



**PRIME MINISTER**

INTERVIEW WITH ALAN JONES, RADIO 2UE - 24 APRIL 1985

E & O E - PROOF ONLY

**JONES:**

I have on the line with me, from Canberra, the Prime Minister of Australia, Mr. Bob Hawke. Good Morning Prime Minister.

**PRIME MINISTER:**

Good Morning Alan.

**JONES:**

Prime Minister is the fall in the dollar a reflection of the fact that for years now we've overvalued ourselves?

**PRIME MINISTER:**

Well it's a reflection of a number of things, and without attempting to weight all those factors Alan, the large and increasingly obvious deficit in our current account has played its part in the assessment that's made by others. We were, I believe, overvalued at the time of the float and it was natural enough that the dollar would come down. I've said that this was to be welcomed and it was, on balance, very much a cost to the Australian economy but it did go too far, and that's in part the reason why in recent days I and Paul Keating have been aggressively making clear that the central directions of Australian economic policy remain unchanged and are firmly in our hands. The value to Australia of the devaluation should be mentioned. I mean I'm not arguing with what you've been saying but I think, with respect to you Alan, it was rather one-sided in the sense that on balance, as I say, Australia will be better off because of the devaluation. It means that we're better off in two substantial ways: firstly, as you partly indicated, our exporters, our farmers and our mineral producers are better off and that is good for us - good for them and good for us. And secondly, it means that our manufacturing industry will be more competitive, significantly more competitive, and my friends in the business community in manufacturing industry have told me that already they are getting orders now which they would not have expected before and that comes from senior people in manufacturing industry. So for those two reasons we are better off as a result of the devaluation and now as we are recovering - we've bottomed, I believe. That will mean that we will still have a net devaluation but it will mean that the value of our dollar is getting more towards the right level - one which will properly reflect our position and which will certainly have those beneficial effects that I talked about. We have the responsibility, if I could make this final comment; we have the responsibility as government of ensuring now that those very significantly beneficial effects of the devaluation are not dissipated through the beginning of a new inflationary spiral. I want to give you and your listeners and the Australian public a reassurance that the government will ensure that this does not happen.

JONES:

Well Prime Minister that's - I didn't mean to underestimate the impact of the devaluation and the slide, so to speak, of the devaluation and the slide in the dollar - and I think those points are well taken. I'm just wondering though to what extent, to repeat I suppose the general thesis of what I'm saying, there is a perception overseas and recently when Nakasone was here there were problems about coal exports not getting where they should be going and there's a problem in Queensland now. I must say that I am sure all Australians would have viewed with some concern the behaviour of the Crawfords of this world in Victoria at the weekend which constituted nothing more than a personal attack on you.

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If I could just say that you came to the position of Prime Ministership with a very strong reputation as a tough leader. You were very popular at the time you were elected and still are popular. There may well be a time mightn't there in the immediate future when you're going to have to take some of these people on in the way you did when you headed the union movement?

PRIME MINISTER:

Well just let me go to the general point you made first about unions and then to the more particular points, Alan. You refer to the difficulties that have existed at certain points in the industrial relations field recently, I think again you must put this in its general perspective. We had the figures for industrial disputes out for January and what we've got now under this government is the lowest level of industrial disputes in Australia for 17 years. Now that's not a figment of my imagination. That's the cold statistics of the Australian Statistician. The best industrial relations situation for 17 years, and that's the aggregate position which the Australian business community is recognising and welcoming. They are saying, and they are saying it not only here but they are saying it overseas, that they are saying to potential investors and traders with Australia "Look the industrial relations situation in Australia has very significantly improved". It has. Now I don't mean from that, Alan, that we should become complacent - we should not. And where a dispute arises which should not arise then you will find that we've been tough about it. For instance, the most direct area that I can deal with is in the area of our own employment - the Commonwealth Employees. Now earlier this year they tried to take us on. They thought that by going on strike they could force an eight per cent wage increase out of us, or something of that order. We said, "It's not on". And we wore that, we would not cop it and now it's gone back into Arbitration. Now that's the general point I'd make. Coming to the particular, you referred to the Crawfords of this world - well I believe that the public will make its judgement. I have fought now over the last two years hard, and at certain times almost singlehandedly, but then with increasing support, to have established within Victoria the correct principle. That is, any union is entitled to be affiliated to the Labor Party if it wishes to be and the fact that some people don't like the right wing leaning nature of that union is not a bar. Now I've had to fight a long fight on that. We've won. In the process if Mr. Crawford wants to behave in the disgraceful manner that he did then I believe that it will be something which works to the disadvantage of him and those around him and to the advantage of those of us within the Labor Party who are committed to having a Party which reflects the nature and the aspirations of that great constituency out there in Australia which votes for us.

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JONES:

Yes well I don't think I agree with you, and I think that some people might think that the Prime Ministership has made you a bit too courteous to these people.

PRIME MINISTER:

Oh I don't think they'd say that, and I can assure you that I have been quite clear about it, and I repeat on your program Alan, that the Labor Party is not going to change back to accommodate the wishes of those extreme left wing elements. We are not going to change to accommodate them. If they don't like the sort of party the Labor Party is becoming, that is, a party more attuned to the

people who vote for us, then they will have to make their decision to go elsewhere.

JONES:

Well said Prime Minister, and I'm sure that's most welcome. Can we just go to the question of expenditure because this is something that you have talked about now for some time and if you don't mind my saying the perception is that on the very important questions as I say there on tertiary fees where you would have had a significant opportunity to reduce the size of the deficit, those of your persuasion were beaten. How successful do you think you can be with this program to reduce expenditure which you've often said is absolutely essential to proper economic management?

PRIME MINISTER:

Well let me put it that the proof of the pudding is in the eating that we've undertaken already. In the period since we have been in office, Alan, we've significantly reduced the deficit we inherited and I've given the undertaking that when we present the Budget in August of this year there will be a further significant continuation of that process. I've been amused, as I think perhaps you have been too and I think I can say that knowing your background which I respect, I think you probably were a little bit amused by the goings on in our Parliament yesterday when our Opposition were trying this ridiculous exercise of saying that Mr. Hawke's billion dollar cuts weren't real. I just want to make the observation that I assume that when the expenditure cuts of a billion dollars are announced in May that I'll have John Howard, my friend John Howard, getting up and telling all the people that are screaming and carrying on and saying we shouldn't have done it "Oh look don't worry, it's cosmetic. It's not real. It's just Mr. Hawke making it up".

JONES:

(Laughs) Yes, I appreciate your point. Well they are the problems of Prime Ministership though aren't they?

PRIME MINISTER:

I admit I appreciate that they have got to try and do something but I didn't think that was very effective.

JONES:

No, well it is to be hoped that - well we haven't seen them - that they aren't cosmetic because that's the big issue. And the other one of course - taxation PM.

PRIME MINISTER:

Alan I can assure you they are not cosmetic. I've gone through agonising hours in the Cabinet room with the Expenditure Review Committee and the Ministers and others involved can assure you that they are real.

JONES:

Good, well now with that PM, the question of taxation - and again I know you've talked about the summit and all that sort of business but independently of what that might produce it seemed to me that there were two at least two-pronged attacks there. One was that we must reduce personal tax. Two; that we've got to supplement what we've lost there with an indirect tax of some sort. Those seem to be two simple premises. Are you still winning that argument?

PRIME MINISTER:

Well let me put it exactly as it is, Alan. I've made it clear - this is Paul Keating and a number of other people - that we believe that the existing tax system has become debased, inadequate, inequitable, economically inefficient and certainly far from simple, and there is for all those reasons a desirability to reform the income tax scales in a way which is possible will reduce significantly the burden of direct personal income tax. Now those things are true and if you are going to be able to do that and maintain broadly the same levels of expenditure that the people want in the areas of defence, education, social welfare, roads, etc, then you have to roughly get the same sort of revenue from elsewhere. Now I've made it quite clear that ideally, and certainly Paul has, that ideally that is what one wants to do and I can assure you that is one of the packages that we'll be putting to the summit in our white paper. That sort of scenario will be there. What we've got to be sure of, Alan, is that if we can get down that path, that you've got to be sure that in net terms you're not going to be making people worse off by an increased burden of indirect tax which more than compensates and leaves people worse off. You've got to be sure that you don't produce that result. You've also got to be sure that you can protect those in the community who would be worse off without compensating mechanisms. For instance, low income people dependent on social welfare payments who are not in the area of getting benefits by way of personal income tax cuts would, if you just left them there with a rising price coming from an increased indirect tax, they would be worse off.

JONES:

Quite. But you've given those assurances that the people at the bottom will be looked after.

PRIME MINISTER:

Well all I'm saying Alan, and I know that you understand that, but you have got to make sure that all the elements in the community who would otherwise be hurt by the change would have to be protected. So I'm simply saying to you that the proposition which you put is correct. That's the approach which we believe is the proper and desirable one. We've got to make sure that the mechanisms are fully available to ensure that those who you and I think all reasonable people would want to see protected are capable of protection.

JONES:

Prime Minister, finally, the difficulty of government has never been better reflected in the last 24 hours than what I argued on this program yesterday was an eminently responsible decision about parity pricing has been lampooned from one end of the country to the other. You are going to have to, obviously in implementing decisions, face some of this flak. What's your own personal views of that problem?

PRIME MINISTER:

I've never been frightened of facing flak. I think you'll recognise, Alan, over the years that I've been prepared to cop flak in a whole range of situations. I've never walked away from it and I never will. If I think the principle is right that's where we'll go. Let me say, in regard to this decision on petrol pricing these things: firstly, it is a well-founded bipartisan policy and I pay credit for the Opposition for them not trying on this issue to run away from it. They said they support the position. Now it is supported across the political spectrum because it reflects a sensible economic reality. That is, we are dealing with the pricing of a commodity which is not here in inexhaustible quantities, which we still have to import, and so import parity pricing is a relevant and economically sensible policy. Secondly, that even with these changes Australia still enjoys just about the lowest price for petrol anywhere in the whole of the western world. That's point two. Point three: I have said that we will not be using the revenue which arises from this decision simply to undertake new expenditure programs. It will be used to ensure that either the deficit is reduced or we take other compensating measures which are necessary to protect the economy. We are not regarding it as some windfall gain just to finance some additional government expenditures. And the fourth point is this: not everyone across the land has criticised it. I welcome the way in which you, many sections of the business community and others have recognised that if government doesn't take the right and correct tough economic decisions we will be worse off in the long run.

JONES:

You're dead right, PM. I'm sorry - unfortunately as you know, you have your problems and I've got mine. I've got the news coming up and we'll have to call an end there, PM.

PRIME MINISTER:

Sure, and thank you very much indeed.

JONES:

Thank you for speaking with us, PM, and keep putting those tough lines out because I think the country needs it and they're looking for that from you.

PRIME MINISTER:

Thank you very much indeed.

JONES:

Thank you Prime Minister. speaking to the Prime Minister of Australia, Mr. Bob Hawke.