In recent years, "Summits" staged overseas have been a popular means of ego-building amongst political leaders. At a time of uncertainty, statesmen enhance their prospects of political survival when they show concern over major problems at an international forum.

Notwithstanding the politician's quest for kudos, some Summits, such as that held not long ago at Camp David in U.S.A., do stimulate positive thinking and action on international and national problems. Such events are rare indeed and deserve public support. At least the Hamer-inspired Summit on unemployment holds out to Australians the possibility of useful action to follow the talks.

The Hamer Summit, assuming it takes place with all parties involved, should provide a suitable forum at which the particular problems of various groups of unemployed can be properly ventilated. One area which deserves the utmost attention from participants is unemployment amongst juniors. The current unemployment rate for young Australians aged from 15 to 19 years is 16.8 per cent. Unemployed juniors presently comprise more than a third of the total unemployed. Unless creative and practical solutions are uncovered either at the Conference or soon thereafter, the number of jobless young Australians will rise inexorably, together with youth's share of total unemployment. Particularly in this respect it is essential that the following items have high priority on the agenda:

* The minimum wage
The high minimum wage contributes significantly to our current levels of unemployment. There can be no doubt that the trend towards the use of capital-intensive labour-saving devices is being accelerated by the disinclination of employers to hire overpriced and relatively unproductive youngsters. Reduction or abolition of the minimum wage would also open up many opportunities for employment on the
land. Enforcement of the minimum wage for aborigines, though arising from the highest motives, has already resulted in many aborigines previously employed on the land being relegated to the dole queue.

* A flexible approach to permanent part-time employment

We have heard much in recent times of new technologies reducing the demand for clerical, administrative and process workers. Whilst job sharing may afford only a limited prospect of a solution to unemployment in these areas, permanent part-time employment offers one way of reducing working hours and bringing more people into the workforce. If the worst predictions concerning the effects of technology should prove to be ill-founded, permanent part-time employment need not affect the return to full-time employment when the economy picks up.

Those union spokesmen who profess sympathy for the unemployed and propose as a remedy shorter hours *for the same pay* for their members, should realise that this is economic idiocy. Sharing the work available must, as a matter of economic common sense, involve *income* sharing if the inflationary effects are to be avoided.

* Overhauling the penalty rate system

One example of an industry being crippled by the application of penalty rates is the tourist accommodation industry. The services provided by the industry are not good enough. Sensible revision of penalty rates would not only help the industry to attract much-needed foreign currencies and investment into the country but would also provide many opportunities for young unskilled labour in a growing service industry. The penalty rate structure retards the expansion of all industries which do not fit easily into the normal five-day week.

Adoption of policies along these lines would not require any active interference by governments, rather it involves a loosening of regulatory controls and restrictive practices. For too long Australians have looked to governments to provide them with the answers to social problems. And for too long governments have responded in the only way they know how — by increasing regulatory control and by spending more public money irrespective of the effects of such policies on the economy. The Hamer Summit provides the opportunity for employers, unions and community groups to work together at the Conference, to offer concessions, to advance practical schemes, and to establish working groups on special aspects of unemployment, so that a national problem can be tackled as it should be — in an atmosphere of consensus, *not* conflict.

Whilst much can be done at the State level to ease the unemployment situation, it is, nevertheless, appropriate for the Federal Government to be involved in the Conference. The emerging pressures on all sides for immediate "demand stimulation" have to be resisted by the Federal Government if unemployment in the long-term is to decline to an acceptable level. Nothing will impair employment opportunities in the long run more than a further bout of inflation.

As *IPA Review* goes to press, doubts are being expressed about who will take part in the Conference. Whatever the outcome, it would be unfortunate if the Hamer Summit proved to be no more than a political exercise. Full employment as we knew it in the fifties and sixties is unlikely to be restored for some time and it is to be hoped that prospects of action resulting from Mr. Hamer’s initiative are kept alive and fostered following the close of discussions on December 13th.
Annual Meeting Address

Free Enterprise, Unions and Government in Switzerland

by

Dr. Louis von Planta
Chairman CIBA—GEIGY Limited

Dr. Louis von Planta is a Director of several Swiss Industrial Companies and was elected to the Board of J.R. Geigy S.A., Basle, in March, 1965, becoming Chairman on January 1, 1968.

In the merged company, CIBA—GEIGY Limited, Dr. von Planta was Deputy Chairman from its formation in October, 1970, until May, 1972 when he became Chairman of the Board.

Dr. von Planta is a well known industrial leader in Switzerland and in Western Europe. He is also Chairman of the Swiss Federation of Commerce and Industry (a similar institution to The Confederation of Australian Industry), and a Member of the Committee of the Board of the Federal Swiss National Bank.

In taking this opportunity of speaking to you on the subject of Free Enterprise, Unions and Government in Switzerland, I am very well aware that the situation in Switzerland is not a matter that is likely to be of any special interest to you. My purpose is to use Switzerland as an example of how economic problems can be satisfactorily solved in a country faced with difficult external conditions.

Most of you, I am sure, know Switzerland by name only. Perhaps you have heard the country mentioned in connexion with tourism, watches and banking. In actual fact, however, Switzerland—a small country situated in the centre of Europe, with some 6 million inhabitants—is primarily industrial, and 44% of our working population work in industry. As far as external conditions go, the preconditions for Switzerland as an industrialized country are unfavourable. Switzerland has no native raw materials. Agricultural production does not suffice
to feed the population. All industrial raw materials and intermediates, and a good proportion of agricultural products, have to be imported from abroad. Industrial output exceeds the capacity of the home market to absorb it by far, so that Swiss industry depends largely on export trade. Switzerland is, along with Belgium, the European country with the highest export figures in proportion to its gross national product. But we are confronted with several handicaps. First of all, our products are burdened with two way transport costs. That means that we have to concentrate our efforts on products with a high added value. Secondly, we are very much troubled for several years by the instability in the field of currencies and by the exaggerated value of the Swiss Franc, not due to economic reasons but to international speculation.

Yet despite these unfavourable preconditions, Switzerland has achieved a high standard of living — in fact one of the highest in the world. The question that immediately springs to mind is, how has it been possible to achieve this result in the face of such unfavourable conditions? The answer is simple: the Swiss economy has from the beginning been under a compulsion to create better products with a high innovative content and at the same time to maintain a reputation for reliability of delivery; for the only native raw materials are hands and brains. Only by this means has Switzerland been able to counteract its structural disadvantages. Thanks to political and economic stability at home, and to a consistent and long-term conservative financial policy, Switzerland has also established itself as a centre for services, especially banking and insurance. Switzerland as a banking centre, about which so much has been written, often critically, is thus the product merely of political and economic stability, a stability expressed also in the value of the Swiss Franc.

The economic and social problems that remain to be solved in Switzerland are in every way comparable to those in other countries, and they are certainly not easier. In Switzerland, too, the areas of tension are the same as exist in all industrialized countries. The reason for Swiss success thus lies purely in the way in which social and economic problems have been tackled. The solutions achieved are based largely on the pattern of relations between the economy and the Government on the one hand and what I shall call the social partners — namely employers and employees with their respective organizations — on the other.

The basis for the development of this relationship is the economic system. Both government and business in Switzerland are committed to the principles of a free market economy because they are convinced that a liberal economic order is the best guarantee for promotion of the general welfare and permits the greatest possible measure of individual human freedom. In the light of the structure of the Swiss economy, a free market economy is not only the economic optimum but also a fundamental prerequisite for our survival in freedom and independence. As I have already remarked, the Swiss economy is dependent on our continued capability to export. In all our markets outside Switzerland, whether governed by free market economy or State economy principles, our products are subject to the workings of the market-economic principles of competition. In other words, in whichever country of the world we market our Swiss products, we can win sales only if we can surpass other countries in respect of product quality, innovation, price and reliability of delivery. Our economic system must therefore be one that permits us to offer both market-
economic advantages and also, in particular, a flexible and adaptable approach in times of hectic economic change. But this is possible only if the individual entrepreneur is granted both the responsibility for his entrepreneurial activities and the freedom to carry them out. The alternative — namely a planned economy, with its associated bureaucracy and rigidity — simply cannot be contemplated for Switzerland.

This having been said, we must be aware that a free market economy rests on the concept of profit. This forms the basis of every entrepreneurial decision, from research, via capital spending to marketing, and it is the yardstick of entrepreneurial activity. To make a profit is thus the prime duty of the entrepreneur; for without profit he cannot fulfil his obligations to the State, to his employees or to his investors.

In the international context the aim of Swiss economic policy is to create the preconditions for the freest possible exchange of money and goods. A country that is dependent on exports is committed to the principle of large and free markets. But this also implies that we cannot tolerate any industrial protectionism at home.

These basic prerequisites may seem very elementary. However, they can be realized in practice only when they find the support not only of the government but also of the business community in the widest sense, in other words employers and employees. That is why it is so important to have a continuing dialogue in government/business relations. But such a dialogue necessarily implies partners. The partner on the political side is evident: the government. On the business side, the partners recognized as representing the employees are the trade unions which are organized in the Swiss Federation of Labour. But employers, too, must be represented by institutions competent to put their point of view in a dialogue. The necessity for a dialogue is anchored in the Swiss Federal Constitution, where it is laid down that interested economic organizations shall be consulted prior to the enactment of legislation in the economic and social fields. This means in practice that an exposure draft of every important proposed government measure is circulated by an institutionalized procedure to the business associations for their comment. The organization of business is simple. Industry and commerce are united in the Swiss Federation of Commerce and Industry and the Swiss Employers’ Association; the craft trades in the Swiss Association of Arts and Crafts, and the farmers in the Swiss Farmers’ Association. However, cooperation between the government and the business associations is not confined to the circulation procedure I have already mentioned. The associations are in addition represented in various expert committees, where they deal with the fundamental problems of economic and social policy together with the political representatives. I have already said that fruitful cooperation between the various partners is possible only when all concerned are fundamentally dedicated to the same economic system. True cooperation, especially in the expert committees is, however, possible only when all the partners place the national interest first in their considerations and are ready to subordinate selfish sectional interests to the common good.

Solutions arrived at in this way are often a compromise. Thinking in terms of compromises may seem unheroic, but it corresponds to long-standing Swiss tradition. The very existence of Switzerland owes its origin to a compromise between human beings of different language and different faiths. It rests on the concept of
tolerance, but also on solidarity between
the stronger and the weaker. This policy
of compromise has permitted a stepwise
and organic development of the Swiss
business economy.

However, the system of close co-
operation between the State and the
business community, in which the latter is
represented by employers and employees,
is possible only where orderly relations
prevail between the two last-named part-
ners. Fundamentally these relations are
based on the principles of good faith, and
a policy of co-operation rather than one
of confrontation is the objective. Negotia-
tions on overall problems take place be-
 tween the federations of employers and
employees. They serve for the one part to
remove misunderstandings and create a
basis of trust, and for the other part to
formulate joint recommendations on such
structural matters as for instance the at-
titude to be taken to plant closures or per-
sonnel cuts. The actual agreement
negotiations between the social partners
take place either for whole branches of in-
dustry at a time between the industry
unions concerned and the corresponding
employers' associations, leading to collec-
tive labour agreements, or for individual
companies, leading to plant agreements.
These agreements govern such matters as
pay, hours of work and the like. In our
most important and biggest industry,
hence, the machine and
metalworking industry, a pact signed for-
ty years ago has set its stamp on the whole
economy. The importance of this agree-
ment is so great that I must devote a little
time to explaining it.

The pact between employers and unions
in the machine and metalworking industry
was first signed in 1937; it has just been
renewed in 1978 for a further five-year
term. It binds both agreement parties ab-
 solutely to industrial peace. This means
that the parties have agreed to solve pro-
blems arising from differences of opinion
and conflicts by means of a set procedure
based on the principles of good faith. Both
strikes and lockouts are explicitly barred. The pact regulates overall condi-
tions such as hours of work, holiday ent-
titlement and the like. Pay negotiations
are the concern of the various industry
branch associations for whose negotia-
tions, however, the pact remains fully ap-
plicable. The fact that the largest branch
of Swiss industry has renounced industrial
action as a bargaining counter has had
decisive effects on the whole field of in-
dustrial relations in Switzerland. Here,
too, we see the working of the principle of
dialogue and compromise in the overall
interests of the Swiss economy and hence
of the country itself.

An important feature of industrial rela-
tions in Switzerland is also the fact that
very few of its problems are covered by
legislation. Most of the regulation is in-
corporated in the individual collective
labour or plant agreements, of which
there are a great number. This solution is
a component of our federalistic thinking,
in which the employee, too, is of the opi-
nion that better solutions for both parties
can be found in a small and easily-
reviewed setting than on the basis of
legislation. It is only natural that this
philosophy, too, should be constantly
brought up for discussion, and that moves
should be undertaken to bring about
legislated solutions covering the whole of
Switzerland. Interestingly enough,
however, proposals of this kind have been
repeatedly rejected by the electorate when
subjected to a referendum. A typical ex-
ample of this kind of rejection is provided
by the fate of the move by the unions in
1971 to secure employee and union
power-sharing at corporate level. In its
details the move was largely modelled on
the co-determination legislation of West
Germany. It would have resulted, if put
into practice, in a fundamental alteration of the structure of the Swiss economy. It would certainly have weakened business management, but the idea of social partnership, too, would have been undermined. Taking the idea of social partnership as their starting-point, the employers, for their part, while rejecting the idea of participation at corporate level, expressed themselves wholly in favour of participation at the workplace; for the ideal of solidarity between employers and employees to a common end, namely the prosperity of our economy and hence the maintenance of our living-standards, is also deeply rooted among our employers. Placed before the electorate in a referendum in 1976, the move was rejected by a resounding 2-to-1 majority. This result shows that the greater proportion of Swiss employees is firmly of the opinion that the present system of co-operation is worth preserving and indeed expanding still further in the interests of the partners.

I said at the beginning that Swiss business can survive only if it can create better products with higher innovative content than its foreign competition. The prerequisite for this is the common dedication to an economic system that extends initiative and responsibility to a large number of the people. A further prerequisite is, moreover, that we are able to maintain our reputation for reliability. But reliability is possible only in an atmosphere of social harmony. Thanks to our system of co-operation between the government and the business community, and to harmonious industrial relations, we have been able to preserve our strong base under difficult world economic conditions.

As I said at the outset, I am presenting the case of Switzerland purely as an example of possible solutions for the cited problems. I am aware that preconditions vary from one country to another. For my part I am always interested to see how other countries solve their problems — one can thereby gain positive impulses, and can also learn from mistakes. So for instance the pharmaceutical benefits scheme in Australia is regrettably an illustration of the inequitable handling by the Federal Government of this free enterprise industry. Due to the monopsonistic nature of this ethical pharmaceutical market, the industry is completely at the mercy of the Government. Despite conclusive evidence that the pharmaceutical industry is losing money and winding down, no decisive action has been taken and the Government is content to accumulate a plethora of data generated by a succession of enquiries.

In this sense it is up to you to draw the conclusions of importance to your country.
INTERNATIONAL TOURISM: AUSTRALIA’S POTENTIAL

The tourist industry is presently one of the fastest growing industries in the world. Excluding payments for fares, the amount spent in a year by hundreds of millions of international travellers on tourist-related industries is estimated to be $US 50,000 million, or more than half the annual value of Australia’s Gross Domestic Product. Australia currently extracts less than one per cent of all international tourist expenditures — a tiny proportion of the total “tourist dollar”.

Australia’s tourist industry, which caters for both domestic and international tourists, comprises several industries in the public and private sectors that provide goods and services in demand from tourists. These industries include accommodation, transport and travel, banking and finance, petroleum, retailing food and drink, entertainment, amusements and recreation. Because tourism is a composite of so many related industries, particularly within the service sector, it contributes significantly to our national income. Tourism adds to Australia’s national product, raises public revenues through the various taxes and duties derived from tourist activities, provides extensive employment opportunities and stimulates regional development.

International Tourism

Whilst the people who are responsible for promoting tourism should endeavour to sell Australia to Australians, they should also try to increase our share of overseas tourism. International tourism could well have a positive impact on Australia’s overseas balance of payments. This would be a highly desirable development. In the last financial year Australia’s overall balance of payments deteriorated to the extent that our official international reserves fell by $540 million — the fifth successive annual deficit.

In 1977-78 the difference between our earnings from international tourism and our expenditure on overseas tourism was $200 million in deficit. On the debit side of the balance of payments (trade account), tourism was the largest invisible cost transaction after categories including transportation costs and property income paid overseas. On the credit side, earnings from international tourism ranked only tenth in value out of all the major categories of Australia’s exports of goods and services. A boost to the international element of Australian tourism would help to create a more favourable balance of overseas payments in the years to come.

In the Pacific area alone the volume of tourists in recent years has grown at a much faster rate than that of world tourism overall. Statistics
on the number of overseas tourists visiting Australia intimate that we have failed to capitalize on the rapid growth in tourism within our own region. The following table shows the extent to which Australia has been running a deficit on international travel transactions over the last few years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Overseas visitors</th>
<th>Australians departing overseas</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Number '000</td>
<td>Income received $A million</td>
</tr>
<tr>
<td>1974</td>
<td>533</td>
<td>197</td>
</tr>
<tr>
<td>1975</td>
<td>516</td>
<td>219</td>
</tr>
<tr>
<td>1976</td>
<td>532</td>
<td>248</td>
</tr>
<tr>
<td>1977</td>
<td>563</td>
<td>312</td>
</tr>
</tbody>
</table>

The message contained in these figures is clear. Australia needs to attract far more international tourists if the gap between travel receipts and travel payments is to be closed and a net gain achieved.

From 1969 to 1977 the average annual increase in the number of Australians departing overseas for a period of less than 12 months was 16.4 per cent. The corresponding increase in the number of overseas visitors was 5.7 per cent. Hopefully, policies directed at promoting Australia’s tourist potential will reverse these growth rates in the future.

In addition to generating greater foreign exchange earnings, the impact on Australia’s economy of more overseas tourists would be felt where new employment opportunities were created in service industries, where higher incomes and profits were earned in tourist-oriented enterprises and where increased government revenues were collected from taxes and duties raised on tourist expenditures. Few industries offer such potential for long term economic growth as tourism. The importance of developing tourist and related service industries so that new employment opportunities may be found, cannot be over emphasized, particularly as recent unemployment statistics show that people who last worked in industries such as entertainment, restaurants, hotels, personal services, food and beverages have one of the highest rates of unemployment in Australia.

**Obstacles to International Tourism**

Notwithstanding the need for attracting the overseas tourist, the difficulties involved in realizing our tourist potential are immense. The high cost of travelling to Australia and then of travelling throughout the country are major obstacles to be overcome. Lower international air fares will be a step in the right direction if they are accompanied by lower internal air fares and if the Federal Government promotes the de-regulation of Australia’s airline industry. But in the opinion of Professor Cox, an expert in the travel industry who was a recent visitor from U.S.A., “Because you are all so far away, any package tour to Australia can’t be sold at a price that looks sensible.” Unfortunately we are unable
to change our geographic location and we cannot do much to alter the fact that at present Europe and the Americas receive 72 and 20 per cent of international tourist flows respectively. (This leaves only 8 per cent of the total tourist trade for all other countries to fight over). But unless Australia can offset the discouragement to tourists of distance and travelling costs, we shall miss out on possibly a major stimulus to employment opportunities coming in the future from an increasing number of "travel-conscious internationals", and especially from travellers within our own region.

The high cost of travelling to and within Australia is not the only factor which inhibits more rapid growth in the tourist industry. Tourist accommodation is a perfect example of a labour-intensive industry which is having extreme difficulty in operating efficiently and offering reasonable prices to the consumer because of the crippling level of labour costs that it must bear.

In 1977 a report by the Industries Assistance Commission (IAC) on the Tourist Accommodation Industry in Australia highlighted the recent significant increases in labour costs that had occurred in the industry. From 1973 to 1976 labour costs in motels rose from an average of about 45 per cent of total operating costs to an average of over 50 per cent. For the 16 hotels that gave financial information to the IAC, the corresponding increase in the share of wages in total operating costs was from 35 per cent to over 45 per cent. The enormous rise (on average by about 50 per cent) in the total operating costs of hotels and motels from 1973 to 1976 "was largely a result of increases in basic and penalty award wages and the move to equal pay for female employees". (IAC quote)

The rapid increase in labour costs of tourist accommodation establishments has precipitated steep rises in a whole range of hotel charges. According to the Australian Accommodation Council, the average overnight charge for standard rooms increased from $12.50 in 1970-71 to $20.00 in 1974-75. This increase of 50 per cent was well in excess of the rise in consumer prices that took place over the same period. Today the daily rate for accommodation (daily room only — single) in an international hotel ranges from $45 to $55, and for a standard hotel the corresponding price range is from $30 to $46. The level of operating costs, mainly labour costs, in Australia's tourist accommodation industry is pricing us out of the international tourist market.

**Some remedies needed**

The Federal Government seems to be aware of the immense task of encouraging many more overseas tourists to travel to Australia. In the Budget for 1978-79 the Government has increased the annual grant to the Australian Tourist Commission from $3.1 million to $4.4 million, an increase of 37 per cent which will be directed exclusively towards attracting greater numbers of visitors to Australia. But although promotion is an important stimulant to our tourist industry, and
especially to the international element, it does not alter the fact that at present Australia is a high cost destination to the great majority of overseas tourists.

Professor R.L. Mathews of the Australian National University recently drew attention to the negative effects that high labour costs in service industries were having on the economy. He said, "At a time when falling labour needs in rural and manufacturing industries make it imperative for employment to expand in the tertiary sector, tourist, restaurant, cultural, recreation and other industries dependent on casual, part-time, evening or week-end work, have been increasingly priced out of the labour market to the disadvantage of those whom they would otherwise employ."

Already a Government Task Force has studied the detrimental effects of the high incidence of penalty payments in awards in tourist-related industries. As the Minister for Industry and Commerce, the Rt. Hon. Phillip Lynch, said recently in an address to the Travel and Tourist Industry Advisory Council, "The time is long overdue for a fundamental overhaul of the wage rate structure within the tourist and accommodation industry by the parties involved within the framework of the Conciliation and Arbitration Commission. Unless the wage structure is geared to the industry's "round the clock" operations, incentive for expansion within the industry, particularly in investment, will not be generated."

The penalty payment system, which is built into the award structure of many service (and other) industries, is an additional labour cost that must be borne by employers when they call upon their employees to work beyond so-called "normal" working hours and outside "standard" conditions. For instance, in the tourist accommodation industry, employees are paid excessive hourly rates for work carried out on week-ends, public holidays and on shifts outside 7 am to 7 pm, Monday to Friday. Moreover, penalty payments are not only a significant operating cost burden in service industries, but are also thoroughly irrelevant in present times when hundreds of thousands are unemployed, when the demand for shift work is increasing and when many Australians (1 in every 7 employed) are preferring permanent employment on a part-time basis.

Australia's hotel accommodation industry should be running services on a 7 days a week, 24 hours a day basis, if it is to effectively meet the needs and demands of international consumers. Yet, in operating around the clock, it is penalized by an award-payment system that is based upon the 5 day week, 8 hour day. The effect of penalty rates on the provision of services should concern everyone in tourist-related industries. Today it is not uncommon for many hotels and motels throughout Australia, and in some cases even those in resort areas, to close their dining and bar facilities on Sundays. This occurs primarily because of excessive hourly rates paid to staff on week-ends. One of our major international Hotels — the Sheraton in Perth — closes its dining..."
rooms on Sunday evenings. Consequently, it has to rely on a small coffee shop to service its guests!

According to the IAC, penalty payments normally make up 20 per cent of rates during a normal trading week for hotels and motels and a much higher percentage in weeks which contain public holidays. Perhaps it is time for all the parties involved in the industry to question the relevance of the penalty rate system. Alternatives such as the introduction of a more generous flat wage rate for a 40 hour week, irrespective of week-ends, holidays or after hours should be considered.

There will always be "less desirable" work shifts and it is not suggested that we ought to completely abolish penalty and shift rate payments without considering suitable schemes which could replace the "old" payment system. It must be remembered that penalty rates were introduced within the Australian Conciliation and Arbitration Commission with the consent of both unions and employers. In Australia's system of industrial relations, once a concession is made to employees it is difficult for employers to take it away. Nevertheless, changes in work patterns are occurring all the time, and it will be illogical and unfair in the future to pay some employees more than others for the same tasks performed over different periods of time.

Consultation and negotiation between unions and employers in the hotel accommodation industry and in other tourist-related industries could be the first step towards implementing changes to the existing award-payment system. But concessions would have to be made by both employers and unions on a give and take basis. The current minimum weekly award rate for people working in the industry group which includes hotels is one of the lowest rates of all Australian industries. Employees may have to be given financial compensation and provided with additional incentives if penalty rates are to be abolished or reduced to a manageable level.

If Australia is to attract a much greater number of overseas tourists which would spur growth in tourist-related industries, then our service charges for hotels, airlines, transport and communications etc. must be on a par with rates being offered overseas. It is nonsense to think that Australia's service industries such as hotels are unable to compete with their counterparts in other countries because they are labour-intensive. It is precisely for this reason that they must entice international tourists with the best services (in quality and price) that are possible if international tourism in Australia is to expand. In conclusion, The Minister for Industry and Commerce says that, "Tourism offers exciting prospects for Australia and has potential for growth in both the international and the domestic markets. To achieve that it must not dwell on the problems of the past but plan for the future with determination, common cause and optimism". (IPA emphasis)
Lawmaking, Bureaucracy and Vouchers

The I.P.A. Presidential Address

by

Mr. W.D. Brookes, C.B.E., D.S.O.

In the 1930s the Commonwealth Income Tax Legislation was re-cast into a comparatively simple Act of modest proportions. That Act has been amended very frequently and is now so complicated and voluminous that the average taxpayer has little or no chance of understanding it.

Income Tax Law is only one example of what is happening to the whole range of regulations which govern our daily lives. A former State Attorney General who is also a member of I.P.A.'s Council, the Hon. Vernon Wilcox, a man who has spent many years in Parliament and should know what he is talking about, has recently been quoted in "The Australian" as suggesting that too many laws mean that Australia is being strangled by government.

The dangers implicit in this situation were aptly summed up by Mr. Justice Gillard in June this year when he said, and I quote:

"We should closely scrutinise the legislation that is being churned out at three levels, Federal, State and municipal, whereby, slowly but surely, the citizen is being enmeshed in inhibitions and prohibitions of all kinds and the interests of the unfortunate individual are completely overlooked. If ever there was a brake on human initiative and an invitation to disregard the law, that kind of executive administration is a means of doing so."

A critical approach which points accusing fingers at the inadequacies of the system, may identify problems, but it does nothing towards finding solutions. Debate should centre around all possible methods of simplifying legislation and of reducing the size and influence of bureaucracies whilst maintaining and raising the levels of efficient administration. This is one problem area that I would commend to government, business and the law to attempt to tackle now. The need is for less new legislation and more revision and simplification.
In addressing myself to this problem, I wish to dwell on the laws governing social welfare.

It is becoming clear that financial outlays are no longer an adequate means of measuring the effectiveness of solving social welfare problems. Bureaucratic administrations are soaking up a large proportion of funds which were originally destined for distribution. Public servants cannot be blamed for this situation. The fault lies in the very nature of the service itself which is gathering a growth momentum which nobody, not even a Government determined to keep real growth of public expenditure down to zero, seems capable of controlling.

Public reaction is becoming increasingly vocal. We hear more and more expressions of frustration at the inefficiencies of those bureaucracies which fail in their primary aim — the effective distribution of funds — and strangle personal liberty with over-government in the process.

Of fundamental importance in the distribution of taxpayers’ funds is the question of accountability. Under state controlled education for example, schools are accountable to the bureaucracy who are theoretically accountable to the taxpayer through the elected government of the day. This method, which at best promotes collective rather than individual accountability, has long since shown a tendency to break down.

The use of vouchers is one possible — but hitherto rarely tried — alternative means of bringing the situation under control. One of the main attractions of voucher schemes is that bureaucracies are largely bypassed. In effect, vouchers are cheques on the government purse made out directly to those in need; they are non-transferable and can only be redeemed for the specific purpose for which they were intended.

Again using education as an example, vouchers which cover the maintenance costs of running schools would be sent direct to all parents, who would then cash those vouchers for the education of their children at a limited range of local schools. Under this kind of scheme parents who wanted to send their children to schools with above average resources would pay fees in addition to the voucher.

Education vouchers force schools to be accountable to the customer, the parent, the one for whom the service is provided. In an advanced scheme, a parent simply takes his voucher to another school if he is dissatisfied with the standard or style of education.

Much thought has been given to introducing various voucher schemes in Australia. Health, welfare housing and education are here used as illustrative examples.

Health

In restructuring Medibank in the August Budget, the Government wisely showed how regulations can be simplified and are to be encouraged to go further. They missed, however, the opportunity of incorporating a voucher scheme. Health vouchers would be sent directly to certain categories of individuals, pensioners for example, who would
then cash their vouchers with any Health Fund of their choice. It was a great opportunity to introduce the concept of vouchers to the Australian public and it is to be hoped that the Government's previous plans for their introduction and testing have not been completely shelved.

**Welfare Housing**

The shortage of welfare housing is acknowledged, but it is now clear beyond question that pleading for more funds for distribution through the Housing Commission bureaucracy will only meet that need at great cost in terms of value for money. On the other hand, housing vouchers are sent direct to those in need to be cashed only for the purpose of renting or buying a house on the open market. A voucher scheme holds out the prospect of meeting the need for housing whilst eliminating welfare estates and reducing the overhead costs of the bureaucracy.

With this vision in mind, the Fraser Government set up the Housing Allowance Voucher Experiment (the HAVE scheme) which was to have been introduced in parts of Melbourne and Tasmania in January 1978. I understand the cost of this experiment was estimated at $12 million, and we think the Government was shortsighted in allowing the HAVE scheme to be one of the casualties of their austerity programme. No assurance has been given yet that it will be re-introduced when the economy picks up.

**Education**

The possible use of education vouchers has been hotly debated in academic circles for several years. An experiment, which was set up in less than ideal circumstances, was introduced at Alum Rock in America in 1972. Federal funding of the experiment has now ended but many lessons were learned about the operation of parental choice. The eyes of the world are now on a second experiment which has recently been started by the County Education Committee in Kent, England.

Australia is not lagging too far behind the rest of the world in investigating the possibilities. Much work has been done at Federal and State levels. The Victorian Government, for example, has just completed a two year inquiry under the chairmanship of the Deputy Director General of the Education Department. The Report has not yet been made public, but it would be surprising if it did not emphasize the problems involved in setting up any form of experiment. Even when education authorities are willing to consider giving up a measure of control in favour of a system where all schools become effectively private schools which are financed by the State without enforcing uniformity, it has to be admitted that the cost involved in experimenting is likely to be an important factor in the decision to proceed.

In conclusion, I would like to say this. Despite, what seems to us, an obvious need to simplify laws and regulations and to reduce the extent and inefficiencies of bureaucratic control, the trend towards more and more legislative action is widely supported by some sections of the com-
In a letter to The Age (4th August, 1978) a sociologist pointed to the need for education to be geared towards encouraging the development of "free, natural and spontaneous relationships", rather than the casual, loveless relationships of a permissive society. Having identified a need, he proposed a solution; Governments he said, should set up, and here I quote, "a Department of Human Relations and Social Communications so as to provide for the creative emotional friendship, social and spiritual needs of all people."

God help us! We are entreated to create yet another bureaucracy. It is symptomatic of our times that we have raised a generation of citizens who see in government action the answer to all our problems.

It is really a very simple equation which governments have to balance. Expenditure must be matched by income from taxes. It is easy to identify needs, but much more difficult to accept that citizens can only be taxed to a certain level. Needs have to compete with each other for limited resources. One never seems to mind if the other fellow pays.

We should not make demands on governments, who are only the vehicle for the distribution of funds, without relating our demands to the level of taxation involved. I sometimes find myself offending this principle.

Some previous Australian Governments have taken the easy road and attempted to meet needs without due regard to the cost. When expenditure exceeds income by an excessive amount we live beyond our means and the result is inflation. That was the core of Mr. Howard's budgeting problem. Having lived beyond our means, we are now going through the painful process of trying to return to what we can afford without hurting the patient more than he can bear. The taxpayers' revolt in California is no doubt being watched with interest by many people in all walks of life.

In the circumstances, however much we complain about high taxes on the one hand and, on the other hand, what appears to many as excessive government expenditure, it is surely a much more justified action to seek a more effective distribution of taxpayers' funds. Voucher schemes offer one possible way in which this can be done in the long-term, but no suitable solutions will be found if we do not experiment with various options in the short-term.

Let me end on this note — that more innovation is essential if we seek a better way for tomorrow.
ENERGY RESOURCES DEVELOPMENT

by E.D.J. Stewart

Mr. Stewart is General Manager, Fuel & Energy Minerals, Western Mining Corporation Limited. Before joining Western Mining in 1970 Mr. Stewart was for almost twenty years with the S.E.C. of Victoria.

During the 1960's, in addition to his activities with the S.E.C., Mr. Stewart undertook Colombo Plan work for fuel and power authorities in Thailand and India related to development and use of their lignite resources.

He is a member of the Australian National Committee of the World Energy Conference and of the Committee of that organisation set up in 1976 to study and review the Australian scene with regard to future energy resources.

Australia's low cost energy era — 1960-1980

Throughout the Western World costs and prices have risen steeply since the four-fold increase in the price of OPEC oil in 1973.

However, today in 1978, Australians are still living in a low energy cost era.

It is important to appreciate the significance of low cost energy supplies to the Australian economy and the factors in our earlier resource development that brought this about and what we should learn from them.

In Australia by the late 1960s three local factors contributed to the creation of our low cost energy society which still
prevails in 1978 despite changes elsewhere.

These factors were —

★ the construction of oil refineries around the Australian coastline. These refineries produced a 30% by-product of residual oil after extraction of petrol, diesel oil and other light fractions. This fuel oil was sold as fuel for power stations and industry in competition with black coal and brown coal briquettes on the Australian market. This established the low market prices for coal and other competing fuel from the late 1950s on.

★ the discovery of the Moonie, Bass Strait and Barrow Island oil fields, making us for a time at least 60-70% self-sufficient in liquid fuels, together with the associated discoveries of commercial quantities of natural gas in four States, and

★ the last but by no means the least factor, the realistic taxation structure of the mining industry, plus the assistance for petroleum exploration existing at that time, created the incentives for large exploration programmes which resulted in the oil and gas discoveries.

Since the OPEC oil price rise in 1973 the costs of various forms of energy throughout the Western World have escalated in relation to wages and incomes. In Australia, because of our self-sufficiency, our energy costs have remained relatively low, but our wages have increased both in dollar values and real terms as the table below shows.

These energy cost data are based on Victorian costs, costs in other States would vary in detail as far as each source of energy is concerned. The general picture would be similar if not quite as dramatic particularly as far as gas is concerned.

The figures used in preparation of this table were published Australian average weekly earnings and the average prices of Victorian Electricity Commission electricity sales, Gas & Fuel Corporation gas sales and retail standard grade petrol (all

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### COMPARISON OF REAL COST OF ENERGY

**AUSTRALIA v USA 1948-1977**

Figures are indices of real prices using CPI figures to adjust to 1967 year base

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States). These were deflated by the CPI to express each in constant money values using 1967 as the base year.

The cost of labour does not include payroll tax, workers' compensation and other loadings which today add almost 30% to direct wages compared with about 15% in 1970.

Comparable U.S. figures are given in each case. The price of labour in the U.S. is expressed as the average hourly earnings. All of the U.S. costs and prices have been deflated by the U.S. CPI. Although statistically some of the figures used are not strictly comparable, they are valid enough to establish the point that we in Australia are still living in a low cost energy society.

The figures show how the real prices of labour and energy in Victoria have shifted relative to each other over the past thirty years. During this period the real costs of labour doubled, SECV electricity halved, GFCV gas fell to one-fifth and the retail price of standard grade petrol halved. These relative real price changes have produced in our industries a shift from labour to energy usage.

The movements in the real prices of steel are also shown in a similar manner, indicating what happened to the price of a basic manufactured product with substantial energy cost input. The low energy cost has helped to offset the labour cost increases.

The effect of low energy costs on Australian primary and secondary industry.

The 1960s and early 1970s were a period of growing prosperity and opportunity because of sustained economic growth arising from new development and prosperity in the natural resource industries.

Our low energy costs, in particular electricity and gas, relative to labour costs have encouraged maximum mechanization and automation of farms, in mines, industries and offices. Our major transport systems (the rail system and interstate shipping, plus material handling for loading and discharging) have not always kept up with industry standards and are a high cost component particularly due to the size of our continent and remoteness from markets.

Together low energy costs and automation have helped offset the loss in competitiveness in the market place of our export and import-competing industries caused by the large increase in direct wage costs plus indirect costs of labour.

There is a further point which must be understood, that is the progressive step by step flow-on of primary energy costs into secondary energy costs and prices.

Primary energy means the initial form of energy — coal, oil and gas — which is converted or processed into one or other forms of secondary energy before being used i.e. coal into electricity, crude oil into petrol etc.

The increase in the price of crude oil occurred in 1973 and since then the prices of other forms of primary energy i.e. coal and gas have increased.

The cost of secondary energy forms, i.e. electricity and petrol, do not as yet reflect the full impact of the new levels of primary energy prices because most of the present energy conversion plants, such as power stations and refineries, were built at a time when primary energy costs and hence material costs of which the plants were built were related to pre-1973 costs.

As the increased primary energy costs flow on into material costs for new secondary energy projects the costs of secondary energy will increase further and this secondary energy cost in turn will flow into new materials costs etc.

The foregoing comments relate to costs, not prices. Prices at which secondary energy forms are sold reflect first,
the competitive market conditions, and more significantly government policies and intervention in the market place.

In brief our Australian economy has over the last few years become increasingly dependent on the low energy costs to maintain our internal standard of living and our international market competitiveness. Without these low costs the effect of the wage explosion of the first half of the 1970s on our manufacturing and primary industries, agricultural and mining, would have been even more destructive than it has been.

Our natural advantages in agricultural and mineral industries have been eroded to the extent that higher costs have caused an exodus from farms and in the last two years many mining projects have been forced to close or curtail production in the lower grade areas of their operations, or as a last resort seek temporary government assistance to avoid financial disaster for the dependent mining communities. Few Australian companies are now generating enough cash flow to face the future with complete confidence. Development of new projects is not possible without the financial assistance of international customers or major energy companies whose financial strength has not been reduced by world market conditions.

Today the combined effect of high wage costs, the high cost of materials and manufactured goods resulting from our tariff protection combined with an over-valued Australian dollar means that any sharp or sustained increase in energy costs will see further contraction of these sectors of the economy.

The need for a nation-wide energy information programme

I think what I have said to date showing our dependence on low energy costs and the current state of our economy makes it clear that they must continue to remain low relative to the rest of the world if we are to remain competitive in world markets and in import competing industries. The continuance of low energy costs is dependent on maximum exploitation of potential resources requiring ★ a vigorous continuous programme of exploration and development of energy resources,

★ incentives to achieve maximum recovery from discovered deposits,

★ incentives to minimize waste of energy resources at all points through their development, processing and usage,

★ disincentives to prevent use of forms of low cost energy in short supply.

Underlying the problems that can be expected in seeking to achieve the above a major hurdle to be overcome is the lack of understanding in our community of our energy dependence and the amount of unnecessary waste of energy resources that is a current feature of our everyday life.

There is need for a continuing nationwide programme to inform and educate the community. I believe we need an ongoing national effort.

If people are not properly informed it will be extremely difficult politically to take the required action and achieve the essential objectives in energy usage and conservation. The decisions will be difficult enough even if the community understands the issues.

Renewable energy sources


“Other than hydro-electric power, renewable resources of energy — e.g. solar, wind-power, wave-power — are
unlikely to contribute significant quantities of additional energy during this century at the global level, although they could be of importance in particular areas. They are likely to become increasingly important in the 21st century.”

For Australia on this subject we can draw from the Report of the Task Force on Energy prepared by the Institution of Engineers of Australia in October 1966, the CEDA Policy Statement “Energy in Australia 1977-2000”, August 1977, and the Federal Government Senate Standing Committee on National Resources 1977 on Solar Energy. The opinions expressed in these three reports could be summarized by saying:

(i) with the exception of Tasmania most hydro-electric resources have already been developed,
(ii) tidal and wave-power while technically feasible show no present potential for economic development,
(iii) wind-power will have some application principally in outback areas but will not make any significant contribution to the nation in total,
(iv) on solar energy the Institution of Engineers report can be accepted as the consensus—

“The large scale generation of electricity by solar, thermal or photovoltaic means does not appear to be economically feasible in the foreseeable future. Solar energy can and should be used wherever practicable and economically feasible, as a heat source to replace oil and gas in heating application.”

(This last comment refers to low level heat such as in domestic and industry use.)

Solar energy resources will be increasingly used in Australia particularly in warmer and remote areas where the cost of electricity or gas will become increasingly expensive.

**Hydro carbon fossil fuels**

To continue to have low cost energy resources we need a vigorous continuing programme of exploration and development particularly for oil and natural gas. Although the black and brown coal situation looks satisfactory, the known resources are limited mainly to N.S.W. and Queensland as far as black coal is concerned and eastern Victoria for brown coal. What we can expect only the future can tell but it is certain we must step up our exploration effort.

High risk money must be available for exploration, testing and proving of discovered deposits and, as stated in the Federal Government’s policy, every encouragement must be given for local Australian investment.

In determining what course of action should be pursued to achieve this we would do well to look at the results achieved in the 1960s when, recognizing the need for major self sufficiency, the Government established incentives and a realistic tax structure. This led to the discovery and development of vast energy resources.

We are still living off the fat of the 60s and early 70s.

The Government has shown understanding of what is necessary but several factors make the situation worse than that which existed in the 1960s. Depressed world metal markets have reduced the amount of risk money available from revenue for Australian mining companies to very low levels, and our wage inflated cost structure means that exploration and development costs are far higher.

As mentioned previously we are singularly fortunate in having extensive deposits of black coal and brown coal in the Eastern half of Australia, although
S.A., W.A. and N.T. are much less well endowed. There is evidence of further deposits of coal in these States but in locations and/or under geological conditions that make development unattractive at present.

Oil and gas only become resources, that is, stocks that can be drawn on, after they have been found, proved and shown to be commercially attractive to develop.

In total we have coal, both coking and steaming, available to supply our internal needs throughout Australia, with capacity to become a major source of supply for other nations less well endowed with energy resources.

The story of our oil resources is well known — we have been fortunate in recent years to be about two-thirds self-sufficient, thus insulating the economy from the OPEC oil price shock, but our sufficiency falls away to about one-third or less by the mid-1980s or thereabouts on current supply/demand projections.

The foregoing assumes no major oil finds in the immediate future.

I think it would be the consensus of professional opinion that we have very little likelihood of being more than 20% self-sufficient in crude oil by the year 2000 and more likely to be between 10 and 15%.

Our estimated national reserves of natural gas are at present sufficient for some years to come but the situation varies greatly from state to state, and only in Victoria and Western Australia are proved reserves established much beyond the 1980s. N.S.W. must import its supplies from S.A. There is still considerable potential for new natural gas finds but a variety of uncertainties from government intervention in marketing inhibit exploration. We would do well to learn from the very considerable mistakes made by government intervention in marketing in the U.S.A.

Uranium

With regard to nuclear power we already know we have enough uranium reserves to supply a significant portion of the world's needs for the rest of this century as well as our own, and much more remains to be found. The export of uranium by the latter half of the 1980s can be expected to pay for as much as half of our oil import bill, perhaps more, depending on the success in oil exploration and conservation and our success in selling uranium.

The end of the 20th century will see the growing development of nuclear power in Australia. Western Australia has already announced plans for nuclear power plants for the mid-1990s and other states will follow suit in due course as they seek to conserve non-replaceable hydrocarbon fossil fuels for other uses. Despite current government policies South Australia, with its limited supplies of expensive low grade coal and natural gas which could be put to better uses than power generation, together with its known interest in the establishment of a uranium enrichment plant, must soon be seriously considering its nuclear power options.
Any book with a preface by Milton Friedman and a foreword by Hayek need hardly be opened in order for the prospective reader to know what is inside. "A Time For Truth" by William E. Simon (McGraw-Hill 1978) contains no new ideas nor does it assemble any new ammunition for those who wish to fight "big government".

It is nonetheless compelling reading primarily because, as Secretary of the Treasury of the United States, the author presided over the worst recession and highest unemployment levels since the great depression in the world's largest democracy.

One might expect Simon to be a disciple of big government having occupied so prestigious a political position for four years, but quite to the contrary his period in office (including a period as energy czar with overall responsibility for minimising the effects of the Arab oil embargo in 1973/74) only convinced him of the imperfections of government and the great strength of the market system. Despite this great strength, as Friedman observes in his preface, selling the market system is so much more difficult than selling intervention.

On the way to developing his own prescription for handling the liberals and other interventionists Simon levels a number of charges at various groups within his community — the liberals, the politicians and businessmen as well.

**Dreamers**

He argues most strongly that the interventionists are often dreamers who have little real world experience and whose main aim in life appears to be equality in results for all Americans. Unfortunately as Simon points out many of

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1 Here, "liberal" is used in the American sense which indicates a preference for an extension and concentration of government powers, rather than in its European sense, broadly epitomised by the opposite preference for minimal and dispersed government.
the programs designed to raise the living standards of the poor, end up lining the pockets of the middle class, and even where funds are actually spent on specific projects like urban renewal, the bulk of these funds is often spent on analyses of the problems (lining the pockets of the middle class again) rather than on actually helping the poor.

Simon refers back to the United States Constitution which embodies the motion of equal opportunity for all and argues that the greatest possible aid for the poor is jobs, and only the productive portion of the economy can provide this form of aid.

He emphasizes again and again the view that big government will contribute directly to inflation and by strangling the productive sector of the economy through regulatory and taxation activities will positively contribute to loss of jobs and a serious disadvantaging of the poor.

Simon points to the very obvious connection between economic and political freedom, a connection which he argues is not clearly perceived by the liberals. Moreover he points the bone at the business community for aiding and abetting the loss of economic freedom.

Whilst Simon argues that the move towards big government has continued to develop throughout the 20th century, he does hold out hope for a reversal of this trend. In particular, he points to the birth of a movement dedicated to individual liberty in recent years. There are, according to him, three strands of this movement.

The first is the older pro-free enterprise conservative movement. The second group has sprung from within the heart of the liberal world disillusioned by the effects of their own interventionist philosophy. And the third broad group lies within the world of business itself.

Simon points out however that these three groups are not large and do not have uniform views and he argues that nothing less than "a massive and unprecedented mobilization of the moral, intellectual and financial resources which reside in those who still have faith in the human individual" will be sufficient to turn back the tide.

In particular, he suggests that we cannot expect our politicians to turn back the tide unless they have such a reservoir of anti-authoritarian scholarship on which to draw.

It is interesting to consider the relevance of Simon's analysis of the United States' situation to that of Australia. Unfortunately in reading his book I had the feeling that if the names and places were changed, many passages in his book could have been written for our own country. Similarly one might point to some straws in the wind as evidence of a conservative revival in Australia.

Simon's prescription for long term survival for business therefore bears repeating — whole-heartedly support the free enterprise philosophy by resisting further encroachment by government on your activities, actively support institutions and groups promoting the freedom of the individual as the centrepiece of our society, and above all have the guts to preach this philosophy for it is in the community's interests.

"A Time for Truth" was reviewed for IPA Review by Barry Ferguson, Economist with the Shell Group in Australia.
Institute of Public Affairs
Thirty-fifth Annual Report 1978
The Institute of Public Affairs is a non-profit, educational organisation financed by business enterprises and people throughout Australia to study economic and industrial problems. It was launched in 1943. The basic aim of the I.P.A. is to advance the cause of free business enterprise in Australia. In pursuit of this aim it is endeavouring:—

1. To inform the Australian public of the facts of our economic system and to raise the level of economic literacy in Australia.
2. To work always for a full and friendly understanding between employers and employees and for good relations throughout Industry.
3. To study the means by which private business enterprise can be made to operate better in the interests of all sections of the Australian people.

INSTITUTE OF PUBLIC AFFAIRS
289 Flinders Lane, Melbourne, 3000.
Phone 63 6558.
Lawmaking, Bureaucracy and Vouchers

The I.P.A. Presidential Address

by

Mr. W. D. Brookes, C.B.E., D.S.O.

In the 1930's the Commonwealth Income Tax Legislation was re-cast into a comparatively simple Act of modest proportions. That Act has been amended very frequently and is now so complicated and voluminous that the average taxpayer has little or no chance of understanding it.

Income Tax Law is only one example of what is happening to the whole range of regulations which govern our daily lives. A former State Attorney General who is also a member of I.P.A.'s Council, the Hon. Vernon Wilcox, a man who has spent many years in Parliament and should know what he is talking about, has recently been quoted in "The Australian" as suggesting that too many laws mean that Australia is being strangled by government.

The dangers implicit in this situation were aptly summed up by Mr. Justice Gillard in June this year when he said, and I quote:

"We should closely scrutinise the legislation that is being churned out at three levels, Federal, State and municipal, whereby, slowly but surely, the citizen is being enmeshed in inhibitions and prohibitions of all kinds and the interests of the unfortunate individual are completely overlooked. If ever there was a brake on human initiative and an invitation to disregard the law, that kind of executive administration is a means of doing so."

A critical approach which points accusing fingers at the inadequacies of the system, may identify problems, but it does nothing towards finding solutions. Debate should centre around all possible methods of simplifying legislation and of reducing the size and influence of bureaucracies whilst maintaining and raising the levels of efficient administration. This is one problem area that I would commend to government, business and the law to attempt to tackle now. The need is for less new legislation and more revision and simplification.
In addressing myself to this problem, I wish to dwell on the laws governing social welfare.

It is becoming clear that financial outlays are no longer an adequate means of measuring the effectiveness of solving social welfare problems. Bureaucratic administrations are soaking up a large proportion of funds which were originally destined for distribution. Public servants cannot be blamed for this situation. The fault lies in the very nature of the service itself which is gathering a growth momentum which nobody, not even a Government determined to keep real growth of public expenditure down to zero, seems capable of controlling.

Public reaction is becoming increasingly vocal. We hear more and more expressions of frustration at the inefficiencies of those bureaucracies which fail in their primary aim — the effective distribution of funds — and strangle personal liberty with over-government in the process.

Of fundamental importance in the distribution of taxpayers’ funds is the question of accountability. Under state controlled education for example, schools are accountable to the bureaucracy who are theoretically accountable to the taxpayer through the elected government of the day. This method, which at best promotes collective rather than individual accountability, has long since shown a tendency to break down.

The use of vouchers is one possible — but hitherto rarely tried — alternative means of bringing the situation under control. One of the main attractions of voucher schemes is that bureaucracies are largely by-passed. In effect, vouchers are cheques on the government purse made out directly to those in need; they are non-transferable and can only be redeemed for the specific purpose for which they were intended.

Again using education as an example, vouchers which cover the maintenance costs of running schools would be sent direct to all parents, who would then cash those vouchers for the education of their children at a limited range of local schools. Under this kind of scheme parents who wanted to send their children to schools with above average resources would pay fees in addition to the voucher.

Education vouchers force schools to be accountable to the customer, the parent, the one for whom the service is provided. In an advanced scheme, a parent simply takes his voucher to another school if he is dissatisfied with the standard or style of education.

Much thought has been given to introducing various voucher schemes in Australia. Health, welfare housing and education are here used as illustrative examples.

Health

In restructuring Medibank in the August Budget, the Government wisely showed how regulations can be simplified and are to be encouraged to go further. They missed, however, the opportunity of incorporating a voucher scheme. Health vouchers would be sent
directly to certain categories of individuals, pensioners for example, who would then cash their vouchers with any Health Fund of their choice. It was a great opportunity to introduce the concept of vouchers to the Australian public and it is to be hoped that the Government's previous plans for their introduction and testing have not been completely shelved.

Welfare Housing

The shortage of welfare housing is acknowledged, but it is now clear beyond question that pleading for more funds for distribution through the Housing Commission bureaucracy will only meet that need at great cost in terms of value for money. On the other hand, housing vouchers are sent direct to those in need to be cashed only for the purpose of renting or buying a house on the open market. A voucher scheme holds out the prospect of meeting the need for housing whilst eliminating welfare estates and reducing the overhead costs of the bureaucracy.

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Australia is not lagging too far behind the rest of the world in investigating the possibilities. Much work has been done at Federal and State levels. The Victorian Government, for example, has just completed a two year inquiry under the chairmanship of the Deputy Director General of the Education Department. The Report has not yet been made public, but it would be surprising if it did not emphasise the problems involved in setting up any form of experiment. Even when education authorities are willing to consider giving up a measure of control in favour of a system where all schools become effectively private schools which are financed by the State without enforcing uniformity, it has to be admitted that the cost involved in experimenting is likely to be an important factor in the decision to proceed.
In conclusion, I would like to say this. Despite, what seems to us, an obvious need to simplify laws and regulations and to reduce the extent and inefficiencies of bureaucratic control, the trend towards more and more legislative action is widely supported by some sections of the community.

In a letter to The Age (4th August, 1978) a sociologist pointed to the need for education to be geared towards encouraging the development of "free, natural and spontaneous relationships", rather than the casual, loveless relationships of a permissive society. Having identified a need, he proposed a solution; Governments he said, should set up, and here I quote, "a Department of Human Relations and Social Communications so as to provide for the creative emotional friendship, social and spiritual needs of all people."

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It is really a very simple equation which governments have to balance. Expenditure must be matched by income from taxes. It is easy to identify needs, but much more difficult to accept that citizens can only be taxed to a certain level. Needs have to compete with each other for limited resources. One never seems to mind if the other fellow pays.

We should not make demands on governments, who are only the vehicle for the distribution of funds, without relating our demands to the level of taxation involved. I sometimes find myself offending this principle.

Some previous Australian Governments have taken the easy road and attempted to meet needs without due regard to the cost. When expenditure exceeds income by an excessive amount we live beyond our means and the result is inflation. That was the core of Mr. Howard's budgeting problem. Having lived beyond our means, we are now going through the painful process of trying to return to what we can afford without hurting the patient more than he can bear. The taxpayers' revolt in California is no doubt being watched with interest by many people in all walks of life.

In the circumstances, however much we complain about high taxes on the one hand and, on the other hand, what appears to many as excessive government expenditure, it is surely a much more justified action to seek a more effective distribution of taxpayers' funds. Voucher schemes offer one possible way in which this can be done in the long-term, but no suitable solutions will be found if we do not experiment with various options in the short-term.

Let me end on this note — that more innovation is essential if we seek a better way for tomorrow.
Report of Chairman of Executive and Editorial Committee

Mr. Norman N. Robertson, C.B.E.

During the last two years I.P.A. has undergone some far-reaching changes. Starting with the retirement of Mr. C. D. Kemp, a leading economist and a man on whose thirty-five years of creative effort our reputation largely rests, we successively suffered the loss of his successor, Mr. H. N. Warren, of Mr. J. Abrahami, Research Economist, and of virtually the entire staff. Moreover, Mr. W. A. Beattie, Chairman of the Executive and Editorial Committee, retired last year, and that is why I am here to address you today. All these events, of course, have imposed considerable strains upon the Institute and strenuous efforts have had to be made to keep up our standards. We hope you will feel we have had success in this and also that we have opened up some new lines of thought. For this, considerable credit must go to our new Director, Mr. Roger Neave, a man of wide experience and deep belief in the cause of free enterprise. The team is striving hard, not only to maintain the high reputation of I.P.A. but also to enhance it.

Success will depend upon our ability to influence public opinion in the public’s interest. For this reason it is worth reflecting upon some of the subjects which have been highlighted in the “I.P.A. Review” and “Facts” during the past year. They include the high cost to the community of industrial disputes in the building trade, the current appalling level of absenteeism in many Australian industries, and the need to improve productivity without aggravating unemployment. I.P.A.’s presentations of some of these important economic topics have received some coverage in the press. They are examples of our trying to look ahead to the 1980’s and beyond, and to identify economic problems requiring solution.

Studying major matters that affect us all, offering suggestions to governments and managements and unions so that our industrial problems might be solved — these are important functions that I.P.A. is carry- ing out. For I.P.A. no function is more important than contributing to the economic education of all Australians, no matter what part of the political spectrum they may occupy. Both the “I.P.A. Review”, with a circulation of 22,000 per issue, and “Facts” (64,000 copies per issue) continue to be devoted to this important objective.
Contributed articles to the “I.P.A. Review” also have played their part in maintaining the high standard to which readers all over the world have been accustomed. We have been fortunate in securing valuable contributions on important current affairs from various persons of high repute (both in Australia and abroad) in the field of economics and world affairs. Through these articles, which do not necessarily represent I.P.A.’s views, debate has been stimulated and interest in current affairs promoted. A few of the articles have been reprinted fully by publishers of other journals devoted to current affairs.

I should now like to turn to some special activities in which I.P.A. was involved during the year under review.

Special Activities

“Facts” in Foreign Languages

Over the years I.P.A. has striven to reach as many people in as many different occupations and with as many different lifestyles as possible. To the extent that “Facts”, the “Review” and our various special publications have been spread throughout the English-speaking community in Australia, I.P.A. has succeeded in achieving this objective. However, for the 1½ million New Australians who make up a quarter of the nation’s workforce, “Facts” in English has very little to offer. It was primarily for this reason that I.P.A. decided last year to extend its influence to the Italian community by printing “Facts” in Italian.

This was achieved by publishing a weekly article in “Il Globo”, the largest Italian newspaper in Australia, with a national circulation of 40,000. So far, 10 articles, some illustrated, have appeared, covering such important issues as New Australians in the workforce, the mining industry in Australia, nuclear energy, Australia’s high standard of living, the tax burden, trade unions and the problems of Australian manufacturers.

Although this project is in its infancy, if the programme is successful, I.P.A. will print “Facts” in other languages in the non-English press. Many progressive companies are currently distributing employee reports written in several languages to their migrant employees. I.P.A. is willing to co-operate and feels it has a special part to play in informing and educating New Australians of the facts about free enterprise in Australia.

Nuclear Energy : Professor Petr Beckmann

Last year, in November, I.P.A. was host to Professor Petr Beckmann, Professor in Electrical Engineering at the University of Colorado (USA). The author of “The Health Hazards of NOT going Nuclear”, Professor Beckmann gave a most stimulating luncheon address to I.P.A. Council Members and a few interested experts on the urgency of adopting nuclear power immediately. I.P.A. reviewed Professor Beckmann’s book in the October/November 1977 edition of “Facts”. This stimulated much debate and discussion, and since then I.P.A. has
devoted several articles in “Facts” to the energy crisis and the need for Australia to develop alternatives to traditional sources of energy. The importance of informing the public about the economic and social implications of the so-called energy crisis cannot be overemphasised.

Special Booklets

In previous years I.P.A.'s special booklets on inflation, profits, free enterprise etc., have been read by hundreds of thousands of Australians, not to mention many people in other parts of the world. I.P.A. is proud of the wide circulation achieved by these publications; almost three-quarters of a million have been sold, and this has made a substantial contribution to the Institute's financial stability. The circulation of the special booklets has grown significantly in the last few years, an indication that more and more Australians are concerned about economic matters affecting their welfare.

The year 1977-78 was particularly successful in this respect, with more than 200,000 copies of I.P.A.'s special booklets being sent to companies, large and small, and to schools and individuals throughout Australia. The Free Enterprise booklet, which was first published in 1975, was revised in response to a request from the Life and General Insurance Committee. Some 65,000 copies were distributed, mainly to staff in the insurance industry. We are indeed indebted to this industry for its unfailing support for our work.

"Everybody's Business" has so far achieved a national circulation of 145,000. Only one other I.P.A. booklet has ever beaten this record, namely "Inflation — Everybody's Responsibility" which attained sales of 200,000. "Everybody's Business", which is primarily an attempt to bring management and employees closer together so that co-operation and communication in industry can be improved, has been well received, especially by some of the banks. We hope that many more companies will recognise the importance of promoting improvements in productivity while at the same time striving to keep employees informed of the benefits it offers to all.

I.P.A. is currently working on its next booklet, which will discuss ways in which employees may play a more useful part in matters affecting their work and their welfare. In fostering this sense of partnership in industry, I.P.A. is trying to further its aim "To work always for a full and friendly understanding between employers and employees and for good relations throughout industry."

Concluding Remarks

It is our aim to safeguard and, if possible, to enhance the reputation I.P.A. has achieved over so many years and we are presently reaching out in new directions indicated by the needs of our times. An important requirement for success in the future will be the need to reach non-English speaking communities and, of course, students. Besides our
efforts in this direction with “Facts”, we have plans to intensify our work in the schools through the use of other media, such as videotape. We look forward to a future in which we will meet these challenges by maintaining the traditions we have built up in the past.

SPECIAL BOOKLETS

Each year I.P.A. publishes a special booklet carrying a free enterprise message considered to be of special interest to all Australians.

In the last six years the circulation of these special booklets has increased significantly.

<table>
<thead>
<tr>
<th>Year</th>
<th>Title</th>
<th>Circulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>“Profits and Prices”</td>
<td>62,000</td>
</tr>
<tr>
<td>1974</td>
<td>“Inflation — Everybody’s Responsibility”</td>
<td>200,000</td>
</tr>
<tr>
<td>1975</td>
<td>“Free Enterprise”</td>
<td>126,000</td>
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<tr>
<td>1976</td>
<td>“What Went Wrong? How to put it right”</td>
<td>130,000</td>
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<tr>
<td>1977</td>
<td>“Free Enterprise” — Revised edition</td>
<td>65,000</td>
</tr>
<tr>
<td>1978</td>
<td>“Everybody’s Business”</td>
<td>145,000 (to date)</td>
</tr>
</tbody>
</table>

“EVERYBODY’S BUSINESS”

“Everybody’s Business” was designed to show how improvements in productivity could be achieved through various means involving communication between employers and employees.

I.P.A. is especially gratified that the booklet has obtained such a wide circulation among schoolchildren. In this respect the Productivity Promotion Council of Australia (PPCA) has been extremely helpful by meeting the cost of producing 100,000 copies which PPCA has sent to secondary schools throughout Australia.

“FACTS” ON VIDEOTAPE

The first script for videotape on the topic of “Nuclear Energy” has already been written and is currently being produced. If the demand for video cassettes is strong from both employers and schools, I.P.A. will proceed with videotapes on other interesting economic issues.
FINANCIAL SUPPORT

The continued support of subscribers, particularly those which have contributed to the I.P.A. since its inception, is deeply appreciated by the Council.

The current inflation presents great problems for non-profit, educational organisations like the I.P.A. If the Institute is to be maintained in a stable financial position, income will need to rise year by year to meet increasing costs. This means both the enlistment of new subscribers and increased support from subscribers of long standing. Only in this way can the educational work of the I.P.A. be expanded where it is most needed, particularly in schools, universities, and among office and factory employees. At a time when the free business economy is coming under attack by the unthinking, the misguided and the prejudiced, it is important that the activities of the Institute not only be maintained at full strength but also expanded.

During the year we made with I.P.A. (Queensland) an arrangement, to be reviewed annually, whereby I.P.A. (Queensland) collects subscriptions from all our supporters in that State and pays us an annual contribution to our overheads.

Broadly, the thinking behind this arrangement is that a locally based organisation should be better placed than we are to rally Queensland supporters for our objectives. Naturally we can no longer count Queensland subscribers as direct subscribers to our organisation, so that our comparative subscriber strength figures as follows show a reasonably satisfactory position:

<table>
<thead>
<tr>
<th>Numbers</th>
<th>1977</th>
<th>1978</th>
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<tbody>
<tr>
<td>Companies</td>
<td>546</td>
<td>557</td>
</tr>
<tr>
<td>Individuals and Sundry</td>
<td>1,171</td>
<td>1,149</td>
</tr>
<tr>
<td>Schools/Teachers</td>
<td>164</td>
<td>172</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,881</strong></td>
<td><strong>1,878</strong></td>
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I.P.A. SUBSCRIPTION RATES

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>No. of copies of each issue</th>
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</thead>
<tbody>
<tr>
<td>I.P.A. Review</td>
<td>Facts</td>
</tr>
<tr>
<td>Companies — $75.00 per annum</td>
<td>3</td>
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<tr>
<td>Individuals — $8.00 per annum</td>
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The above are minimum rates and entitlements increase with larger subscriptions. Concessional subscription rates are available for teachers and schools. The I.P.A. relies in the main on the financial help of Companies and organisations which contribute larger amounts.