



PRIME MINISTER

TRANSCRIPT OF PRESS CONFERENCE - 15 March 1985

E. & O.E. - PROOF ONLY

PM: Well let's commence.

JOURNALIST: Prime Minister will we have a mini-Budget?

PM: No we won't have a mini-Budget. It may well be that we'll have an early announcement of some decision so that we can get the full year revenue benefits, or expenditure restraints I should say - that's the right way of putting it. And I assume that we'll have the full support of an Opposition who talks about the necessity of bringing down the Budget deficit. I expect their full support. I'll have to wait to see who announces the support and then if there's any qualification to the announcement for the support, but we live in hope.

JOURNALIST: Well Prime Minister given that the Labor Party in Opposition helped to block the Fraser Government's sales tax legislation, do you believe Oppositions should give carte-blanche to the Government.

PM: I believe that a duly elected Government should be allowed to discharge its mandate. What I don't know about what I believe is what the Opposition's position will be. It really is a very sad picture that has emerged with the Leader of the Opposition taking a position in which he believes and then being overtaken by the right wing of his Party. There's no certainty any more in Opposition, we don't know who's in control or who's in charge. It is a very sad picture to see the crumbling of the position of the Leader of the Opposition in this way.

JOURNALIST: Mr Hawke will the Government proceed with its initiative on Kampuchea?

PM: Yes we will. There is no reason, nothing has happened as to why we should not proceed upon that course - because the elements that made it sensible in April 1983, when I discussed the matter with Bill Hayden and we agreed that that course was sensible, those elements remain valid. And that is that Australia almost uniquely has the capacity to talk with all the countries who have a direct or indirect interest in what is happening in Indo-China.

JOURNALIST: Do we still have that capacity in view of the rather harsh comments by ASEAN countries and by China too of the three vital components of the situation of about how ...

PM: Well let's take the two categories in turn. You talk about ASEAN comments. I think if you look at the comments that were made by them after Mr Hayden's return to Thailand, they were not harsh comments. And indeed I've had the opportunity of talking with Bill since he's come back and he's talked to me directly about the conversations that he did have after his visit to Vietnam. And the judgement I therefore make both in terms of the public statements that have been made by ASEAN leaders and Mr Hayden's comments to me don't lead me to the conclusion that any difficulty exists in our relationship with ASEAN either generally or in respect of the position that we've adopted on this initiative. In regard to China - well, there was some relatively harsh comments made, but I believe that when Mr Hu Yaobung comes here in a matter of a few weeks we will be able to dispel any substantive concerns that they may have.

JOURNALIST: Prime Minister, what's your view of Mr Hayden's handling of the Asian trip.

PM: I believe that Mr Hayden has acted honestly and with integrity. I believe that Mr Hayden has indicated that he has been misled. Now I guess in this world it's easy enough on occasions to be misled. I have full confidence in Bill Hayden as Foreign Minister. He has from April 1983, when I first raised this concept with him, worked assiduously, he's earned the respect I believe of all the parties involved and I don't believe that that respect and authority that he's established has in any substantial way been diminished.

JOURNALIST: Did the intelligence community let Mr Hayden down by not giving him adequate information as to what was happening on the Thai/Kampuchea border.

PM: Well you know - well at least you should know if you've been around the place long - that it's a very clear and unshakeable principle that I do not go into matters of intelligence at all.

JOURNALIST: Mr Hawke turning to your speech last night you emphasised the difficulties of getting consensus on tax reforms. How seriously do you rate the possibility of the Government being forced to back-off making substantial changes to the tax structure because of lack of consensus.

PM: I don't think it's likely, but I believe always that it's best to be direct and frank about the dimensions of the task that one is undertaking in Government. And what I'm really trying to say to the Australian community is that this is a matter for the community as much as it is for Government. It's no good people simply saying the existing system is not satisfactory. They have to be prepared to participate so that Government can know that an

alternative thrust is going to have the acceptance of a substantial proportion of the community. Because as I explained last night, if you don't do that then in net terms the stability and welfare of the community is likely to be lessened. And therefore we will discharge our responsibilities, as I said last night Michelle. Our responsibilities are to detail the nature of the operation of the existing system, to expose its inadequacies, its inequities, its lack of simplicity, its lack of economic efficiency as an instrument of economic policy. We will do that. We will also have the responsibility of outlining alternative packages that could be considered as a means to get a better system. Now Government will discharge those responsibilities and we'll discharge them in a way that has never been done by Government before. Then the community has to respond and be involved.

JOURNALIST: Prime Minister doesn't the Government have a duty to proceed with tax reforms if it sees that's in the national interest even if it can't get consensus.

PM: I haven't used the word consensus.

JOURNALIST: ... even if you can't get broad agreement?

PM: The premise of the question is not operative.

JOURNALIST: So have you considered not going ahead with the tax summit?

PM: No.

JOURNALIST: It is said, Prime Minister, that the community has to respond and be involved. How do you envisage that the community will in fact respond and be involved.

PM: There'll be a number of ways. The process has already started. EPAC has received a very large number of responses from individuals and organisations. We'll be having a meeting of EPAC at the end of this month to consider those responses. So the broad based community representatives in EPAC will be involved in the process of trying to begin to shape attitudes to assess the material that's been put in. We will then be producing the White Paper before the Summit. We hope to get responses to that, substantial responses. Then we'll have the Summit itself. And then we'll undergo the process of final consideration in the light of all those inputs that we'll get. Now that's a detailed approach. It's one which gives a very considerable opportunity to the community and organisations large and small to express their views.

JOURNALIST: At this stage do you foresee that the Government itself will put a proposal for tax reform to the Summit?

PM: No I don't think we would put a final position in the sense of saying well, there it is, we've made up our mind. Because I've tried to say all along, Peter, that the Summit is not a charade. I mean we really want to use it to get an interchange of views. We believe that we can be helped by the Summit. As I've expressed it, I think the Government will form sort of prima facie preferences, if I can put it that way, which we think may meet the criteria of efficiency, equity and simplicity. But we are open to persuasion and argument as to better alternatives.

JOURNALIST: What's your assessment of the Queensland power legislation. How are you going to respond to pleas to help ...

PM: Well I think the legislation is not consistent with the conventions of the International Labour Organisation. I believe it reflects an approach to industrial relations which is counter-productive and is more likely to produce disputes than to settle them. And in a way it's a sad thing to see that in the economically worst managed State in Australia - that is, Queensland - with easily the worst level of unemployment, very incompetent economic management, just doesn't stand in comparison with any other State in Australia - that in those dire circumstances where they are doing worse than the national average and worse than any other State in terms of economic performance that the situation is likely to be made worse by this legislation.

JOURNALIST: Is there potential for a Franklin dam re-run ...

PM: I don't think so.

JOURNALIST: Prime Minister the National Farmers Federation is strongly opposed to the introduction of a capital gains tax. Given this, how do you believe that you can in fact get broad-based community support for such a tax without possibly ... the farmers.

PM: Well as I made clear last night broad based community support doesn't mean that every single element in the community will support every single element of the package. Just let me answer the question in a hypothetical sense because no decisions have been made in that area. It is conceivable that you could have a form of capital gains tax which would take account of legitimate concerns of the farming community as to the adverse affects of such a tax in the rural sector. Now I say that not to be interpreted as saying we have decided upon a capital gains tax with certain exceptions. I simply say as an economist that that sort of thing is possible. But I repeat the basic point that I make in talking about broad based agreement - I made it quite clear last night that you couldn't expect that you were going to get every section of the community to agree on every element of a package. I said that in any package that emerged there would be some winners in regard to some component, some losers in regard to some components, but overall the community would be winner.

JOURNALIST: Do you think Mr Risstrom is furthering the cause of tax reform by the contributions that he is making?

PM: Well I think the interesting thing that will develop between now and the Summit, Mike, is that Mr Risstrom is going to be exposed to pretty rigorous analysis by experts in the process leading up to and at the Summit. I mean, to this point Mr Risstrom has expressed his views, as we want him to express them, but he hasn't been subject to rigorous analysis. And I just have a bit of a feeling that when subject to that rigorous analysis and cross-examination some of the rather easy observations of Mr Risstrom might not stand up quite so well.

JOURNALIST: Mr Hawke, you again emphasised last night the need for substantial spending cuts in this Budget and you also in proportionate terms gave your aim for the next deficit. Can you give us some indication of the magnitude of the spending cuts that you are looking for?

PM: Well I don't intend to go to a specific figure. All I want to say is this - that through the application of the elements of the trilogy and the Budget preparation, there will be in respect of the deficit, both a reduction in the deficit as a proportion of the GDP and a significant reduction in the money level of the deficit.

JOURNALIST: Prime Minister, do you intend reintroducing university fees - tertiary education fees?

PM: I don't make the decisions of government. So I don't have, you know, an intention of doing one thing or the other. The clear answer to your question, Ken, is that obviously this is going to be an issue which is going to be discussed and I think it is equally not the best kept state secret that there are some divergence of views between certain Minister. I am not going to express a view now. I will take part in the discussion when it arises in the Cabinet.

JOURNALIST: Isn't there an election promise that this would not happen and if so why is your Government considering breaking that promise?

PM: The overwhelming responsibility of the Government is to the economic welfare of the community to stimulate growth at low levels of inflation and that requires the application of the three elements of the trilogy. That is the pre-eminent undertaking I have given to the Australian community and within the achievement of that objective then, I believe any matter that Ministers want to put on the table which are consistent with the application of that trilogy are legitimate to be considered.

JOURNALIST: Even if it means breaking promises?

PM: Well, you have a range of issues to which you direct yourself and you have got to get your priorities and I put as my overwhelming priority and that of the Government to get growth, to get jobs, and we are doing that through the application of our policies. The employment figures yesterday show that we are ahead of target in creating a half a million new jobs in the three years. My judgement is, Laurie, that if the Australian community are asked what is the number one priority it is the creation of jobs, the reduction of unemployment. Now, the simple facts are that that is not something that can be done by simply saying you would like it to happen. You have got to make hard decisions in terms of economic management to achieve that result. We have been doing that. We have got outstandingly successful results. And I believe the community will welcome economic decisions by this Government which are going to continue that process. And if that means in respect of some undertakings that they have had to give way to that central priority, I think the community will accept it. All that, I may say, is said not on the assumption that the particular issue you are talking about will in fact take place.

JOURNALIST: Mr Hawke, you have set targets for the reducing of expenditure for next year. Now that the ERC committee is well under way in its deliberations, are you confident of achieving those targets?

PM: We will achieve the targets that are necessary in the area of reductions of government expenditure to achieve the trilogy. Yes, we will do that. I am quite confident.

JOURNALIST: Prime Minister, how do you answer fears that there is not enough information in the community, or about the community to really make tax reform meaningful in terms of the provisions of equity which a lot of people would like to see implemented?

PM: What was the last bit?

JOURNALIST: The provisions of equity.

PM: Oh equity. I am sorry, I didn't hear. Well we are doing that by the work that we are undertaking now. We will be having discussions with wide ranging representative groups in the community, through EPAC and in other ways and out of all that will come a very detailed white paper which will give an unprecedented exposure of the operation of the existing system, the inequities of the existing system. And I believe those who are interested will have an opportunity that they have never had before in the history of this country to understand how the existing system works and will have presented to them a range of alternatives that will have as one of the criteria involved, the criterion of equity.

JOURNALIST: Prime Minister, what prompted your Government to vote last week at the United Nations Human Rights Commission in support of a review of alleged human rights abuses in East Timor?

Has your Government got some evidence of an increasing incidence of this in East Timor?

PM: I haven't discussed this matter in detail with Mr Hayden, but clearly the situation was one where it led to a conclusion that that course of action was the appropriate one. And, as I have indicated before, I have full confidence in my Foreign Minister and clearly the decision that was taken there was one which was believed to be warranted on the evidence available.

JOURNALIST: Mr Hawke, what has happened to the wealth enquiry?

PM: The enquiry at the ANU, you mean?

JOURNALIST: Yes.

PM: We are still in the process of making a decision as to what resources should be made available to that and when.

JOURNALIST: When will you announce details?

PM: I'm not sure.

JOURNALIST: Prime Minister, you said you would like to see a reduction in the nominal deficit next financial year.

PM: No, I have said much more than that. I didn't say I would like to. I said it will happen.

JOURNALIST: Right. So have you in fact decided on a target figure?

PM: Yes.

JOURNALIST: Is it correct that it is around \$6 billion?

PM: I'm not going to a figure.

JOURNALIST: Prime Minister, have you decided yet where ASIO will live and whether they are going to get (inaudible)

PM: No, Laurie. We haven't made a final decision on that, but we will be making one in the very near future.

JOURNALIST: What is the next step now in the process of trying to achieve a settlement to Kampuchea?

PM: Well Mike, I think while it sounds a bit banal, it is nevertheless true, that it just is a continuing process of the varying parties trying to develop positions in a way which hopefully can get the two sides, if you can put it that way, sufficiently close together to enable a substantial conference to take place. As I said before, when Hu Yaobang comes here in a few weeks time I will be talking with him then amongst other things,

about Indo-China and it is not one of those issues any more than the Middle East is, if you like, where there is some magic formula. I mean, if it were there, it would have been arrived at earlier. You have got a situation where you have got so many elements which militate against an acceleration of a conclusion. You have got the centuries old antagonisms between China and Vietnam. You have got the horrendous memories associated with the period of the Pol Pot regime in Kampuchea. You have got the apprehensions amongst some of the ASEAN States in regard to China. Now when you have got that mixture of deep and long-standing, either antagonisms or apprehensions, then what is really involved is the slow process of trying to get the people involved to understand that all their interests are going to be better served if you can have peace in the region rather than the waste of so much resources in this mutual antagonistic set piece that has emerged. Now, therefore, the answer to your question is that without, as I repeat, over-emphasising our capacities in this matter we will just keep talking to the parties involved in the hope that we may be able to play some small part in that slow process of bringing the sides sufficiently close together to see that there would be some chance in an actual conference of producing a resolution. But I don't see that and I never have seen that, of something capable of being achieved quickly.

Inaudible

PM: The left always wins out over ... so you say.

JOURNALIST: Mr Hawke, have you considered the Beazley/Hawke paper on ANZUS and ...

PM: The Beazley/Hawke paper?

JOURNALIST: Oh Beazley/Hayden paper on ANZUS and also when will a public statement be made on that subject?

PM: Well we haven't got the Beazley/Hayden paper yet. I would expect it to be coming very shortly and when it comes the Cabinet will consider it. I don't feel any sense of immediate urgency. The issues involved are important and are being thoroughly considered by the two Minister. I have made it quite clear to the people of Australia that the relationship between Australia and the United States is in the firmest possible shape. We have announced the meeting that we will be having in July here in Australia between ourselves and Mr Shultz and officials. So everything is in place. Mr Beazley is going to New Zealand at the end of this month so the bilateral relations with New Zealand are proceeding satisfactorily. What has become quite clear and it should have been clearer to some people earlier in the piece is that as far as Australia's national interests are concerned, this Government has from the very outset of the problem created by the New Zealand decision, acted in a way to protect our interests. The relationship with the United States is totally and firm and we will continue the relations with New Zealand in a way which is

necessary between our two countries for the purposes of our response to discharging our responsibilities in the region. So everything is firm and stable and secure.

JOURNALIST: On the Middle East, is the Government reconsidering or is it likely to reconsider the decision to withdraw the troops from the Sinai at the end of the year?

PM: The position is quite clear. When we made the decision in 1984, if you read what Mr Hayden has said in the Parliament, that we believe that we should make an extension for two years because we were not in any way going to be party to an action which could be seen or could in fact de-stabilise the region. So we extended the period for two years and we indicated then that discussions would be held with the leadership of the MFO to look for a replacement. They accepted that. They understood that and those discussions are, I believe, going on. And I expect that out of the discussions that are being held a suitable replacement will be found. We have made it clear at all times, as I said, that we would not be party to any de-stabilising of the region by our action. That commitment remains firm.

JOURNALIST: Have you seen or will you be seeing Professor Kapitsa?

PM: I saw him in 1979.

JOURNALIST: On his current visit?

PM: On his current visit. Well, as far as I am aware I haven't received any request from him and in these matters one always behaves, as you will appreciate, with impeccable propriety. I mean, I don't ask to see him and I haven't been asked by him to see him, so at this stage the answer is no.

JOURNALIST: Mr Hawke, have you seen a telex from Premier Burke for a

PM: Yes I have. I saw one just before I came round here because some of those advising me thought I may just get a question about it, so they showed it to me, yes.

JOURNALIST: Do you have any comment to make on it?

PM: Well, yes. I think that the concept that now the Premier seems to be talking about that he has clarified of the good sense of looking at as part of the tackling of the youth unemployment problem - looking at the possibility of community based work as part of the way in which the community will meet the problems of unemployed youth - that that is a sensible suggestion. And indeed in the wide-ranging analysis that is going to be undertaken by Mr Willis and Mr Dawkins and Senator Ryan to look at the whole range of alternatives that we should take into account in dealing with this tragic problem of youth unemployment. That will be a concept

that they will be looking at and I am indebted to Premier Burke for his indication of the readiness of the West Australian Government to become involved in such an approach - not merely by way of verbal support but, very importantly, by way of financial support. I welcome that initiative and it will be fed into the consideration that my three Ministers will be undertaking on this matter.

PM: