

BANK OF ADELAIDE (MERCER) BILL 1980

First Reading

Bill presented by Mr Holgate and read the first time.

CONSOLIDATED REVENUE FUND APPROPRIATION BILL 1980-81

Second Reading

Resumed from 24 September 1980 (page 2510).

Mr GRAHAM (Denison) - I wish to speak against the amendment moved by the Leader of the Opposition. The amendment suggests that we look back and return to some mythical, halcyon days. These, if they ever existed, are no longer with us. Also it nitpicks. It picks at very small items and tries to denigrate the Government for its forward-looking strategy. The Government has tried to understand the fundamental changes occurring in society and the underlying reasons for them. In preparing its Budget these things have been uppermost in the Government's mind. We need to look where we are headed. We need to understand why we are headed in certain directions and we need to make informed decisions about the future we are heading towards.

We need to make decisions based on identifying basic trends and understanding the reasons for these trends. We often believe that changes simply occur but changes actually occur through a series of social processes operating over time. We, and other decision makers in the community, in industry, business and the unions influence these social processes on a day-to-day basis. We cannot accept that things simply happen and are given to us from on high or elsewhere. We can influence these things. The Government through its budget strategy seeks things which will benefit, in the long term, all Tasmanians.

So we need to ask where are we headed. But we also need to ask where we want to go because we can influence what is happening in our society to a certain degree if not totally and we can influence what will happen in the future. A most difficult question though, and one not answered easily, is that of how we can influence these changes in society for the betterment of all people who live in Tasmania.

Basically, because we are a very small part of a larger nation and a larger world with which we are inextricably intertwined, our decisions will have only a minimal influence. This influence can be significant over time but some decisions to change things over time will be unpalatable and unwelcome. However we must try to influence social processes to achieve the desired ends. As political groupings we have to decide on what ends we want to achieve. The Government has clearly stated some of the ends it wishes to achieve in the next few years and its budget strategy represents a step towards those ends.

I want to examine some of the trends affecting this society, mainly Tasmania but to some extent the wider Australian society, to gain some insight into where we might be headed. Some of these trends I consider crucial in shaping our society in the next five to ten years. In raising these questions, I personally have, and I believe my colleagues have, a fundamental commitment to achieving better levels of social justice.

Indications are that in our society these levels are getting worse. Despite opinions to the contrary they are already bad. Australia is not an egalitarian society by any means and one of the jobs that we as members of the Government seek to do is to achieve better levels of social justice. For example, the following figures come to light in a survey of 1978 income and expenditure and taxation data. The top 1 per cent of the adult population owns 22 per cent of the wealth; the top 5 per cent owns 46 per cent of the wealth; and the top 10 per cent owns just under 60 per cent. Then we go to the bottom 1 per cent which owns less than 0.1 per cent of the wealth. The bottom 50 per cent owns less than 8 per cent of the wealth. It is

interesting to note that the top 5 per cent of the adult population in this country owns more than the bottom 90 per cent. This could hardly be called an egalitarian society. It is one of those things in regard to which governments with a social conscience should be striving to achieve something better.

I want to look at three particular areas and three trends that have been occurring in our society in recent years. They have received some comment in this House in the two weeks in which I have been here. They have received a considerable amount of comment in the discussions leading up to the Federal election and no doubt they will receive a lot more. Generally speaking a lot of the analyses that go into pre-election discussions are very shallow, mainly because of the nature of those discussions. To be better informed so that we can make better decisions about the future, we need to understand much more deeply what is happening. The three areas I want to look at are firstly structural changes in the economy, particularly with respect to employment; secondly the shift in patterns of capital investment and the usage of capital; and thirdly housing, with some particular reference to Federal/State relations.

It may be considered that these are rather esoteric subjects and something a bit beyond us and in which we should not really become involved. But I want to show that these subjects are having a fundamental effect on Tasmanian society. Unless we are aware of these trends and seek to have some influence over them, we cannot be said to be having an interest in what is happening to the future of this State and the future welfare of its citizens.

First of all I turn to employment. A very simple analysis of employment trends in Tasmania over the last 10 or 12 years reveals a very interesting, and disturbing situation. Apart from the fact that unemployment has risen by approximately 300 per cent in the past five years, other fundamental changes have been occurring in the employment situation. Between 1968 and 1979 - and all the figures I will quote will be from that period - the Tasmanian employment total increased by 17 900. More significantly the change in manufacturing employment represents a loss of 6 200 jobs over that 11-year period. The most serious losses in that area occurred in the following divisions: food, drink and tobacco, minus 900 jobs; textiles, minus 2 800 jobs; wood and wood products, minus 800 jobs; paper and paper products, minus 900 jobs. It is interesting that these last two industries have been making an increasing contribution to the Tasmanian economy with their output increasing significantly. I understand it has just about doubled with respect to paper and paper products over the period and yet employment has gone down. This is not unique to Tasmania. It represents a series of changes that have occurred in the world economy representing rationalisation, substitution for labour of machines, or changes in technology as it is referred to, and a series of other adjustments in industrial technology. In Tasmania it has been made worse by a number of things. We happen to be on the periphery of the Australian manufacturing heartlands; it is a fact of life, a fact of geography. It is one of the things that makes it very difficult for Tasmania to survive in a very integrated economy in the latter half of the 20th century. It is one of the reasons Tasmania deserves special consideration from Federal governments, whatever their complexion.

The increases in the Tasmanian work-force are also interesting. First of all over that period there has been an increase of approximately 1 000 retailing jobs. It is worth noting also that in this time the amount of retailing floor space has more than doubled, indicating again a very big swing towards technology in retailing. It is likely that this trend will increase and probably accelerate with the present demands by the larger retailers to gain larger shares of the markets.

Public administration has increased by 2 600 employees and community services by 9 500. Those latter two should be compared with the changes in both private and government employment. People employed in private industry increased by 4 100 over that period; government employment increased by 14 800. So we have a situation where the Government is basically taking up the slack created by changes in the private economy. If it were not for major government investment in employment creation over

this period Tasmania's unemployment situation would be twice as bad as it is now. As I mentioned a few moments ago, Mr Deputy Speaker, there are a number of reasons for the contraction in manufacturing, but there is also a very interesting shift which has started to occur in the last couple of years with respect to the provision of services. This leads me to believe that we will see a contraction in service employment, particularly public administration and community services. Clearly one of those things has had to be faced by this Government in the last few weeks and that is the reduced supply of money. This will be facing this Government and any future government. So difficult decisions have to be made about employment in the public service sector and resources will have to be much more carefully managed.

There is another interesting trend that has not yet been significant in Tasmania but is becoming significant in parts of the United States and Western Europe. This is the growth of the informal economy. Previously services were gained through a formal process. If you wanted a window fixed you rang up your local glazier and he came and fixed the window. Today there is an increasing trend towards do-it-yourself, get-the-neighbour-in. The chap up the road may work as a glazier and he does the work on the side. That sounds a small thing, but estimates in the United States place circulation of money within the informal economy at 20 per cent of Gross National Product in 1979, with a possibility of its growing to something like 45 per cent to 50 per cent by the year 2000. In other words governments will have to realise that we are not dealing with one economy, but with a series of economies. The movement toward self-sufficiency, particularly among communal groups, has not been significant in Australia or in Tasmania yet. In other parts of the world it is growing in significance and in my view it is a trend that will continue as unemployed or under-employed people will seek to supplement their income by a range of means. They may do this through barter, whether through producing goods or providing services but they can no longer sell in the formal economy and they will seek to seek through other economic arrangements. So governments have to be aware of this, come to terms with it and deal with this informal economy. This is another basic shift which governments need to come to terms with and prepare appropriate strategies for. Because of these changes and because of the declining amount of money available within the formal economy, it is unlikely that the formal economy will allow the absorption of the excess created by the spill-out of jobs in the private sector. The Government has already been faced with difficult decisions about curbing public service growth and curbing the number of school teachers available in the community. These two decisions are symptoms of the decreasing amount of money available in the formal economy. There is no doubt that, whatever government is in power in this State, it will have to face these and similar decisions in the future. These are matters that we have to come to terms with.

I want to look at a second aspect. That is the question of capital investment and usage. There has been a tendency in the last five years to blame what are called the extravagances of the Whitlam Government for all Australia's ills. This ignores the fact that Australia's rate of inflation during the Whitlam era was average and at some times slightly below the average for all Western countries. It was lower than for the Heath Conservative Government, for the Nixon - even more conservative - Government in the USA and for even more conservative governments in South America and throughout the rest of the Western world. What was happening throughout the Western world was a shift in capital usage from industrial capital to what I call finance capital - investment and speculation. It is not insignificant - and the American magazine 'Business Week' identified this as probably the take-off in this shift of capital - that in 1968 there was massive speculation in commodity futures, particularly in grain, sugar and bananas of all things. This was the beginning of the shift away from investment in industrial capital. When investment capital is taken out of the industrial sector, it means that we do not get investment in employment-producing activities. We get investment in non-productive, speculative activities - the holding of goods or pieces of paper with the dream of a future high-level profit.

Its greatest representation in Australia - and it also occurred in Tasmania - was the speculation in land in the early 1970s. It led to disastrous situations in controlling suburban developments which the Whitlam Government has to try to manage. It was almost impossible as massive amounts had to be put into housing and sewerage to over-

come the backlog and the lack of investment into land development in the late 1960s and early 1970s. People were interested in making a profit out of land rather than developing it for its use as agricultural or urban land. So the aim was to reduce the investment and increase the profits. This story is well documented, Mr Deputy Speaker, I do not need to dwell on it, but this change occurred not only in Australia, it occurred in the United Kingdom in most western countries and in the United States. For that reason there was virtually a strike by capital. The Press and many commentators are wont to comment on strikes by trade unionists but there has been basically a massive strike by capital going on over the last 10 years that no real basic comment has been made on it. This is the sort of thing that governments, both of the present and the future, will have to come to terms with. They have very little control over where capital is invested. We can make offers, we can make it attractive for industrial and productive investment, but if the profits are not there or if the profits are greater in speculation, that is where capital will go. There is little doubt about that. It does not matter what sort of an economy or what shade of government it is, that is what happens.

We can see the evidence of this shift to speculation and essentially a non-productive form of investment, away from an emphasis on industrial capital, in our cities and towns, even here in Hobart. In the inner city of Hobart we have seen a large number of properties that were formerly for residential use converted to commercial uses, knocked over and used unproductively, particularly for car parks and activities associated with the motor industry, while there are large areas in commercial parts of the city that lie idle. The amount of vacant and under-used land in Hobart is almost equal to the amount of land - and that is land zoned for commercial and industrial uses - that is actually being used for those purposes within the same areas. People are sitting on this land - it is a legitimate form of commercial activity - waiting for its value to rise to gain profits through speculation.

Interestingly enough these people are not penalised for sitting on land - they get rebates. They get indirect rebates through rates, indirect rebates in taxes and some councils even give direct rebates for under-used land. Here we have a resource, one of the three major resources in our community, sitting idle and not being developed. The private landholdings available for development far exceed those held by the Government. These resources are not being used and are not being made available for development in this community.

Notwithstanding all the arguments that are given by many commentators and particularly the Press about the costs of governments, regulations, et cetera, one of the largest costs facing the setting up of a small business in this community is the cost of land and rent. This particular landholding, land speculation activity contributes to it. I am not suggesting that this is unique to Australia. It is a common thing throughout the Western world and it is a problem that governments will have to tackle if they are to support the future economic growth of their societies.

The third matter to which I wish to turn is housing. In 1969 the CSIRO estimated that 90 per cent of people could afford to buy a house. In 1979 the same group using the same analysis estimated that 20 per cent of people could afford to buy a house. Since 1975 the Federal Government has made a deliberate and considered move to reduce the amount of money available for public housing. As an example in 1977-78, \$25.6 million was given to this State for housing. In 1978-79 it was \$20.8 million; in 1978-80 it was \$14.9 million; and in 1980-81 it is \$15.5 million. You will notice, Mr Deputy Speaker, that the Opposition has dwelt on this small increase from \$14.9 million to \$15.5 million between 1979-80 and 1980-81. It has ignored the fall from \$25.6 million in 1977-78 to \$15.5 million in 1980-81. That is the significant statistic in regard to Federal funding of housing, not the miniscule increase between 1979 and 1980. This represents a cutback of 40 per cent. During the years 1977 to 1979 the State Government, by reallocation of resources, maintained its housing program. The State Government picked up the tab but this could not go on forever. Inevitably some cutbacks have occurred and will continue to occur while the amount of money available for housing from the people who hold the major purse strings in this country remains limited.

The redrafted Federal/State Housing Agreement has had the effect of forcing market rents in public housing. This seems to be a sensible commercial decision but it has meant that public tenants and tenants in general are even more disadvantaged than they were before. People who own or are buying their own homes get considerable concessions through government and semi-government institutions. For example finance can be gained at reasonable interest rates. Tax rebates are available for the payment of rates and in some cases of interest. Despite the fluctuation in interest rates, mortgage repayments remain fairly constant over a period of time and a diminishing proportion of increasing incomes. For the person buying a house, these are advantages. He also has a capital investment upon which he can realise or against which he can borrow money. All these advantages to the home owner are not available to the public tenant and even less available to the private tenant.

We move on to private tenancies. Because of increasing interest rates and the decreasing real income of the particular market the landlord serves, it has become less and less profitable to build accommodation for rental and the standard and supply of

private rental accommodation has diminished. Even so there are certain separate markets. We can detect a very high end of the market in which there is an oversupply and there is no real problem in gaining tenancies. But it is those at the bottom end of the market, the welfare recipients, those whose incomes are most affected by government strategies, particularly at the Federal level, who are most disadvantaged. We cannot concentrate just on public housing. We must also consider private tenancies. We must also consider the operation of the Housing Division and social welfare agencies with respect to the development of the housing policy. These trends will become more evident in the next few years and will require major shifts in housing policy by both State and Federal Governments.

I have identified trends in only three areas. All members of the House should be aware to some extent of all of them. There are obviously others. Changes in energy usage, availability and cost will have a fundamental affect on our society in terms of the physical size and shape of our cities, the way we get around, and in the way different groups are affected. Those on the lowest and diminishing incomes will be worst hit by these policies.

But social attitudes are changing. In particular there is a growing environmental consciousness. Twenty years ago had the Hydro-Electric Commission proposed the Lower Gordon/Franklin scheme, there would have been scarcely a squeak. Today it is a totally different matter. In the future this growing environmental consciousness will become more and more a factor governments will have to deal with - there is no way of avoiding it. Environmental consciousness is not an elitist attitude. It is an attitude that has spread throughout the community as has been evidenced by many of the surveys concerning the developments in south-west Tasmania. Interestingly enough the young, particularly those out of work and on low incomes, have the greatest environmental awareness as indicated by these surveys.

It is a totally different ball game even from five years ago. In this ball game the rules are changing all the time. We cannot bury our heads in the potato patch or look backwards. Governments will be increasingly called upon to carry the costs of production and reproduction in our society. Roads, health and education are well-known areas in which governments have long carried the costs. In a completely laissez-faire society, these would either have fallen to private industry, if it were magnanimous enough, or been just not done. But governments are now moving into more and more fields, in particular, into propping up industries. It has happened in Tasmania but also it is happening on a world-wide scale. British Leyland and Chrysler are two of the best examples but there is hardly a Western country that has not gone into the practice of propping up industries to protect employment. This is not necessarily a bad thing, but it raises the question of whether we can allow an increasing spread of costs to fall onto the public sector while profits continue to be retained almost exclusively in the private sector.

In conclusion I suggest that governments will have continually to review and change their priorities. As a result of these trends they will have to make very difficult decisions. Certain sections of the community will be advantaged, others disadvantaged, by these decisions - this is unavoidable. It will do no one any good to carp about these decisions. We cannot take the parameters of five, ten or fifteen years ago and say, that we did it then, so therefore it should work now. Things will continue to change and only those groups which recognise that and react positively will be able to meet the demands of society in the last part of the 20th century. We will have to reorder our priorities while meeting past commitments. We cannot avoid either.

We cannot continue bandaid treatment and looking after selected, and in many cases cosseted interests. For these reasons the Government's budget strategy is sound while the short-sighted, backward-looking approach of the Opposition must be rejected.