

Australia



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PERMANENT UNDER-SECRETARY OF STATE
SIR FRANK COOPER GCB CMG

21 August 1980

PUS/80/822
9/16

Commodore I H Richards RAN
A/Head, Australian Defence Staff
Australian High Commission
Australia House
Strand
London WC2B 4LA

Dear Commodore.

Many thanks for your letter of 19 August and the accompanying copy of part of the Australian Budget Statement. It was very good of you to send it to me. I am naturally very pleased with the announcements on Defence spending and to see - despite the adverse economic conditions we all have to cope with - that your Prime Minister's proposals are being implemented so quickly.

Yours sincerely
Frank Cooper

FRANK COOPER



AUSTRALIAN HIGH COMMISSION : LONDON

AUSTRALIA HOUSE STRAND WC2B 4LA TEL. 01-438 8000

Please quote in reply

Branch: Defence

Our Ref:

Direct enquiry 01-438

19th August 1980

Sir Frank Cooper, G.C.B., C.M.G.
Permanent Under Secretary,
Ministry of Defence,
Whitehall,
S.W.1.

Dear Sir Frank,

Attached for your interest is a copy
of the first two pages of the Australian Budget
Statement delivered to-day.

The section on Defence on the second
page (sidelined) is encouraging.

*Yours sincerely,
I. H. Richards.*

(I.H. Richards)
Commodore
A/Head, Australian Defence Staff

INWARD MESSAGE

O.CH910190 JYFE
TOR 1343 19.08.80

O.CH910190 2126 19.8.80 UNC FIRST

TO.
PP ALL POSTS/5837

FM. CANBERRA / FILE 735/3/2

PRIORITY

INWARD

U N C L A S S I F I E D

AUSTRALIAN BUDGET 1980/1981

FOLLOWING IS AN EXTRACT FROM THE BUDGET DELIVERED BY THE TREASURER ON 19 AUGUST, TOGETHER WITH ANNEX'S A AND B ON AID AND ANTARCTICA:

BUDGET OVERVIEW

TOTAL OUTLAYS IN 1980-81 ARE ESTIMATED TO INCREASE BY 13.7 PER CENT TO DLRS 36,037 MILLION.

TOTAL RECEIPTS ARE ESTIMATED TO INCREASE BY 16.2 PER CENT TO DLRS 34,471 MILLION.

THE OVERALL BUDGET DEFICIT IS ESTIMATED AT DLRS 1,566 MILLION - A REDUCTION OF DLRS 468 MILLION ON THE OUTCOME FOR 1979-80 WHICH REPRESENTS A REDUCTION OF DLRS 1,444 MILLION ON THE PREVIOUS YEAR.

AFTER ALLOWING FOR OVERSEAS TRANSACTIONS, THERE WILL BE AN ESTIMATED BUDGET DOMESTIC SURPLUS OF DLRS 39 MILLION, THE FIRST SINCE 1973-74.

POLICY OBJECTIVES AND RECENT ECONOMIC DEVELOPMENTS

IN BACKGROUND TO THE BUDGET, THE TREASURER NOTED THAT WHILE ECONOMIC ACTIVITY AND EMPLOYMENT HAD INCREASED NOTABLY IN 1979-80, INFLATION HAD ALSO ACCELERATED.

THE CPI INCREASED BY 10.7 PER CENT OVER THE YEAR TO JUNE 1980 AND AVERAGE WEEKLY EARNINGS INCREASED BY ALMOST 12 PER CENT IN THE SAME PERIOD. WHILE THE CPI INCREASE WAS ABOUT 3 PERCENTAGE POINTS BELOW THE AVERAGE OF OECD COUNTRIES, BOTH PRICES AND WAGES ACCELERATED IN AUSTRALIA.

THE TREASURER NOTED THAT GDP HAD INCREASED BY 2.2 PER CENT AND NON-FARM PRODUCT BY 3.1 PER CENT IN 1979-80. TOTAL EMPLOYMENT HAD INCREASED BY 2.4 PER CENT - THE LARGEST RISE SINCE 1973-74.

THE TREASURER MADE PARTICULAR MENTION OF THE SUCCESS OF THE

INWARD

INWARD MESSAGE

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GOVERNMENT'S OIL PRICING POLICY. HE NOTED THE DECLINE IN THE CONSUMPTION OF PETROLEUM PRODUCTS IN 1979-80, THE ACCELERATION OF ENERGY EXPLORATION, AND INCREASING INTEREST IN ALTERNATIVE ENERGY PROJECTS SUCH AS RUNDLE SHALE OIL.

OUTLAYS

IN RELATION TO THE RELATIVELY LARGE (13.7 PER CENT) INCREASE IN OUTLAYS THE TREASURER NOTED:

'THIS REPRESENTS A GROWTH OF JUST UNDER THREE PER CENT IN REAL TERMS IN 1980-81, AND AN AVERAGE ANNUAL GROWTH OF ABOUT ONE PER CENT IN REAL TERMS OVER THE FIVE YEARS TO 1980-81.

AS A PROPORTION OF GROSS DOMESTIC PRODUCT OUTLAYS THIS YEAR ARE EXPECTED TO BE 27.9 PER CENT COMPARED TO 30.1 PER CENT IN 1975-76.'

DEFENCE

THIS BUDGET GIVES A HIGH PRIORITY TO THE STRENGTHENING OF NATIONAL SECURITY.

THE DLRS 3,541 MILLION PROVIDED FOR DEFENCE REPRESENTS AN INCREASE OF 17.7 PER CENT IN CURRENT PRICES, AND 7 PER CENT IN REAL TERMS.

THE TREASURER SAID THAT FURTHER LARGE INCREASES IN LATER BUDGETS WILL BE NECESSARY, UP TO AN EXPECTED 3 PER CENT OF GROSS DOMESTIC PRODUCT FOR DEFENCE SPENDING BY 1984-85, TO ACCOMPLISH THE IMPROVEMENTS TO DEFENCE CAPABILITIES ANNOUNCED BY THE PRIME MINISTER EARLIER THIS YEAR.

SOCIAL WELFARE

THE RATES OF RELEVANT SOCIAL SECURITY PENSIONS AND BENEFITS WILL CONTINUE TO BE ADJUSTED EACH NOVEMBER AND MAY IN ACCORDANCE WITH THE RELEVANT MOVEMENTS IN THE CONSUMER PRICE INDEX.

THERE WILL BE INCREASED BENEFITS FOR CHILDREN WITH SPECIAL NEEDS, FOR SUPPORTING PARENTS, FOR UNEMPLOYMENT AND SICKNESS BENEFIT RECIPIENTS, FOR THE HANDICAPPED AND FOR VETERANS.

THE GOVERNMENT WILL RELAX THE INCOME TEST FOR ELIGIBILITY FOR UNEMPLOYMENT AND SICKNESS BENEFITS TO OFFER INCENTIVE FOR THOSE RECEIVING THESE BENEFITS TO SEEK TEMPORARY PART-TIME OR CASUAL WORK. AS FROM THE FIRST BENEFIT PAYDAY IN NOVEMBER THE BENEFITS WILL BE WITHDRAWN ONLY ON A 50 PER CENT BASIS FOR PRIVATE INCOME WITHIN THE RANGES DLRS 3 TO DLRS 40 A WEEK FOR SINGLE PERSONS AGED 16 AND 17

INWARD

INWARD

BRUNNEN
8 9
7 6 5 4
3 2 1

21 AUG, 1980

Australia

Prime Minister

To see all

MS MAP 2/8

GRS 450

UNCLASSIFIED [CULLY]

FM CANBERRA 200519Z AUG 80

TO PRIORITY FCO

TELEGRAM NUMBER 500 OF 20 AUGUST
AND ROUTINE WELLINGTON

SAVING TO UKDEL OECD; UKREP BRUSSELS; WASHINGTON; TOKYO.

AUSTRALIAN BUDGET

1. FOLLOWING THE SENSATIONAL LEAK OF THE CONTENTS OF THE BUDGET FOR 1980/81 TO THE PRESS OVER THE WEEKEND, IT WAS FORMALLY PRESENTED TO PARLIAMENT BY THE TREASURER ON 19 AUGUST.
2. IN HIS SPEECH MR HOWARD REAFFIRMED THE GOVERNMENT'S COMMITMENT TO CONTROL INFLATION AND ENVISAGED A MONEY GROWTH OF LESS THAN 10 PER CENT FOR 1980/81 COMPARED TO 12.9 PER CENT IN 1979/80. ECONOMIC GROWTH IN THE NON-FARM SECTOR WAS PREDICTED AT 3-1/2 PER CENT OR MORE COMPARED TO SLIGHTLY MORE THAN 3 PER CENT LAST YEAR. OVERALL GROWTH WAS EXPECTED TO BE ABOUT 3 PER CENT, COMPARED WITH THE ESTIMATED 2 PER CENT IN 1979/80.
3. REVENUE IS ESTIMATED TO INCREASE IN 1980/81 BY 16.2 PER CENT TO DOLLAR AUST 34,471 MILLION, WHILST GOVERNMENT SPENDING IS EXPECTED TO RISE BY 13.7 PER CENT TO DOLLAR 36,037 MILLION. THE OVERALL BUDGET DEFICIT IS ESTIMATED AT DOLLAR AUST 1,566 MILLION, A REDUCTION OF DOLLAR AUST 468 MILLION ON THE OUTCOME FOR 1979/80 AND, AFTER ALLOWANCE HAS BEEN MADE FOR TRANSACTIONS ABROAD, THERE WILL BE AN ESTIMATED BUDGET DOMESTIC SURPLUS OF DOLLAR AUST 39 MILLION, THE FIRST SUCH SURPLUS SINCE 1973/74.
4. TAXATION RECEIPTS WILL RISE BY 16.4 PER CENT AND, IN PARTICULAR, COMPANY TAX RECEIPTS AND CRUDE OIL LEVY COLLECTIONS WILL RISE AT A RELATIVELY HIGH RATE. A REDUCTION IN THE STANDARD RATE FOR PERSONAL INCOME TAX TO 32 PER CENT WAS ANNOUNCED EARLIER IN THE YEAR AND TOOK EFFECT FROM 1 JULY 1980.
5. MR HOWARD SAID THAT THE BUDGET GAVE HIGH PRIORITY TO THE STRENGTHENING OF NATIONAL SECURITY. DEFENCE EXPENDITURE IN 1980/81 WOULD RISE TO DOLLAR AUST 3541 MILLION, AN INCREASE OF DOLLAR AUST 533 MILLION ON 1979/80. THIS REPRESENTS 17.7 PER CENT IN CURRENT PRICES AND NO LESS THAN 7 PER CENT IN REAL TERMS.
6. THE TREASURER ANNOUNCED THAT TOTAL SPENDING ON SOCIAL SECURITY AND WELFARE IN 1980/81 WAS ESTIMATED AT DOLLAR 9890 MILLION, A RISE OF 12.4 PER CENT OVER 1979/80 WHICH WILL ACCOUNT FOR OVER 27 PER CENT OF ALL COMMONWEALTH BUDGET OUTLAYS FOR 1980/81. THE TOTAL EXPENDITURE ON HEALTH SERVICES IS ESTIMATED TO BE DOLLAR 3644 MILLION.

/7. MR HOWARD

7. MR HOWARD ALSO ANNOUNCED MEASURES FOR ACCELERATED DEPRECIATION ALLOWANCES FOR INDUSTRIAL PLANT AND MACHINERY AND PROVISION OF DOLLAR AUST 260 MILLION FOR EXPORT EXPANSION AND MARKET DEVELOPMENT GRANTS, A RISE OF DOLLAR AUST 45 MILLION OR 21 PER CENT OVER 1979/80. NEW SUPERANNUATION ARRANGEMENTS WERE ANNOUNCED FOR SELF-EMPLOYED PERSONS.

8. IT IS A LOW-KEY BUDGET WITH FEW OF THE BENEFITS WHICH MIGHT HAVE BEEN EXPECTED IN AN ELECTION YEAR. IT IS THIS "RESPONSIBILITY" OF THE BUDGET WHICH MR FRASER, IN INTERVIEW, HAS HIGHLIGHTED AS ITS MAIN CHARACTERISTIC. THERE ARE NO NEW TAXES AND THE GOVERNMENT HAS STUCK TO ITS POLICY OF CONTROLLING INFLATION.

9. PLEASE PASS TO CRE, DOT, TREASURY, ECGD AND BANK OF ENGLAND. FULL SETS OF BUDGET PAPERS WILL BE SENT BY BAG TO SPD, CRE AND TREASURY.

10. FCO PASS ALL SAVING ADDRESSEES.

MASON

FINANCIAL DISTN.
SPD

[REPEATED AS REQUESTED]

2.

[NOT ADVANCED]