

UNCLASSIFIED [CULL]  
FM CANBERRA 010528Z MAY 81  
TO PRIORITY FCO  
TELEGRAM NUMBER 200 OF 01 MAY  
AND SAVING TO ALL CONSULS-GENERAL

AUSTRALIAN GOVERNMENT EXPENDITURE CUTS

1. MR FRASER YESTERDAY ANNOUNCED TO PARLIAMENT A PROGRAMME TO CUT FEDERAL SPENDING BY DOLLAR 560M A YEAR, AS RECOMMENDED BY THE AUSTRALIAN COMMITTEE OF REVIEW OF GOVERNMENT FUNCTIONS (THE RAZOR GANG), HEADED BY SIR PHILLIP LYNCH. REACTIONS VARY FROM MR HAYDEN'S COMMENT THAT MR FRASER IS MOUNTING A CLEARANCE SALE OF THE COUNTRY'S NATIONAL ASSETS TO EDITORIAL JUDGMENT ('MORE SCRAPE THAN SLASH') THAT THE EXERCISE AMOUNTS TO A WELCOME SPRING-CLEANING BUT IS MODEST IN RELATION TO OVERALL GOVERNMENT EXPENDITURE OF DOLLAR 36 BILLION PER ANNUM (DOLLAR 1 TODAY EQUALS 54P) AND WILL HAVE LITTLE EFFECT ON GOVERNMENT FUNCTIONS AS OPPOSED TO RUNNING COSTS.
2. THERE ARE 350 INDIVIDUAL DECISIONS TO REDUCE FEDERAL SPENDING. THEY INCLUDE THE WINDING-UP OR AMALGAMATION OF 40 GOVERNMENT BODIES, (SEE NEXT PARA.), AND THE SALE OF NUMEROUS GOVERNMENT ASSETS AND PROPERTY TO PRIVATE ENTERPRISE. A NUMBER OF FUNCTIONS ARE ALSO TO BE HANDED BACK TO THE STATES. STAFF LEVELS IN AUSTRALIA'S MISSIONS IN LONDON AND WASHINGTON ARE TO BE CUT BY 232 AND 75 RESPECTIVELY.
3. AN ITEM DRAWING GREAT ATTENTION IS THE DECISION TO CUT COMMONWEALTH PUBLIC SERVICE NUMBERS BY SOME 17,000 (PARTLY EFFECTED BY THE TRANSFER OF FUNCTIONS TO PRIVATE ENTERPRISE AND THE STATES) TOGETHER WITH A 2 PER CENT CUT IN STAFF LEVELS, AND A 3 PER CENT CUT IN ADMINISTRATIVE AND OPERATIONAL COSTS OF ALL DEPARTMENTS. IN ADDITION, THE PRICES JUSTIFICATION TRIBUNAL, THE SHIPBUILDING BOARD AND THE COURIER SERVICE OF AUSTRALIA POST WILL BE ABOLISHED. A NUMBER OF GOVERNMENT UNDERTAKINGS SUCH AS THE HOUSING LOANS INSURANCE CORPORATION, THE GOVERNMENT ORDINANCE FACTORY, AUSTRALIAN GOVERNMENT PUBLISHING SERVICE BOOKSHOPS AND SURPLUS COMMONWEALTH LAND ARE TO BE LEASED OFF OR SOLD. OUTSIDE CONTRACTING IS TO BE INCREASED IN MANY FIELDS, AND TAX CONCESSIONS AND OTHER ASSISTANCE TO INDUSTRY CUT. THE RURAL SECTOR, HOWEVER, HAS EMERGED LARGELY UNSCATHED. COMMONWEALTH FUNDING FOR 30 OUT OF THE 70 COLLEGES OF ADVANCED EDUCATION IS TO END, AND TUITION FEES WILL BE INTRODUCED FOR STUDENTS ON SECOND DEGREE AND HIGHER STUDIES. THE FEDERAL OFFER OF AID IN ELECTRIFYING THE SYDNEY/MELBOURNE RAIL LINE HAS BEEN WITHDRAWN.
4. MR FRASER STRESSED IN HIS ANNOUNCEMENT THAT THE REPORT WENT BEYOND A PROGRAMME OF HOUSEKEEPING AND SPENDING CUTS, IN EMBODYING A PHILOSOPHY ABOUT THE FUTURE ROLE OF GOVERNMENT IN AUSTRALIAN SOCIETY. SIR PHILLIP LYNCH SAID THAT HE EXPECTED THE REVIEW COMMITTEE TO CONTINUE ITS SCRUTINY OF FEDERAL EXPENDITURE: YESTERDAY'S PACKAGE SHOULD NOT, HE SAID, BE SEEN AS A ONE-OFF OPERATION.

5. MR HAYDEN DESCRIBED THE PACKAGE AS A GIFT TO THE  
OPPOSITION, REFLECTING MR FRASER'S IDEOLOGICAL RIGIDITY AT THE  
EXPENSE OF A NUMBER OF HIS LIBERAL MEMBERS IN MARGINAL SEATS.  
(HE ADDED A LITTLE WEDGE-DRIVING, BY SAYING THAT PUBLIC  
REACTION TO THE CUTS COULD ONLY IMPROVE MR PEACOCK'S PROSPECTS.)  
FULL DETAILS BY TODAY'S UNCLASSIFIED BAG.  
SEE MY THREE IFTS FOR DETAIL ON ASPECTS OF CUTS RELATING TO  
RESPECTIVELY FOREIGN INVESTMENT, CONTROL OF NUCLEAR ACTIVITIES  
AND TELECOM (AND PRESTEL).

MASON

FINANCIAL  
ERD  
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THIS TELEGRAM  
WAS NOT  
ADVANCED