



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER ON AM - 23 April 1985

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HARRISON: ... the Prime Minister, Mr Hawke, to talk about some of the unpopular decisions which came out of Canberra yesterday - petrol up by 4 cents a litre, and that will give the Government a nice dividend of another \$640 or so million in a full year, and there are to be cuts in Government spending up around a \$1 billion. Mr Hawke did not specify where these cuts would be made. They're to be announced in what's described as an economic statement in May, even though it won't deal with revenue, that does sound remarkably like what used to be called a mini-Budget. Well all this is being headlined this morning as a signal of the Government's determination to make tough economic decisions. But are they in fact so tough, but is the Government merely trying to give the impression of being tough. Mr Hawke is in our Canberra studio now with Prue Goward and Warwick Beutler.

BEUTLER: Mr Hawke, if we could deal with the petrol pricing policy first, it's generally interpreted as a good economic decision but I'm sure that that's not the way motorists will see it when they pull into the petrol pumps on May 1 and find that petrol has gone up by 4 cents a litre.

PM: No, obviously motorists would prefer not to have an increase in prices, but motorists are not only motorists. They are citizens in the broader sense and what the citizens of Australia want, I believe, is sensible economic policy making by this Government which is going to ensure that the economic recovery which we've initiated in our two years in Government continues so that there's solid growth with more employment opportunities. And you're not going to get that unless you're prepared to make the relevant economic decisions, and this is one of them.

BEUTLER: How do you justify the 4 cents a litre rise to motorists though?

PM: Well very simply. It's a continuation of the policy which has been endorsed now by both Parties, that you have what we call import parity pricing, which moves the price of Australian crude in line with the Arab light marker price. And that, of course, in our terms has gone up because of the devaluation of the Australian dollar. And it should be noted, if you want to

bring the politics into it and I welcome that fact that they've done it, but the Opposition has supported and endorsed the decision that we've taken. So it's not a question of the motorist saying it's a terrible Government, it is a bi-partisan, across-the-board approach.

BEUTLER: Well your colleague, Victorian Premier John Cain, doesn't think so. He says business needs this like a hole in the head.

PM: Yes, well Mr Cain does not have the responsibility for the economic management of the Australian economy as a whole. Now I can understand State Premiers wanting to say things which they regard as helpful for them in terms of their domestic politics. That's alright. We learn to live with that. Mr Cain and Victoria have been the beneficiaries of Australia's economic prosperity under the policies of this Government. And you can't have it both ways. If you want to be the beneficiaries of our good economic policies then you have to understand that hard decisions at times have to be made.

BEUTLER: Can we read from the decision that it is more important for the Government to be seen to be taking those tough decisions and getting the deficit down than worrying about the inflationary effects of the price rise in petrol.

PM: No, no. Look economics has been called the dismal science and in one sense it's the dismal science because it's very rarely the case that an economic decision taken for the best possible aggregate of reasons is not going to have some adverse impact somewhere in the economy upon some people, perhaps on a lot of people. That is in the nature of economics. If it were just a case of managing an Australian economy where you just sat back and pressed this button and that button and watched the grins light up in the faces all over Australia, it would be very easy. But life and economics is not like that. We have come to be living beyond our resources.

BEUTLER: How have we been doing that?

PM: Well let me just make the point - if you look at the Government of Australia and go back to 1949 to 1985, that means Australia has been governed now for 35 years - since '49 by definition - that's simple arithmetic, and out of that period there's only been five non-Labor years. The situation in this country, the economic structure, the attitudes, the assumptions have basically been fashioned by 30 years of non-Labor Government. Now what we inherited when we came in was a deficit that was the highest that had been seen. We were looking at a \$9.6 billion deficit. Now what we've been doing is trying to cut in to the deficit we inherited. We're going to continue to do that and we'll do it in a way which means that Australia's economic growth will be sustained. We rescued it from recession. We've brought high levels of growth. To be able to continue to do that, to enable the private sector to expand, the Government must

bring down the level of the deficit so we don't have those upward pressures on interest rates in the market. That's what we're doing.

BEUTLER: But how can you tell ALP supporters that they're living beyond their means. Surely that's just an insult to them.

PM: Why is it an insult? I accept that they are intelligent people, and that they will understand that you can't have a situation of, as I say a \$10 billion deficit we were looking at when we came in, which just meant you were going to have interest rates going through the roof, which meant that it was the ordinary people of Australia, the ones who have the least capacity to protect themselves, that were going to suffer the most.

GOWARD: Mr Hawke, does living beyond its means include the trade union movement.

PM: Trade unionists are Australians. All Australians have got to understand that we, in aggregate, can't go on just having spending programs which you finance out of the deficit and which you're then going to be borrowing money and pushing up interest rates. Because that not only means that you're going to be pushing up interest rates as such and imposing pressures upon people. By definition that means a lack of capacity then, or will, on the part of the private sector to go ahead with an investment and create jobs. And we've got the position which people have got to understand, I've been saying it for years, I repeat it now, that you will not have a healthy Australia unless you have a healthy private sector. The private sector provides three out of every four jobs in Australia.

GOWARD: I take it by that you don't mean that wage levels in this country are too high.

PM: Well, wage levels cannot go on rising in real terms. There's a case for being able to sustain the real level of wages through time and so that there is in that way, as productivity increases, a gradual adjustment to capacity. But it's not just a question of wages. It's the whole attitude of Australians that have tended to build up under all these years of conservative Government that you can just say you're living in lotus land. We're not living in lotus land. The world does not owe Australia a living.

GOWARD: Well does that mean that the long term trend for Australian wage rates is downwards.

PM: No, it doesn't mean that. What it means is that you've got existing levels, productivity is increasing through time, and there's got to be a preparedness - and let me say to the trade union movement and on their behalf, they have been very co-operative and I have publicly, and I again do now, acknowledge the co-operation of the trade union movement with the Government in attempting to create an economic environment in which growth can occur, that has taken place. We've had very substantial

economic growth. And I look forward to the continued co-operation of the trade union movement. But it's not just the trade unions. It's no good just talking about them. It requires all sections of the community to understand that we have a basically very strong economy, one which if managed sensibly with the co-operation of the Australian people, can go on to very much better things. But it's a question of not seeking too quickly to grab the fruits of what should be regarded as longer term harvest.

GOWARD: Well looking at your partnership with the ACTU and the Accord, ACTU Secretary Bill Kelty, amongst others, is reportedly critical of the Government's handling say of tax reform and he says that you've lost your way.

PM: Oh, well, you have read as I have read this morning the front page of the Financial Review where it is said in some private conversation Mr Kelty may have said something. It's very interesting that you get some alleged private conversation being the subject then of a headline saying this is Kelty's position. He hasn't said it to us. I haven't seen him say it publicly.

GOWARD: So you think your relationship with the trade union movement over the Accord is strong.

PM: I think the relationship with the trade union movement over the Accord is strong. I don't mean by that that the trade union movement agrees with everything we've done. Of course they haven't and it wouldn't be a good day for Australia where they did agree with everything we did, or where we operated in a way which would only do things that the trade unions movement liked. That's never been my position. I said in the election campaign in February 1983 that you must understand, I said to them directly, that we won't be always doing things that you want. We won't be the handmaiden, the Government won't be the handmaiden, of the trade union movement. It's not and it will not be. What we have tried to do successfully is to talk with and co-operate with the trade union movement because this country does not want any more the confrontationism which marked the seven years of the previous Government and which was part of the reason why we subsided into the worst recession since the 1930's.

BEUTLER: What effect do you expect yesterday's announcements to have on business confidence and on the value of the dollar which seems to have remained much the same at about 63 cents overnight.

PM: Well I would hope that the markets would see this as evidence, not of something new, I mean we have made it quite clear that we were going to take the firm and tough economic decisions that were necessary to keep this economy going on a good path. But here, you have the proof positive of that.

I would hope that will have beneficial effects. I think it will.

BEUTLER: How real will the spending cuts be in next month's economic statement.

PM: Well as I said in the press conference yesterday, Warwick, if you'd been in the Expenditure Review Committee and watched the Ministers going through the grinder as it were, there's no doubt about the reality of the case.

BEUTLER: Turning now to the brawl in the Victorian Branch of the ALP, the violence continued yesterday. Do you believe the hardliners in the Left should leave the Labor Party.

PM: Well, let me put it this way - if they will not accept the decision and if they think they can carry on like this, there's no place for them in the Labor Party. If they, as I said at the press conference yesterday, the decisions have been taken, I've worked a long time to get this and so have a lot of other people, those decisions have been taken. They will stick. They will not be changed and certainly they will not be changed by this unacceptable behaviour of an extreme element of the Left in Victoria. Now they've got to make up their mind. They either realise that this decision is there and it's going to stay and live with it, or they should reconcile themselves to the fact that this Party is not for them.

BEUTLER: So if they keep up their attacks on the Party you'll attempt to force them out of the Party.

PM: Now don't go putting words into my mouth. I think I've made my position quite clear. The ball is in their court as to how they behave themselves.

BEUTLER: Mr Hawke when you spoke yesterday of Australians living beyond their means, you sounded very much like Malcolm Fraser. If you accuse him of not living up to his rhetoric, why can we be sure that you will deliver.

PM: Well, there's a big difference you see. You had seven years to watch Malcolm Fraser in office and you saw him preside over a disaster where he could talk, and not all that he said made sense, but where some of things did make sense he didn't match them with action. Against that seven years which led to disaster, seven years which produced 340,000 new jobs, you've seen us in office for two years producing the same increase in jobs in 23 months that took him 88 months to do. You've seen him lead Australia down into recession, you've seen us lead it out of recession into very strong economic growth. And, of course,

the other thing is what I talked about before. He believed that you could govern by the principles of confrontation. I rejected those when in Opposition and asked the people of Australia to believe that the policies of co-operation and consultation were better. Now two years of that have produced the record. They have produced record growth in employment, record economic growth, they have produced the lowest level of industrial disputation for seventeen years and it's halved the inflation rate. So there's the answer to your question. Look at the record. Look at the results.

BEUTLER: How much tougher are you finding the job of being Prime Minister now.

PM: Oh, I'm not finding it any tougher. I mean the hours are abominable and it means that you get a little bit more susceptible to the flu. I've had the flu for two or three weeks now which is a damn nuisance, I'm just getting on top of it. So there's that physical pressure, but I don't find it tough in any other way, I enjoy it, I love the challenge.

BEUTLER: You're still enjoying the job.

PM: Yes I am indeed.

GOWARD: Mr Hawke, industrial relations is always going to be the fear of the international investor about the Australian economy. If you look at industrial relations in Queensland, say, your Industrial Relations Minister, believes there's a danger that that type of Sir Joh legislation there could spread. Now the international investor might actually welcome that but I wonder if the threat of that type of legislation is a convenient stick for both you and the business community to beat the trade union with this year every time it sticks up its head.

PM: No, I don't use that sort of approach. And you talk about the international investor. If you attribute any degree of rationality to the international investor, he's going to say let's look at what's happened in Australia. We had seven years of the non-Labor alternative and what we had was continuous disruption, high levels of industrial disputes, continual confrontation. What have we had under two years of Labor - a dramatic reduction in industrial disputation - there's a point where I repeat where we've had the lowest level of industrial disputes for seventeen years. Now if he's got rationality, the international investor is going to say, if I could coin a phrase, goodness gracious me, that's a much better situation and he's right. Now I've said before and I say it again, the situation in Queensland will not be resolved by these processes of confrontation. Ultimately, and I hope sooner rather than later, the Premier will realise that there has to be discussion and negotiation. I have said quite clearly, I repeat it again on this program, there's not right all on one side in Queensland or all wrong. You've got to have a situation in essential

industries where the people are entitled to expect if they are going to get continuity of supply. The point is that in Queensland that can be achieved by the process of sitting down and negotiation, hammering out a settlement of disputes procedure which I believe will be honoured by the unions and I am prepared to play my part in bringing about that situation and so is the ACTU. If we do that we can get what the people of Queensland want and need - that is continuity of supplies in the electricity industry - and we can also have a situation which I believe the great majority of Queenslanders and Australians want, and that is where we remain a country in which we don't have the legislation of the dictatorships of communism or of the extreme right. It's only in countries like that, where you have the sort of legislation which Sir Joh has brought in. Look, what does Sir Joh, what do people in Australia say about Poland. When you had a situation there in a communist country where you had Solidarity arising and saying free men and women ought to have the right to withdraw their labour, everyone around Australia, including Sir Joh, recognised that clarion call and said of course there are basic human freedoms which should exist irrespective of political systems. Now this is mass hypocrisy. We recognise it in Poland. We applaud those who fight for it but we allow in Queensland a situation where the opposite is done.

GOWARD: Just quickly, Mr Hawke, the new economic realities, do you believe that they make reshaping the Accord later in the year necessary.

PM: Oh no, we've been quite relaxed about the way we discussed this. The Accord has worked very well and that's universally recognised. It allows for discussion between Government and the trade unions as to what may need to be done in emerging economic circumstances and that provision will be applied.

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