal President of the Liberal Party; to other members of the Assembly here in the ACT, ladies and gentlemen.

Can I say how very pleased I am, again, to be at the annual dinner of the ACT Division, to share a few thoughts with you about the direction of my Government in relation to the whole of the country over the next 12 months, and also to reflect a little on the special opportunities - and I choose those words very deliberately - that exist here in the ACT.

But before doing that I would like to acknowledge, in a very positive way, the contribution of both Margaret Reid and Kate Carnell in their respective political spheres.

I'm very proud to have Margaret as the President of the Senate. She brings an enormous amount of dignity and authority to that office and her support within the Party to take over that very important position has been obvious for a very long time. And one of the things we wanted to do on attaining office was to restore a certain amount of quiet dignity and strengths in the areas of the two presiding offices. And there's not the slightest doubt in the world that, in relation to the Senate, Margaret has done all of that.

I also want to acknowledge the enormous contribution of Kate as the Chief Minister of the Territory. Governing the ACT is a challenging task. It's an atypical electorate in many ways. It's a volatile electorate. It's a challenging electorate. And she's carried out the task with very great skill and she has my strong support.

We are now about 17 months into government. And I think I can fairly say that we have ended stage one, in many respects the most difficult stage, of our time in government.

We did inherit a budget deficit of \$10.5 billion and by the end of our first term we will have turned that into a surplus at \$1.6 billion. And I think it's very important because we can't do anything in Australia with the economy, we can't do anything with the economy in the ACT that has any sort of enduring legacy unless we get the fundamentals of the national economy right. And it was unavoidable and it did involve some unpopular decisions. And I know they've had an impact on the ACT, and I'll deal with that in more detail later in my remarks. But we did find an enormous number of challenges. And I'm very proud of the fact that we tackled them head-on from day one.

I gave a report to the National Parliament today on my recent visit to the United States and the United Kingdom. And I recall a visit that I paid to the trading floor of Salomon Brothers in New York. And this particular trading floor was the genesis of that famous book by Tom Wolfe called, *The Bonfire of the Vanities*, when he talked about the great money-market dealers in the United States. And I went to one of the dealers on the floor and he'd done a graph. That graph showed the gap between bond rates for American bonds and Australian bonds in March of 1996. And it had been 250 points against Australia. And when I saw him in July, early in July, it had come from 250 down to something like 60, which had been an extraordinary contraction and therefore a remarkable vote of confidence in the management of the

Australian economy over that time. And since July, which is only a few weeks ago, it has contracted even further so that it now sits at only 25 basis points.

Now, that may be, in the eyes of some, a very technical point to make. But when you think that you are dealing there with the greatest and hardest heads in the financial community in the world, and what they are doing is making a positive judgement on the management of the Australian economy over the last 17 months, and what they are saying is that these people inherited a difficult situation, they have taken difficult decisions, they've got the thing back on track and we have a lot of long-term investment confidence in them, that sort of thing is tremendously important.

But we have, in a way, finished that first stage. We have repaired the foundations. We have introduced major workplace relations reforms. We have embarked upon a vigorous privatisation programme. One-third of Telstra is being listed for sale at present and Australians will be able to fully participate in that very great exercise.

We have piloted through Parliament, in the face of mindless, obstructive opposition from the Labor Party and the Australian Democrats and the Australian Greens, not only the one-third sale of Telstra, but the establishment of the \$1.2 billion Natural Heritage Trust of Australia. And that will represent the greatest capital investment in Australia's environmental development since the end of the World War II. And it ends, for all time, the notion that the Liberal Party of Australia is in some way indifferent to the environment of this country. And what that particular project does is to demonstrate that, as far as my Party is concerned, our Party is concerned, we are a Party that believes that the environment and conservation issues are well and truly in the mainstream of political issues in Australia. And that they are of concern to Australians right across the political spectrum.

So we have done so much of the agenda that we put to the Australian people before March of last year. And the remarkable thing is that we have been able to get the budget in order and to get ourselves in a strong and sound fiscal position whilst implementing our election commitments.

We delivered the \$1 billion Family Tax Initiative in full, on time, at the beginning of this year. We delivered the private health insurance rebate which commenced on the 1st of July. There's been a bit of publicity about this issue in the last few days with the premium increases being sought by some of the private funds. There is pressure on the private funds, but almost all of that pressure is directly attributable to the fact that for 13 years the former Labor Government deliberately discriminated against private health insurance in this country.

For 13 years they watched while the number of Australians with private health insurance fell from 61 per cent in 1983 to a little over 35 per cent in 1996. And that represented an act of deliberate neglect, a sin of omission designed to undermine private health insurance in Australia. And the warning that Graham Richardson, as Labor Health Minister, gave in 1990 that unless something were done to stabilise, through incentives, the number of people in private health insurance, was deliberately ignored by the Labor Party. And it is hypocrisy in the extreme for the Labor Party now to say: according to the figures that were compiled before the 1st of July more people have left private health insurance. That is an indication that the tax incentive has failed. How can it possibly have failed when it hasn't yet been given an opportunity to work? And it will be a long time into the future before we can determine the extent to which the private health insurance initiative have stabilised and reversed the adverse trends of the past 13 years. But I believe it will make a very positive contribution. And as Michael Wooldridge said the other day, some of the early anecdotal evidence is very positive in that regard.

So, that is the first part - stage one. But stage two is very much now about building on the repaired foundations, and it is very much about realising the potential of our nation as we move into the 21st Century. And realising the potential of our nation involves a number of things. It involves giving to this

nation a modern 21st Century taxation system and that is why I have put taxation reform well and truly back on the agenda in Australia.

Everyone knows that we need a new, better, more incentive based taxation system. Even in their quiet more honest moments, our opponents in the Australian Labor Party know it. Kim Beazley and Gareth Evans supported Paul Keating's, "Option C", when he put it to the tax summit in 1985. They were, in fact, amongst its most fervent supporters.

I have always supported a change in the Australian taxation system. We must address the imbalance, the sheer imbalance of an indirect taxation system. We need to repair the income tax base so we can have significantly lower levels of marginal personal income tax rates. It really is ridiculous that you can have the top marginal rate of tax applying at a little over one and a half times average weekly earnings.

It really is ridiculous that you can pay sales tax on things like toothpaste, at 22 per cent, but Lear Jets are completely free of sales tax. I mean, this is the equitable taxation system that Kim Beazley wants to defend. It's not that I have got anything against Lear Jets, but I am very partial towards tooth paste. But you only, I mean, I could regale you all night with priceless examples of that, demonstrating the idiocy of the present indirect taxation system. We are committed to reforming it.

I know some people will say: gee you don't want to get into that. It's difficult, of course it's difficult, but there's really not much point in being in Government unless you are prepared to tackle some difficult issues. And it does represent the credo that is driving what we are doing in that area and what we are doing in many other areas.

I think the portents for the Australian economy are increasingly on the bright side, and increasingly improving, and this is relevant to the whole of Australia. It's as relevant to the economy of the ACT as it is to the economy of Sydney, or the economy of Perth.

The speech made by the Governor of the Reserve Bank, Mr Ian Macfarlane, in Perth a couple of weeks ago, when he said for the first time I've heard it from a Reserve Bank Governor in the 23 years that I have been in political life, he said, that it was now possible for the Australian economy to grow at over 4 per cent, 4.5 per cent, or even higher without risking a resurgence of inflation, or a crisis on our external accounts. And that was a very important statement. It was a ringing vote of confidence in Australia's economic future from a man who ought to know. And I may also claim with all due modesty, it was something of an endorsement of the success of our budget policies over the last 17 months.

What he was really saying was that, we could now afford to take the speed limits off economic growth in this country. And taking the speed limits off economic growth is important to you here in Canberra and it's important to the whole of the Australian economy because it means that we can risk a bit of growth without provoking some kind of economic crisis, which has been the great thing that has bedevilled Australian economic development in the past.

You get a bit of a spurt up and then the Treasury and the banks say you have got to close it down because the current account is falling apart or inflation is getting out of control. Now that is what happened through the 1980s. It is what caused the recession which pushed unemployment in Australia under Labor and under Kim Beazley, as employment Minister, to over 11 per cent in 1991. But for the first time in a generation to have a person as authority gives to the Governor of the Bank saying we are now in such a strong fundamental position that you can grow at a fast rate without risking inflation.

Now that is challenging and good news for the whole of the country and it's particularly good news for the unemployed of Australia because the only way you get unemployment down is to have fast economic growth and by that generate more jobs. You'll get it down then and if you fix the labour market, as we have, you'll also get it down at a faster rate.

So, the message I bring to you tonight is a message of great optimism, and great hope and great confidence about the economic future of Australia and most particularly the economic future of the Australian Capital Territory.

Now I know that some of the decisions that we have taken have impacted adversely in the ACT. I know that, I acknowledge it and I know the concern that many here tonight and many in the ACT have felt. Can I just make a couple of things crystal clear. We didn't set out to target the ACT and any suggestion that there is any in-built insensitivity in my Government towards the people of Canberra, or the people of the ACT, is absolutely wrong.

We are all Australians together and I am very proud of the National Capital of Australia. It's a great city and I want it to grow, and I want it to prosper, and I intend to lead a Government that will contribute to that. And your rate of unemployment, some of you may not know, is in fact 7.2 per cent lower on a trend basis, than what it was a year ago.

Many of the stories written about Canberra and much of the commentary about Canberra is unduly carping and unduly negative. It seeks to highlight the adverse and neglect the positive. It neglects the fact that some of the recent indicators about employment in this city have been very positive. For example the ANZ survey of job advertisements released earlier this month found that the average number of job ads in Canberra in July was 5.7 per cent higher than what it was in the same period last year.

Canberra's future lies very heavily in small business and already 52 per cent of total ACT employment is in the private sector. The latest Morgan and Banks quarterly survey found a favourable turn-around in employment expectations with 16.6 per cent of organisations surveyed in Canberra planning to take on more employees between now and October.

Canberra is very well placed to take full advantage of Government outsourcing. Outsourcing from the Department of Administrative Services alone was expected to generate 2,500 jobs. And in December of last year, I undertook to ensure that all outsourcing proposals are examined to maximise opportunities for small and medium sized enterprises.

The recent Department of Finance expression of interest for outsourcing its corporate management operation resulted in the short listing of seven firms. Only one of those was Canberra based and a further two though, have a significant presence here in Canberra, and in any case the jobs will remain in Canberra with sub-contracting to local firms.

Canberra has, as demonstrated by a recent decision, has great potential to seize opportunities in information technology, with the highest of educational standards, the ACT labour force is well equipped to adapt to new technology. The ACT Government was successful, with the support of my Government, in capturing Fujitsu to site its Asia-Pacific regional headquarters for desktop services in Canberra and that will create 900 new jobs in this city over the next few years.

I also think, on the employment front, that the Chief Minister is to be congratulated on her ambitious programme with the help of the Commonwealth Employment Service to place 500 Canberra young people into full-time jobs by Christmas by providing employers an extra \$1000 subsidy for each young person on top of the subsidies already available from the federal government.

Now, I mention those particular things, ladies and gentleman, to remind all of you that, yes, there has been difficulties, there have been public service redundancies and because of the heavy proportionate reliance of this city on public service employment, it has had a noticeable impact. But there is a more positive story, there is an underlying economic strength and there is a great resilience and there is a great spirit in this city and there is a great and genuine pride from your federal government in the future and the character of the people of Canberra and the city of Canberra.

There is also a very strong commitment to doing some practical things in the infrastructure area to assist the people of Canberra and the ACT.

The very first commitment out of the Federation Fund was to the construction of the National Museum in Canberra, the National Museum of Australia, and that particular project, committed to by my Party and the Coalition in opposition, will be delivered in full and will be a very, very important, not only national building, but it will add very significantly to the public infrastructure of the city Canberra.

Can I say to you, that I, and my government, am very strongly committed to the Very Fast Train project. It has been jointly sponsored by Federal Government, the government of the ACT and the government of NSW. I have to say to you tonight that I am concerned that progress with that project appears to have slowed in recent months. I am concerned about the fact that a couple of important meetings involved with it have been cancelled by the NSW government. And as a result of that I've written to the Premier of NSW and I have invited him to a meeting as soon as possible, and I've naturally also invited Kate Carnell as the Chief Minister of the ACT. I hope to arrange that meeting urgently because I am determined that the relatively slow progress in pushing forward the project, that that is put behind us. I want to see that project succeed. I want to see the whole process accelerated. Because I remain very optimistic that the Very Fast Train project can be a very important component of Canberra's future and the future of this region of Australia.

Having adequate infrastructure and realising the potential contribution that infrastructure can make to the future of this country is a very significant component of realising the potential of Australia as we move into the 21st Century.

As we approach the turn of the century and as we approach the new millennium, I believe that the people of Australia will increasingly focus on the fundamental strengths of our nation, they will draw encouragement and nourishment from the harmony of the Australian people from the values that we have in common, our shared aspirations about the future. They will also draw strength and encouragement and reassurance from the commitment of their governments to tackling those road blocks to realising the potential of our nation as we go into the next century.

No nation can be successful in the modern world unless it accepts that globalisation of the economy is here to stay. The idea that any nation, let alone any city or any State could simply opt out of the world, could surround itself with the cloister of high protection and ignore the processes of globalisation, any idea that that could happen is totally false. We have to change, we have to modernise, we have to embrace new ways of doing things, we have to embrace new industries.

One of the great challengers of modern government and modern state craft is to get the right balance between changing those things that ought to be changed, throwing out those things that are no longer working, but at the same time hanging onto those institutions and those values and those stabilisers in our society that provide us with reassurance and continuity. It is an important balance to be struck. It is never possible to say that change for change sake is a good thing, but if equally if we ignore the need to change and embrace even a radical way of handling things in certain areas then we will make a very fundamental mistake.

I think there is enormous optimism developing in Australia. I think we are seeing bit by bit and increasingly around the country evidence come forward of a strengthening economy. When you cut interest rates five times in 17 months, when you have a rate of inflation which is the lowest we've had for more than 30 years, when you have housing interest rates which are lower than they have been since the late 1960s, when you have cut your debt as much as we have, when you have strengthened our competitiveness by changing the industrial relations system, when you have embarked upon a competition policy which is designed to deliver real benefits to the consumers of Australia and when you have a

national government which is willing to tackle the age old weakness of the Australian taxation system then you have very genuine grounds for hope and very genuine grounds for optimism.

I believe that we have the opportunity as we move towards the turn of the century to realise the enormous economic potential of Australia. There are difficult areas in the economy, the level of unemployment remains a great challenge, but that can only be reduced in an enduring sense if we have a sustained period of high economic growth and you can't have that if you have a high rate of inflation, you can't have that if you have a potential balance of payments crisis and you can't have that unless you are prepared to as we have been willing to do to reform our industrial relations systems.

So, ladies and gentlemen, in thanking all of you as members and supporters and friends of the Liberal Party here in the ACT acknowledging some of the local difficulties, explaining them as I have endeavoured to do tonight, putting them in the framework of the programme that we have over a period of time to repair the foundations and then build on those repaired foundations for the future, not only of the ACT, but of Australia.

I want to thank all of you for the loyalty and support and understanding that you have extended to my government over the last 17 months. I owe a great deal to the Liberal Party. I've never forgotten my own Liberal Party roots. I would not have been in Parliament had it not been for the Party to which we belong, I would certainly not have been leader of that Party or Prime Minister of Australia without the understanding, the support and the endorsement of the Liberal Party. I see the last 17 months as being but the beginning of what I hope to be a period of achievement, a period of hope, a period of change, but also a period of preservation of those things in our society that are enduring and are worth preserving and worth integrating into our future.

I speak to you therefore with enormous pride about the last 17 months and with an enormous sense of hope and optimism and faith in the great National Capital of Australia and of course in our entire Australian nation.

Thank you.

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