



PRIME MINISTER

E. & O.E. - PROOF ONLY

TRANSCRIPT OF THE PRIME MINISTER ON AM - 21 AUGUST 1985

BEUTLER: Mr Hawke, the first reaction to this Budget has been favourable. How much can we rely on the underlying assumptions of growth, employment, inflation and value of the dollar?

PM: Well I think we can rely on them entirely. We have put an enormous amount of work into this Budget. As you know, we started work on it much earlier than usual. We really began the processes almost a month after the last Budget and I think through the prolongation of those processes including the very substantial achievements in the May Economic Statement this is a better prepared, more thoroughly thought through Budget than there has been in living memory.

BEUTLER: No rubbery figures?

PM: No rubbery figures. Obviously, let me make this point that it is understood the 4.9 billion deficit is in there on the assumption that one must properly make that the Arbitration Commission will continue its existing principles, that is the full indexation, but we have made it clear that we will argue for discounting and in that sense if we are successful, then as the Treasurer pointed out in his Budget speech, the deficit would come up to about 5½ billion.

BEUTLER: Well that question of wage discounting, of course, is critical and already Simon Crean from the ACTU has repeated the union movement's total opposition to discounting. Why are you persevering on this what appears to be a collision course with the unions?

PM: Let me make it clear that I think Mr Crean has made a broader statement than that. And Mr Dolan, the current President of the ACTU, who perhaps in the past has been somewhat more unbending in his approach on this, I think has very responsibly indicated that there may be, from their point of view, a capacity to accept the approach as there should be. ... Well, ultimately you'll have to listen to the full bench of the Conciliation and Arbitration Commission because they will have to make the decision. I believe that they should make a decision in line with our submission. Because I want to make it clear, as Mr Keating did last night, that the Government remains fully committed to the basic principles of the Accord, that is, through time the maintenance of real living standards. But what we are saying is

that the whole of Australia, including not only those who are in the work force now but those who want to enter into the work force, have an enormous opportunity for the creation of very many more jobs if we retain the competitive advantage provided for us by the very significant devaluation that's taken place. And I believe that in the discussions that we had both with the ACTU and the employers that they will all see the wisdom of the approach that we are putting in the Budget.

BEUTLER: Will you offer the ACTU a tax cut in return for wage discounting?

PM: We will not be discussing on this programme or anywhere else the overall strategy that we will be adopting in the future in this area.

BEUTLER: But is that an option?

PM: Well, living standards are made up of disposable income and in that sense it is always a fact that what people are able to take home in the post-tax situation is what determines relative standards. But I am not in any sense indicating the range of avenues that are available. I mean, the Budget speech doesn't refer to the spinning out of the productivity case. That's obviously one of the areas that we will be talking about but I'm not on this programme going to be developing the whole range of discussions that we'll have to have with employers and trade unions to give continuing effect to the outstanding economic success that we have had to this point.

BEUTLER: Well, how far are you prepared to push this issue, as far as to effectively destroy the Accord?

PM: I don't believe that the Accord is in danger of being destroyed.

BEUTLER: Why not?

PM: For the reasons I have put. That is, that I believe that we have delivered the goods, that is, 410,000 new jobs. I believe the trade union movement shares the commitment of this Government that the No. 1 priority is the creation of the maximum number of job opportunities for their fellow Australian men and women.

BEUTLER: When it comes to the crunch would you accept anything less than full discounting?

PM: We will be putting the case for discounting as I have said. The ultimate decision is the decision of the Arbitration Commission.

BEUTLER: Don't you run the risk, if you push this whole issue too far, of powerful unions getting their wage rises elsewhere by going outside the centralised wage system?

PM: Well, let me say this. That from day 1 in the election campaign at the beginning of 1983 people were saying you won't be able to make the Accord work. It is just an election gimmick. I have said from day 1 it will work. It has worked with spectacular success, success increasingly acknowledged overseas. We have the Financial Times. We now have the latest issue of the Economist pointing out that the rest of the world should be looking at what we have achieved. Now, we have achieved this

because we have been able to persuade the whole community including the trade union movement of the correctness of our policies. We have got the runs on the board. No one is entitled now, it is getting rather boring if I may say so and tedious for people after two and a half years of spectacular success to say 'Oh, it might not work'. It has worked, it will continue to work.

BEUTLER: Well, the lower deficit means less Government borrowing. That should mean lower interest rates, when?

PM: Well, let me say this, I am not going to be making predictions because I don't think that's helpful but I will say this and say it with pride that as a result of the decisions we've made not only in this Budget but prior to the Budget, Government has taken all the action that is within its power to reduce the pressures in the capital markets on interest rates. We had a magnificently successful outcome from the Premiers Conference in getting their co-operation. I pay tribute to them and as a result of what they have done in containing their borrowing requirements and as a result of the enormous reduction in our deficit there will be a significant reduction in the public sector borrowing requirement as you indicate. That means as far as the factors within our control, we have created the situation for the least possible pressures upon interest rates.

BEUTLER: And you won't make any predictions?

PM: Well, it is not proper but all I can say, I want to say it is not proper in the immediate environment of the Budget. I don't want to be saying something which is going to perhaps of itself have a positive or negative effect. What I can do in conjunction with my Treasurer and my colleagues is to make the decisions which creates the best possible environment for the lowest practicable level of interest rates. We have done that.

BEUTLER: Mr Hawke, you are about to address this ALP breakfast in Melbourne your home city and you have brought some of your most senior Ministers from Victoria here this morning

PM: When you say I brought them, physically they travelled with me. They were bursting out of their skins to come.

BEUTLER: Well, you have got a good new story to tell this morning. How much is that undermined by the factional fighting going on here within the Victorian branch of the ALP at the moment?

PM: I know you are a member of the media and you do your job well. But one day you people will come to understand that Mr and Mrs Australia and young Australians are concerned about jobs, are concerned about growth, are concerned about economic performance. That is what will determine their position and their judgment about the magnificent achievements of this Government and by the way also by way of contrast to those pusillanimous non-entities that occupy the benches opposite us in the Parliament and where they will continue to sit because of their economic and social irrelevance.

BEUTLER: Well if you have got the economic runs on the board. What are you going to do about the Australian cricket team?

PM: Well, now you are talking about an area of very great difficulty. This Government is capable of solving most of the problems confronting this great country but you are now putting your finger on an area where I haven't got any instant or even medium term solutions. It was an enormous thrashing that we received. I think we should be sensible enough to recognise the fact that it was a thrashing. The better side in that test match won. I say to Allan Border who has developed into a great captain, I say to him get them together, make them realise they've got the potential to win that last and deciding one and I wish them the best of luck.

BEUTLER: Mr Hawke, thank you for joining us.