



PRIME MINISTER

TRANSCRIPT OF PRIME MINISTER'S PRESS CONFERENCE - 22 APRIL 1985

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PM: The Cabinet today endorsed the decision of the Expenditure Review Committee to the effect that a major statement will be made in the Parliament in May indicating a cut of at least \$1 billion in 1985-86 Commonwealth Government outlays. I can put this in the simplest possible terms. This community can not simply go on running up debts and living beyond its means. This is a position which we realised as soon as we came to Government and saw the excessively large deficits that we inherited from the previous Government. From day one we moved to cut government expenditures in a way which would enable the deficit to be brought down. We intend to continue to do this and the expenditure cuts that we are making are deliberate. They mean that policies that are under way now will either in some areas be eliminated or curtailed so that this community will now and into the future have a better opportunity as I say of living according to its means and ensuring that the significant economic recovery that has been initiated under the policies of my Government will be continued. I don't go into details of those expenditure cuts now except to say that we have been guided in our considerations by the criteria of efficiency and equity. But it is certain now that with the recovery that has been initiated under our policies which see the private sector recovering and providing 75% of the increase of the new jobs that are taking place now, that it is important that the Government by its actions does not crowd out the capital market, does not impose by unnecessarily high deficits additional pressures on interest rates. It is this sort of policy, these sorts of policies, which mean that the future welfare of all Australian citizens will be advanced. And we are committed to that policy.

JOURNALIST: How have we been living beyond our means?

PM: It is fairly simple. You can't have a situation where year after year you are running deficits in billions of dollars terms. When we came in, we looked at the inheritance of a \$9.6 billion deficit. Now, what that means is that if you keep on doing that, you are going to be putting unbearable strains on the capital markets, the private sector is not going to be able to obtain funds for its expansion at

PM cont: reasonable costs, costs that they will regard as economically viable. And that is why we have in our first budget, we were not prepared to accept that figure of 9.6, we brought it down to a considerably lower figure, 8.4, and going for a much lower figure now. And in this way we will combine the degree of stimulus that is required from the public sector but at the same time allow the private sector to go about its business of expansion and job provision.

JOURNALIST: Prime Minister, how much blame must the trade union movement ...

PM: ... I am pointing up here at Michelle.

JOURNALIST: Mr Hawke, when you talk about a cut of at least \$1 billion in outlays, a cut from what, presumably the forward estimates.

PM: The answer to that is simple. It represents a cut of a \$1 billion in the 85-86 year from what would have been the case if we had in 85-86 continued the policies operating in 84-85.

JOURNALIST: And will you release those forward estimates?

PM: Well, forward estimates are not there in a releasable form because what is happening is that we undertook the expenditure review exercise early in this year. You know that we accelerated the budget program and deliberately did it on this occasion and so in that process you had actual decisions being taken that would have affected those estimates. Of course the other thing which has affected the forward estimates is the whole volatility of the currency. And so the simplest way and the accurate way of putting what we are about is that, put it this way; that in respect of forward that would have existed before we undertook the expenditure review process, these decisions that we are taking represent a cut of at least a billion dollars.

JOURNALIST: ... how do you know ...

PM: We have got the figures. We know what the on-going costs would have been. What I am saying to you is that at the same time as those would have been prepared and perhaps as a government engaged in the outlay cutting exercise and the easiest and the accurate way of putting it is to say that if there had been no decision by the Government to cut down on programs then in 1985-86 the community would have been facing outlays of a billion dollars more than we have taken now. In other words, by these decisions we have either eliminated or cut back on policies currently operating. And we have done that to the tune of at least a billion dollars.

JOURNALIST: ... an aggregate expenditure figure at the Ministers' meeting last Friday, Mr Hawke, can you tell us what that was?

PM: No I am not going through what happened in the full Ministry.

JOURNALIST: I think what you are arguing here is that the Government would be reducing the deficit, not just through extra revenue, but also through a very tough attitude towards spending proposals. I wonder if, in this context, you could perhaps go a bit further and perhaps tell us what sort of spending increase in real terms, we are looking towards in the next financial year given that the Expenditure Review Committee has now concluded most of its work.

PM: Well there is still more work to be done. We will be trying to keep that increase in real terms to the lowest possible figure and clearly the slicing off of a billion dollars, will be at least a billion dollars, will be significant of achieving that objective.

JOURNALIST: ... I just wonder in general terms if you can put a figure on it.

PM: I don't want to put a figure on it at this stage but we are, but let me say this, we are determined to give effect to the trilogy and within the trilogy that reduction in significant money terms of the deficit in 1985-86 from the deficit level of this year and we are therefore, as you will appreciate, not in a position where we are going to be able to achieve that objective by just going down the revenue route. And, by definition, if you say, if you make the commitment that you are going to retain, restrain your movements in revenues so that there is no increase in tax as a proportion of GNP, then you are constrained by going down that route. You have got to if you are going to achieve the trilogy result, exercise very considerable restraint on the expenditure result. And this is what this exercise is about. But I don't want to give you the exact figure now. All I want to emphasise as I do in the statement that the trilogy will be achieved.

JOURNALIST: You were trying to get the deficit for next year down to, I think, around about 6 billion. Can we say that you are aiming for something considerably less than that. Are you looking at 5 billion now, or what?

PM: I don't know what you are looking, all I can say is that we have never said unequivocally a particular figure. But we have said that we want to get, not want to but will get the deficit down in money terms in 85-86 significantly beneath what it is this year. Now we will be doing that and we will be without question be achieving that this year and creating the basis for the achievement of the trilogy through the three years of the government as I have promised we would do.

JOURNALIST: Can you give us any estimate of the extra revenue which will accrue to the Government next financial year ... devaluation?

PM: No, Paul, we can't. All that we say, and that is the point of that part of the statement is to say that the best evidence that we have got now is that in net terms there will be more revenue than additional costs. And I am making the undertaking that that will not be used to finance new programs. It will be used either further to reduce the deficit or to reduce taxes or charges. I simply don't know, I haven't been given a specific estimate of what that net outcome is

PM cont: likely to be.

JOURNALIST: Prime Minister, given that the federal deficit is roughly half the overall national deficit, will you as part of this belt-tightening process be looking to the states and local governments to make cuts of a similar magnitude.

PM: Well, the statement makes it clear that what we are doing here is quite independent of the federal/state relationship. We will obviously be expecting a stringency on the part of the states because, you will appreciate that on the last occasion, we adopted both in regard to the grants to the states and the way we handle that and also in regard to states' borrowings. An approach which recognised that what happened in the area of the states' budgets and borrowing program was relevant to the total macroeconomic situation. We will be expecting from the states their cooperation to achieve what is necessary for the economic welfare of Australia as a whole. You can't have a stringency on the part of the Commonwealth and profligacy on the part of the states.

JOURNALIST: What is the Government's attitude to discounting the inflation effects of the latest CPI, it is suggested it might be .4 of 1 per cent, over the next few quarters?

PM: Well I have made it clear in the Parliament and elsewhere the approach that the Government will take in regard to devaluation. We are not going to allow the results, the advantages of the devaluation to be dissipated. And the Government will take the appropriate action which is necessary. I have made it clear on a number of occasions that it is too early now in April to be talking about something that arises in the first place, minimally in September, more substantially of course 12 months away from now. I don't handle economic policy in that way.

JOURNALIST: Is it fair to say that you will now be looking at a ... deficit for 85-86 ... than you had intended before you had decided to make your expenditure cuts in May?

PM: Well, the thing that is constant Mike is that we want to make the cut as substantial as we can. What is complicated the picture now is the devaluation effects. We just don't know at this stage what sort of allowances we are going to have to make for that. Although I have indicated that on balance the effect of that should be to provide more flexibility for the Government. The question will be as we say in the statement whether you do that on the aspect of even further reducing the deficit or perhaps in other ways which will be beneficial to maintaining the strength of economic recovery. But I don't think anything that has happened which would be make us be looking at a lesser reduction in the deficit, if I can put it that way.

JOURNALIST: But don't you leave yourself open to a charge of window dressing if you're not prepared to make any sort of commitment on the figures for the next financial year?

PM: We certainly don't leave ourselves open to window dressing. There's just absolutely no basis for that. We're making the substantial decisions now and we are going to make sure that we get the full year effect of these decisions. We're going to be doing everything we can to put ourselves in a position and make the most substantial cut in the deficit we possibly can. There's no question of window dressing. We're making the decisions. There'll be legislation involved. We're doing everything we possibly can to put ourselves in the strongest position to make the most substantial cut in the deficit.

JOURNALIST: When it comes to your ... of the devaluation are in fact retained, obviously you have got to do that to wages policy, budgetary policy or monetary policy. When it comes to the latter, you wouldn't shirk would you from a general increase in the level of interest rates if that in fact was need to achieve that policy objective.

PM: Well, I think the record of this Government has shown that we will not shirk from any decisions that need to be taken to produce positive economic results. We've done that fairly consistently and we've done a broad range of things which our predecessors were never prepared to do to produce the appropriate economic results. So I rely on the record there to say that in the circumstances with which this Government is faced, we'll make those decisions which are necessary to sustain economic recovery. And I make no exclusions or exceptions in regard to that.

JOURNALIST: In the Budget will we see follow up expenditure cuts of the same order?

PM: ... the same order. But I make it clear that this is not an exclusive list of what will be done by the Government.

JOURNALIST: Prime Minister, you could well find that the effect of the devaluation on budget revenues could result in you taking certain actions breaching the trilogy commitment in relation to taxation. If you find that you have that spill-over in relation to that trilogy commitment will all of the spill-over be given back in the form of say tax cuts, or would you consider the option of marginally breaching that trilogy commitment in order to further reduce the deficit?

PM: We will not be breaching the trilogy and I make in response to that question the answer that I've given before. It just does not make sense at this point to say precisely what action you'll take for some point a long way down the line. What does make sense now, and this is why we've made the decision that we have today endorsing the ERC decision, is that it does make sense now to give notice of the fact that you are going to be moving substantially and early to make those decisions which are

going to be for the economic benefit of the country. That's why we've made this announcement now, but it doesn't make sense to go to a detailed answer now as to the sort of alternative choices you may make later on down the track to give effect to the broad commitments that you've made now. What the community and the business community of Australia needs to know is that we intend to keep to the trilogy commitment. And I repeat, we're going to adhere to that commitment.

JOURNALIST: Prime Minister, could I seek your comments on the re-admission of the four unions to the ALP.

PM: Well you certainly can, but I don't want to go back and forth from Canberra to Coburg, if I can put it that way. So we could we deal with Canberra ...

JOURNALIST: The statements that you make in May, as well as details of the spending cuts program by program, will presumably give us the full year cost before the cut was made. And at the same time will you be free then to give us fresh, up-to-date, forward estimates for the Government's whole spending program.

PM: Well I don't want to today give a commitment in regard to the surrounding documentation to the May statement. But that will be a matter for decision in the Cabinet and it will be specifically considered by the Cabinet when the Treasurer returns at the end of this week. And I'll be in a position to answer that question within the next week or so. I can't give you a final answer now.

JOURNALIST: But you see what I'm driving at. When we get the May statement we want some context to put a billion dollars into.

PM: And I can assure you from what I've said that you will have no difficulty at all in determining the reality of the cuts. That's what you want to know, and I'm simply saying if you'd been a fly on the wall in the ERC Committee and seen the sweat and blood that had gone on, you'd have no doubt about the reality of the billion dollars, my friend.

JOURNALIST: Mr Hawke, is this statement dependent on the dollar staying at the low value that the currency's at and what effect would there be if the dollar recovered.

PM: The statement that we will be issuing is not related to the level of the dollar.

JOURNALIST: Prime Minister, I was wondering if you could elaborate on your comments in Parliament this afternoon about the tax summit. Can you give us any more information on when it might be held, how many people might be coming ...

PM: We'll get to the tax summit. I just want to be my usual logical self and go from subject to subject. Have we finished the billion dollars? Now it's Coburg I think next is it?

JOURNALIST: ... your comments on the re-admission of the unions and the violence that occurred, and why didn't you make an appearance.

PM: Well the comment about the admission of the four unions - obviously I'm extremely pleased about it because I'm the one who has been advocating this for a very long time. And I'm glad to see that the proper principles have now been applied. And that is that unions who apply to be affiliated are allowed to be affiliated. And you cannot have discrimination in this area and it's right and proper that these four unions should be affiliated, and I welcome the fact that at last they have been. As to the violence - of course, I unequivocally condemn it and deplore it. And I believe those who are manifestly responsible for it will be properly judged, not only within the Party but within the community. And if I am attacked as I have apparently been by certain elements in the Victorian Party - the President, Mr Hartley - well, so be it. It's not the first time they have and I don't imagine I will suffer in any way if I'm the object of their attacks.

JOURNALIST: Who or what sort of people do you think were responsible for the violence.

PM: Well you had all your media there and there is an acceptance that it was one section of the one grouping and the more extreme element of the Socialist Left. Well, they don't have to have others accusing them. They accept that it was them. Now, I say no more than that I deplore and absolutely condemn that sort of reaction. It will not be accepted within the Party, and certainly is not acceptable to the community and properly not acceptable.

JOURNALIST: Prime Minister what is your assessment of the long-term effects of the entry of the unions into the Branch. Do you think there'll be substantial changes in the next couple of ...

PM: Oh, I think through time, not just in Victoria, I think that through time the Party will come more to reflect the constituency out there that votes for it. I believe that with the relatively small membership of I think of about 56,000 members throughout Australia in the Party, that that's a very, very small proportion of that very substantial number of people who vote for the Party. I think it hasn't been totally reflective of our constituency who vote for us and I think this will be part of a gradual enlargement of the Party through time now which will see the Party more reflecting the constituency that vote for them.

JOURNALIST: Is that the end of the split.

PM: Well, it means that those unions who were in and then were out, are now back in. Now I'm obviously embarrassed about stating the obvious. I think it's the end of that split. If others who have been in the Party dislike it that much that they feel they have to go, well ...

JOURNALIST: There's obviously still a lot of bitterness, isn't there.

PM: That was a reasonable conclusion, I think, to draw from the events of the weekend.

JOURNALIST: Mr Hawke, will it be better for the Party if they did go.

PM: Well, I mean really they have to make up their mind. The Party has made its decision. And if they feel that the Party has been made something that they don't like and can't accept, I can assure them that the Party is not going to change its decision about who's come in. So the Party is going to be of the kind and character which it is now as a result of that decision. So if they don't like that, and they think they can't live with it, well it will have be their decision. Because the Party is not going to change.

JOURNALIST: Prime Minister, will you go to the Conference in Victoria in June.

PM: I think I'll be going, yes.

JOURNALIST: Do you think there's room for some sort of disciplinary action against the extreme sections of the Party who were involved in the violence.

PM: Well I haven't addressed my mind to that. If something is put forward, if someone proposes it, it will have to be examined. But I've not addressed my mind to it and no-one has suggested anything to me at this stage.

JOURNALIST: Any further details about the tax summit.

PM: No, no more than I really announced in the Parliament. I would think that within about a week the decisions should have been made about the invitations. I just haven't spoke to that part of our bureaucracy which is addressing itself to that question. But I think it's something like a week or so that that should be finalised. And I really can't add anything to what I said in the Parliament.

JOURNALIST: You are inviting the Opposition, Mr Hawke. Do you expect them to come and how important would their attendance be ...

PM: Well, as I say, it's very hard to tell about these people. I mean people thought I was being a little bit humourous when I talked about this division-ridden Opposition. But they are. They're very deeply divided on this and everything else and I don't know - there'll be some who will want to come, others who won't want to come. And I don't know how they'll pick their team if they do decide to come, because they've got so many different views themselves about what should happen. But I seriously would like the Opposition to be there, because I believe that they must have something useful and constructive to say. I hope they will not say to the Australian people - we're going to be negative, we won't go to the Summit, we'll let everyone

else go, and then we'll set off and see how we can score points. I hope they don't do that because that's not helpful to the community and, of course, in the long term it wouldn't be helpful to them. Because I think the community would make a very adverse judgement about them if they attempted that sort of approach.

JOURNALIST: How far will the Government be able to go towards implementing some of the changes from the Summit in the August Budget.

PM: Oh, I've said before that I would think it would be very difficult to pick up in the August Budget anything of any significance from the Summit. For significant changes you will require changes in legislation and you wouldn't be able to pick those things up in the Budget. But that's nothing new, I've said that over a fairly long period now.

JOURNALIST: Was the principle aim of your statement today to calm down the money market and re-affirm your economic credentials.

PM: Well I don't think our economic credentials need re-affirming. I'll come to the first part of your question because, as much of the media has been kind enough to point out, the basic economic statistics that keep coming out are pointing to the continuing strength of the economy which results from the impact of the policies of this Government. So all the evidence is there about the basic strength of the economy and the credentials of this government in the area of economic management. I think there are these things to be said about the timing. The first is to say that we obviously want to make it clear that we are going to adhere to the economic strategy and the fiscal strategy that Paul Keating and I have consistently outlined and which has been adopted by the Cabinet and accepted by the Caucus. I and Mr Keating outlined that strategy at the end of last year. We have adhered to it steadfastly and it has been accepted by the Cabinet and by the Caucus. Now we want to make sure that we get the full year benefits of the hard decisions that we're taking and to do that you need to have legislation. And therefore, you need to make the statement and get the legislation going in this session so that you will have those full year benefits. And of course I do believe that the market will also, and I acknowledge that, the market will appreciate the clear determination of a Government to pursue these responsible economic policies which will be evidenced by this statement.

ENDS.