



PRIME MINISTER

TRANSCRIPT OF PRIME MINISTER ON "SUNDAY" - 17 February 1985

E. & O.E. - PROOF ONLY

JOURNALIST: On the MX missile decision, the decision to help the Americans test it, was that the wrong decision and was it a decision taken the wrong way.

PM: Let me say this - it was a decision taken in good faith for what appeared to myself and Mr Hayden and the then Minister for Defence, Mr Scholes, for good reason. And then in respect of the second part of your question - was it taken in the wrong way - we have a Security Committee arrangement which must obviously operate in certain sensitive areas. It was quite clear that not all decisions in this sort of area are capable of being taken through the full Committee and Cabinet processes. Now coming up to the present time, when we were confronted with a situation that the reaction to that decision, not merely within my Party or on the Left of my Party, it was an across spectrum reaction, and as far as I can ascertain a pretty broad reaction in the community, then I had to make the judgement as to whether two continuing fundamental issues of importance to Australia were jeopardised. One, is the continuing alliance relationship with the United States and what goes with that - that's the joint hosting of facilities and the availability of ports for their visits - on the one hand, and on the other hand the integrity, the capacity, of my Government to pursue its policies in the disarmament field. I was not going to have either of those two things prejudiced. And it seems as though they would have been, so we made the decision.

JOURNALIST: So there was a misjudgement initially?

PM: Well the judgement at the time it was made, as I say, seemed to the Ministers concerned, including myself, to be on balance the appropriate one. In the circumstances that emerged there were over-riding considerations of more importance because the continuing importance of the alliance relationship with the United States and what it entailed in regard to the bases, which are important for the strategic deterrence program and verification, it was important that that continuing situation not be prejudiced. The MX test was a one-off passing thing. That was a continuing matter of importance.

JOURNALIST: Mr Hawke on Friday a senior State Department official was reported as saying that Australia was in danger of catching nuclear allergy, or the anti-nuclear allergy, and that the anti-nuclear movement could make you less secure in your pro-American stance. Do you think his fear is justified?

PM: No. One of the problems in this whole area is statements being made by certain officials, certain people in positions of low authority, they like to speak with purported authority. And I'm not diverted by those things. I've made it quite clear, and most importantly on my return the Cabinet unanimously endorsed my position, that the United States/Australian alliance remains central and unshaken. Now that's understood by me, it's understood and accepted by my Cabinet and I guess not unimportantly it's understood and accepted and welcomed by the President and the administration of the United States.

JOURNALIST: Do you believe this was an unauthorised statement. Do you have some information to that effect.

PM: When you have these statements by State officials, State Department officials or Defence Department officials, I mean they do it because they want to express a personal attitude often. You know from your appearances in the United States, your reading of United States material, that there are differences and strong differences of opinion not only between Departments but within Departments. So because one person in one Department says something you're not entitled to draw any conclusion about that as an official United States position.

JOURNALIST: One alliance that concerns us that is badly shaken is that between New Zealand and the United States, clearly. Now if as seems likely the United States cuts off high level military intelligence to New Zealand what position does that put us in. Do we have to quarantine the intelligence we get from America and not make it available to New Zealand or do we cut New Zealand off as well.

PM: Let me make one preliminary comment and then go to your specific question. You say that the relationship between New Zealand and the United States is badly damaged. But I think it's proper, Robert, to have this position clear. It was put to me by both President Reagan and by Secretary of State, George Shultz, that they still regard New Zealand as a friend. And it's important to say that. They are upset, naturally, by the decision in regard to the non-accessibility of ports to their ships. But I believe that the United States is not going to pursue a policy of massive retribution in respect of the military arrangements between them. Obviously changes have taken place and in a sense will continue to take place. But they are not going to fracture the relationship. And, indeed, it's our decision - of the United States and Australia - they we won't take any steps to abrogate the Treaty, to remove the Treaty. So that the Treaty will remain there in place. The United States and Australia will maintain

PM cont...:their full relationships in the hope that there can be a resumption at some subsequent stage of the full tri-lateral relationship. Now going to your specific question, Robert, about intelligence. This was discussed by me with the United States. They have not made a decision as to what they intend to do in the sharing of intelligence information. Because you'll appreciate, there's a two-way flow. It's not simply intelligence provided by United States sources, but New Zealand has a capacity for collecting information also. Now I'm simply saying that there has been no decision made. That is a decision for the United States.

JOURNALIST: But would you hope to see a continuation of the intelligence flow?

PM: Between ...?

JOURNALIST: The U.S. and New Zealand.

PM: Well I think it's not right for me to say that, that's something really for the United States and New Zealand. Overall I certainly want to see the highest level of the relationship maintained if possible in these circumstance between the United States and New Zealand. So at this stage we don't have to make a decision as to a residual decision by Australia in regard to information received from the United States.

JOURNALIST: Do you feel that Mr Lange, by his action, has sold out his country's interests in rupturing ANZUS in the way he has.

PM: I wouldn't make such a statement as that. I have, from the very beginning, despite misinterpretation and some deliberate misinterpretation of my letter of 10 January, I have at no stage sought to intrude into the internal affairs of New Zealand. Let me make it clear, and it's important that Australians understand this, there is a longstanding, deep, firm relationship between Australia and New Zealand. And that has not been fractured, as indeed President Reagan has gone out of his way to say that they still regard New Zealand as a friend. What is important is that New Zealand and Australia retain their relationship in the military co-operation field, because we live and have responsibility in an area of the world which has some tendency to increase instability - we know the developments in New Caledonia. Now it is obviously good sense in those circumstances - without on my part wanting to overstate developments and potential developments in New Caledonia - but it makes good sense that Australia and New Zealand maintain our military co-operation. We will.

(COMMERCIAL BREAK)

JOURNALIST: Mr Hawke, turning to what is coming up this week, Cabinet meets on Tuesday and the Indians are restless. How do you respond to the proposal that will go to the Caucus meeting that Caucus views should be included in Cabinet submissions and

JOURNALIST cont...: wouldn't that be a breach of the rule of Cabinet government?

PM: The Kirribilli Committee has been meeting for some time. I have indicated it has my full support to examine ways in which there can be an improvement in liaison between the members of the Caucus, Ministers and Cabinet. All I have expressed a firm view about and against, if you like, is one suggestion that was made about chairmen of Caucus committees sitting in on Cabinet considerations or Cabinet committee considerations. That is not on but I am quite open really, Michelle, about any other methods. This is not something as a reaction to recent events. I have been conscious of the concern that backbench members of Parliament must have. It must be very frustrating and anything that is going to improve the communication and the flow-through and the interchange of ideas, I am not only relaxed about. I am in favour of it.

JOURNALIST: But you are balancing two matters here, aren't you. Your reputation - you have had unprecedented support in the business community for a Labor Prime Minister - and that has been based to a large extent on the impression that you are in command, that unlike Mr Whitlam, you have command of Caucus, and especially of the Left Wing. Yet now you are having to accommodate more to Caucus opinion and I think that that is going to diminish your reputation with the business community.

PM: You are setting up alternatives that are not real alternatives. I don't think it is right to talk about command. I mean, right from day one I just can't say, here we are, here is a position. I have got no-one to think about. I have never operated like that. Never. Previously before I was in the Parliament - that is not my style. I talk and discuss.. But I think there has been a perception on the part of the business community - a correct perception - that the principles, the policies, which I and Mr Keating originally took the initiative in, if you like, have been accepted. That is the correct perception. Any fight that Mr Keating and I had at the beginning about getting a line adopted is over. That has been adopted. No government, I suggest, in post-war Australian history which has now imposed upon itself a more stringent apparatus and framework for decision-making in regard to the economy, than we have. And that has been accepted by the Caucus and by the Cabinet. Now to the extent that we are now talking about ways in which there may be better flows through from Caucus. I don't see the business community as being concerned about that. They know that the framework which has produced record economic growth, record job creation, a halving of the inflation rate, a 30% increase in housing commencements, a reduction in interest rates, an admired economy - they know that those policies are in place and will continue and the fact that we are going to be having a look at more discussion processes is of no concern to them.

JOURNALIST: Well just on that, the thing that they would want to see is a re-affirmation of the trilogy - the promise not to

JOURNALIST cont...: increase the burden of debt spending and taxation.

PM: Well if I can take the Sabbath as an occasion for re-affirmation of the trilogy I am more than prepared to do so. I hereby re-affirm the trilogy on Sunday 17th, is it, of February.

JOURNALIST: And on the Sunday program.

PM: And on the Sunday program. What could be more appropriate. But let me not joke. That is important and the business community knows, and the Australian people know, that there will be no increase in the deficit either as a proportion of GDP, and in fact there will be a reduction in monetary terms. Secondly, that there will be no increase in tax as a proportion of GDP. And importantly, the third and necessarily consequential element in the trilogy, there will be no increase in the levels of government expenditure beyond the rate of economic growth. Now those are fundamental and important and re-affirmed.

JOURNALIST: But that is going to require a tough attitude on spending, isn't it. It is going to be a tougher Budget for you this Budget than last Budget.

PM: Yes, but when you say tough, let's get the economic and political realities right. What does toughness mean if what you are doing is going to produce a better Australia for all Australians in the immediate and in the longer term, that you're going to create the foundations of solid, strong non-inflationary growth, what's toughness about that. It is adopting sensible measures now to ensure that all the people of Australia are going to be better off. That's sensible.

JOURNALIST: It's tough in the sense that you'll have to overrule Ministers who want to spend money or not impose things like universal ...

PM: The important thing is that they, and the Caucus, have accepted this necessary discipline. Now in the process it is true that some things that some Ministers and that I would like in a world where you had no constraints of reality - well, it can't be done. But our responsibility which we have accepted more responsibly and more effectively than any other government in post-war history is that we recognise the things that have to be done. We have done them and we have produced the results. We will continue to do it.

JOURNALIST: Mr Hawke, can I turn to another very pressing problem that is confronting the Government at the moment. An important part of your public service is on strike, which is making things difficult for economic management and very centrally is being seen as a threat to the Accord. How seriously do you take that particular threat? And what sort of other pressures do you see on the Accord in the next twelve months?

PM: I am not overwhelmed by the current dispute in the public service. I am not pleased by it, but I have total confidence in my Minister, Ralph Willis, who has reported to the Cabinet and the Cabinet is giving him support. And the support is for this position. And let everyone understand it. When we went before the Commission when the anomalies case was there we indicated that an increase of the order of 2% would be justified. That remains our position. We are prepared to help to facilitate a return for the Commission for a hearing of that claim, but we would be supporting no more than that and our support for the case being re-opened would be on two conditions - that all bans would be lifted, and that there be an undertaking to abide by the decision of the Commission. Now that is clear and non-negotiable.

JOURNALIST: Well what do you say to the union leaders. Are they unable to understand the importance of the Accord to the economic recovery?

PM: Well, they believe that within the principles of the Accord and the wage fixing principles at the anomalies provision, as they argue it, justify more than we put. Now they are entitled to believe that and try and argue it, but as far as we are concerned there are not going to be increases of any significance outside the Commission and outside the principles. And we are not going to bend on this. This is not a matter of toughness or being mean in regard to our own employees. The very centrepiece of the outstanding success of the Australian economic performance has been adherence to the principles of the Accord. We have got a situation now where that has brought manifest improvements. These people in the public service should understand, as should all people in employment, that their major responsibility is to assist to create conditions which are going to create more jobs for more people. And all of us who are in the fortunate position of having employment, and secure employment particularly - no-one has got more secure employment than the public servants - they have got to understand that the greater good of the greater number is what is important. And that is what my Government is going to insist upon.

JOURNALIST: On another matter connected with the Accord, what is your present position on the productivity claim. Last year you suggested that maybe that should be delayed.

PM: No, to be precise, Michelle, what we said - and this is all that we said - is that we would hold our position, our consideration of our position until we got into 1985 - at the time that the claim was being developed and lodged - to finally formulate our position. Now my answer to your question is in line with the previous answer I have just given. That we will be discussing the matter with the ACTU and we will be discussing it with the employers too. And by the time we go to the Commission it will be putting a position which we believe is most consistent with the maintenance of conditions most likely to facilitate strong non-inflationary growth. Now that may very well be a

PM cont...: position of not supporting any increase in money wage terms, but there may be some accommodation, sensible accommodation, in the area of superannuation.

JOURNALIST: Does it depend on how the unions behave in matters like the public service strike?

PM: No, let me make it clear that in this national wage case that is coming up now as distinct from the productivity case later on, I don't support and the Government won't support, a proposition of punishing everyone else because of the attitude of the public servants. I mean, the logical thing would be that if the public servants have not come back into the mainstream and are still conducting their dispute, well they could not expect to get the flow on from the national wage case.

JOURNALIST: Prime Minister, another issue that we must question you about, although I know that there is some sensitivity on what you can say, is the chronic weakness of the Australian dollar which has been, for the past week or so in condition that some people in the market describe as free fall. Now there is a very serious trade deficit opening up which now seems to be bigger than we thought. Isn't it time for the Government to reconsider its hands off policy and to consider supporting the Australian dollar in the markets?

PM: I appreciate the way in which you opened your question, Robert. It is difficult and improper for a Prime Minister to make comments in an area which could affect the level and value of our currency. So within those constraints, which I am glad you recognise, let me say these things which I think are relevant. There has been, as you say, a significant fall. It is not something that has got to be looked at as all bad. Indeed, as you appreciate, there are many advantageous features of a fall in the value of our dollar vis a vis the United States dollar in particular and some of our other trading partners to a lesser extent. And that means that it is better for our exporters and it makes the position of our own import competing industries slightly better. So don't let's look at it as all negative. It is certainly not. The second point I make is this - that it does seem to reflect some transient features. No-one can weight them, but certainly the non-collection of very substantial revenues, as a result of the public service dispute has had a lot of money slopping around in the market. That has had some sort of an impact. And I would have to say that perhaps the events of the last week when there was that misunderstanding, if you like, and I think over-dramatisation of what was happening internationally as far as Australia was concerned may have had some passing adverse impact. My own view, Robert, is that the fall that has taken place will not continue substantially. There will be a settling down and in those circumstances the Government believes that the decision which it took to free up the exchange rate and which has had manifest benefits for Australia is not something which we should be precipitately intervening in so that people would start

to have doubts about our adherence to that position. I don't want to say more at this stage.

JOURNALIST: Mr Hawke, the Government event of perhaps most interest to the public this year is the July tax summit. Mr Keating in the last week or so has given notice that he will go out into the party forums and argue the case very strongly for a shift towards greater reliance on indirect tax. Do you feel as strongly as he does about that?

PM: Yes I do. And it is very interesting, Michelle, to see the shift that is taking place. I notice - I mean a lot of my Caucus colleagues are not totally reluctant to express their view publicly - I notice that Dr Theophanous of the left is reported as saying he understands the need for it. It is also interesting to see a number of other quarters where there was opposition that there is an acceptance of it. Look, the position is very simple and straightforward. We have got in this country a position where our marginal tax rates are too high and they are biting in too early. They are disincentives and people rightly feel that they have got too high a burden of direct personal tax. So for obvious reasons of personal hardships, incentives, economic efficiency, we have got to bring those rates down and bring them down substantially. Now, everyone has agreed on that. Everyone can nod their head and say, very wise, Mr Hawke, very proper, very accurate, hear hear. We have got to understand then, if we want basically as a community to have government providing the same level of services in defence, in education, in health, in roads, in all those services which must necessarily be provided for the community by the community as a whole via government, then if we are not going to have the income via personal tax to do that, and there is a substantial cut in revenue, then if people want the same level of services basically then there has got to be an alternative. Now it seems to us that there, therefore, has to be a substantial increase in indirect taxation. The third point I make is that it is true that relatively speaking recourse to indirect tax as compared to direct tax will be regressive. It will tend to hurt those on the lower income levels more. So we must, if we do these things, Robert, we must in fact have compensating mechanisms to ensure that we offset that impact.

JOURNALIST: Prime Minister, thanks for that answer. We have time only for one last question. What have you had to say to Susan Ryan?

PM: I said, good-day, Susan. I don't believe that it is appropriate that I should say on public programs like this what passes between myself and my Ministers. And I don't intend to do it. Let me say this, however, that Susan was one of those who, in the Cabinet on Tuesday unanimously supported my report which, as you know, referred to the centrality of the maintenance of the Australian-American alliance and the ANZUS relationship.

JOURNALIST: So everything is smooth there?

PM: Obviously must be.

JOURNALIST: Prime Minister, thanks very much for joining us this morning.

PM: It has been my pleasure Robert and Michelle.