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PRIME MINISTER

NEWS CONFERENCE, PARLIAMENT HOUSE - 19 JANUARY 1989

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JOURNALIST: Prime Minister, is there any chance of a national housing summit as proposed by the Australian Democrats?

PM: No, I don't think there's any purpose in holding such a summit.

JOURNALIST: You don't think there's a housing crisis?

PM: Well for those people who are having difficulty in acquiring houses, for each person there is a personal crisis, a desire to obtain housing. But this Government since we've been in office has tackled the problem of housing in a comprehensive way. We've brought in the First Home Owner Scheme which is recognised by the industry and by the recipients as the most imaginative scheme that's been ever brought in by any federal government to provide the opportunity for people to acquire their own homes. We've provided record sums of money, record real increases in funds for public housing and we will continue to do what we can to assist the acquisition of homes by the people of Australia. We've also taken the initiative as you know in approaching by letter directly from myself to all the State Premiers to take imaginative action in the area of making more land available, more public land available for housing. And in that area we are ourselves examining the capacity that the Commonwealth has to make more land available. So in these ways we have been over the last six years directing our attention to this issue and we'll continue to do so. At the moment of course there is a relatively tight monetary policy which is necessary to deal with the overall economic situation confronting this country. What you've got to understand is that the problem that this Government has to deal with is the problem of an economy which is, if anything, operating at too strong, too high a level of activity. I have noticed some observations which suggest that we are relying solely upon monetary policy. Well like so many observations that are made in certain areas of the media, that is a nonsense. Monetary policy in a sense is the swing instrument of policy. We have in place very very firm fiscal policy which is evidenced by the fact that we have budgeted for and will obtain a surplus of at least five and a half billion dollars in 1988/89 and there will be zero public sector borrowing requirement. So there is very firm fiscal policy in place, it will continue, and we have a firm

PM (cont): wages policy in place. But the problem of course at the moment is that at the high level of activity that is taking place you have imports coming in at quite a high level which is adding to the problem of our external accounts. But I'd make the observation in regard to that area of Australia's affairs that capital imports are running in the last 12 months at about double the rate of other imports, which is a reflection of the high level of investment that is taking place in this country. In fact, in 1988/89, as I think the Treasury release yesterday indicated, we will have the highest ratio of investment to GDP in 35 years in this country. At the same time as that is taking place in creating a stronger economic base for the future we have a quite strong performance in the export side in both services and manufactures. In regard to services, if you look at the figures over the last two years, we've had, in the last two years in regard to services, increases of 9.4 and 13.9%, and in the export of manufactures in the last two years of 32.5% and of 9.4%. So if you look at the structure of the problem with which we're dealing, while it is true that there can be no complacency about the external situation there are elements of it which should give us confidence for the longer term both on the imports and the exports side. On the import side, as I repeat, capital goods imports running at double the level of consumer imports over the last 12 months which will be creating a stronger economic base for the future. We are seeing a significant performance on the export front. I've referred to the significant increases in the exports of services and of manufactures. We shouldn't overlook the fact that in the 12 months from July to December as well, there's been a 40% increase in the volume of rural exports. Part of the problem we've had in the first six months of this financial year of course is that we've had fairly low levels of stocks as far as primary products are concerned, but now it looks as though we're starting to see the end of that problem. We're hopeful that in the second part of the financial year we will continue to get a strong export performance. So I give all that background to make the point that where you talk about the relatively high level of interest rates that is a necessary part of the proper conduct of economic management for Australia but it is not a situation where the Government is in any sense relying solely on monetary policy. It is necessarily tight but it is a part of an overall strategy of economic management which, as I say, sees as well very strong and tight fiscal policy management, and also in the area of wages.

JOURNALIST: If as you say the economy is, if anything, too strong, do you agree with Senator Button's comments of yesterday that if demand remains to buoyant interest rates will have to be even higher?

PM: He said, as I saw of the paper, that you might have to look at that but I don't see any need for that at this point because, as I say, it's not a case of the Government relying solely on monetary policy. If you were in a situation where that's all we had to rely on then you may

PM (cont): see more immediacy about some need for tighter monetary policy. But you've got to understand, as I repeat, that monetary policy is associated with very tight fiscal policy, the achievement of a significant surplus, the first time this has been done for a very very long period of time and also in the context of a responsible and tight wages policy. I think the most interesting thing of course at the moment in this area are the observations that are being made by the Opposition. I'd certainly recommend to the people of Western Australia that they should take account, as they go up to an election on 4 February, of what the Opposition in this country is saying about what should be done. You have the remarkable combination of Professor Hewson who says to go ahead with tax cuts would be madness. Certainly he says in the absence of strong expenditure cuts. So the people of Western Australia ought to know that the spokesman for the Liberal Party is saying that tax cuts ought to be out the window, at least in the absence of very very strong expenditure cuts so they ought to be asking the spokespersons for the Liberal Party where are the expenditure cuts going to be made, where abouts in health, housing, education and so on are the Libs going to be advocating the sort of expenditure cuts as a condition of tax cuts. And from the National Party we have the multi-millionaire McGauran coming up with the magnificent proposition now that what we should have is tax cuts on interest earned from household savings. Well isn't that a lovely proposition from the multi-millionaire McGarran and his rich mates. The most regressive proposition you could imagine - tax cuts for them on interest from household savings. Well for the ordinary person in Australia today that's not offering much but it's certainly offering an enormous handout, as I say, to the multi-millionaires, the National Party and their mates. That's the alternative economic policy that you've got from the Opposition in this country. It's the sort of thing that ought to be taken into account and I'm sure will be taken into account by the electors in Western Australia on 4 February.

JOURNALIST: Was Mr Kerin right this morning when he said that the current account deficit would come in at around 12 billion dollars?

PM: Neither John Kerin nor I can be precise, obviously, as to where the current account deficit will come in. All we can say is that of course the figure that we talked about at budget time of nine and a half billion will be exceeded. There's no doubt about that.

JOURNALIST: Given that Mr Hawke, can we still afford tax cuts on 1 July?

PM: Yes we can afford tax cuts and they will be delivered. They will be delivered by this Government because the capacitor has the capacity to deliver them, because it is in possession of, and it is the sole political party in this country in possession of the range of economic policies which can make responsible tax cuts possible. We can do

PM (cont): that because as distinct from the wordsmiths of the conservatives who talk about responsible fiscal policy and so on, we've delivered. They simply had a continuing deficit in their handling of the public accounts. We have by successive, responsible and relevant expenditure cuts created a situation now of significant surplus. So we've budgeted for a surplus of five and a half billion - that will be achieved. And because we've done that and because the Labor Party alone in this country can conduct a responsible and relevant wages policy, we therefore have the instruments, the range of instruments in the conduct of economic management within which we can deliver responsible tax cuts. Let me again make the contrast between Labor and what it will do and what's being offered now by the Opposition. The Opposition, the only way they talk about tax cuts is to say tax cuts generally out but tax cuts for the rich in terms of tax cuts on interest. Well that's all right for the conservatives who want to look after the rich. We will bring in tax cuts on 1 July and they will be targeted at the lower and middle income Australians who need and deserve the tax cuts and we'll be able to deliver them responsibly because they will be delivered within the framework, as I say, of an overall economic policy directed towards the interests of this country.

JOURNALIST: Mr Hawke do you rule out any further spending cuts if the current account deficits remain high?

PM: What we have said, I've said it, Paul Keating has said it, is that the action of this Government over six years now where we have successively in Budgets and May statements cut back in the expenditure areas, brought a situation where there is not much room left now for significant cuts. Any major cuts in expenditures would cut into to the services provided for ordinary Australians. Now that's neither economically or socially responsible. There may be some room for some further savings, minor savings, but not of the sort of order that we've been talking about in the past.

JOURNALIST: May Mini Budget, nothing as big as the May Mini Budget, but perhaps some cuts announced before the Budget?

PM: Well we have not believed to this point that you need to have a May statement sort of approach which has, in the past, involved significant cuts on the expenditure side. It's quite clear that we are going to have to be announcing, at about that time, what we'll be doing in the area of tax cuts. We'll be announcing them at around that period, we'll be having discussions now with the trade unions, with the business community which will deal with the issue of wages and at all times we've made it clear. There has never been any question about this. We've made it clear that the question of tax cuts will involve a wage tax trade off and so we will be watching what happens to wages. We're fairly confident that there will be responsible attitudes adopted in the area of wages and if that happens then we will be announcing, as I say, about that time the tax cuts which

PM (cont): will come into effect from 1 July. Now at this stage, as I've said, neither Paul nor I have thought that it would be necessary to put that within an overall package of significant expenditure cuts. But what the conduct of economic policy by this Government has shown over the six years now nearly that we've been in office, that we continue constantly to monitor the economic situation and we will continue to do that.

JOURNALIST: On wages policy Mr Hawke, do you share Mr Morris' concern which he expressed yesterday about the possibility of a wages breakout because of the spate of increases in executive salaries?

PM: You've got to be concerned about this. In the private sector, there is no doubt that there has been a fair bit of evidence of significant increases in executive salaries. And this is a matter which has been raised strongly on the Economic Planning Advisory Council, both by the ACTU and by the Government and, to be fair to the representatives of the business community there, they acknowledge the problem that does exist. They would argue, they do argue, that generally speaking the increases that have taken place have been, as they would put it, competitively necessary but they do acknowledge that where the trade union movement sees fairly significant increases in executive salaries in the private sector, that that does create some pressure. But nevertheless, having said that, if you look at the record of the period we've been in Government and look at the attitude of the ACTU, it is beyond arguing that the trade union movement of this country has been responsible. How otherwise could you have a situation in which there has been the cut in real wages that's taken place. It's only because of the restraint that the trade unions have exercised that we've been able to create over one and a quarter million new jobs and have a rate of job creation which is more than twice as good as the rest of the world. So that is an area of trade off in the past, there has been a trade off of wage increases against higher employment growth and I'm sure the trade union movement will continue to see the validity of that approach. Having said that, I repeat what I had put last year and I take this first opportunity in 1989 to repeat it. During 1988/89, the financial year 1988/89, there will be wage increases associated with the principles that have been laid down by the Commission which will mean that in combination with the reduction in the inflation rate which will characterise 1988/89, that there will be a maintenance of living standards for Australian workers and their dependents. Then it means that when you take into account the continuing fall in the rate of inflation that will go on into 1989/90 and the wage increases that will take place and the tax cuts that will take place, targetted most particularly at lower and middle income groups that you will see, as a result of the policies of this Government, an improvement in the living standards of the Australian people.

JOURNALIST: What about the timing for any cut in the top rate?

PM: Well, that's a matter to be decided. What we've made clear is that our overwhelming priority will be the lower and the middle income groups. I've stated that, Paul Keating has stated that and that remains the position of the Government and that will be unchanged. The question I believe that we will have to consider will be this, as to whether there will be any cut for the top rate at the time of those other cuts which will operate from 1 July or an indication of later cuts. So there is need for cuts in the top rates at an appropriate time and the appropriate time is something that we will decide during the early months of this year as we address this whole question of tax cuts. But I repeat our primary emphasis will be for the lower and middle income earners of this country.

JOURNALIST: Have you personally seen any of the US Government's intelligence about the breached chemical weapons factory?

PM: No I haven't had the opportunity of seeing that material myself yet. I will be seeing the material that's been made available to Mr Duffy in his capacity as acting Foreign Minister, but I have total confidence in the assessment that's been made by Mr Duffy on this issue.

JOURNALIST: You are visiting four countries in Asia in the next few weeks.

PM: Yes

JOURNALIST: Will you be raising the chemical weapons issue with any of those countries, or in one of those countries specifically there is an allegation that one of those countries is manufacturing chemical weapons -

PM: Yes, I'll be raising it in all the countries that I visit because following the initiative that I announced in New York in the middle of last year, our diplomatic representatives in the region have raised with all Governments our concern on this matter. Let me make it clear that what we wanted to do is to raise the consciousness of Governments in this region generally of the need to pursue an effective policy calculated to bring an end to the manufacture and the possible use of chemical weapons so that's been done already in all these areas by my diplomatic representatives following the initiative that I announced in New York last year. I will take the opportunity personally of pursuing that initiative. Let me make the final point on that, that at all points from when I raised that, this was not seen as a substitute for work that needs to be done on the general international basis and Australia will continue to play a leading role in the moves that thankfully seem to be gathering momentum internationally to move to a new convention in this area.

JOURNALIST: Do you believe the wages forecast in the Budget will be met?

PM: Substantially I think it's possible that it might be slightly over the Budget forecast, but the important point I believe is that the trade unions are seized of the importance of a continuing restraint in this area. But consistent with the sort of scenario that I have put and that is in this financial year a maintenance of real standards and a move then as we move through '89 to an improvement in standards. Now we have always said that there would be wage increases associated with the whole restructuring process. That is going to be something that we're seeing really in Australia substantially for the first time that the whole concept of wage increases are going to be associated with moves to increase productivity in this country. In that process it may be that the outcome for 1988/89 will see the wages movement slightly above the forecast for the Budget but not in a way which will in any sense undermine the strategy of the Budget.

JOURNALIST: Mr Hawke has your office completed its re-examination of Mr Sarich's proposal and what's your feeling about it? Are you inclined to ...

PM: No well the various Departmental people have been looking at this. I haven't at this stage received the report of their consideration. In this area what we want to achieve if it's possible is a position where Mr Sarich will manufacture in this country. We have already as you know provided a considerable amount of assistance and you've got to strike the right balance between how far you can go in providing assistance to private enterprise in this way. For the purpose of maintaining in the country, you're maximising in this country a manufacturing investment, but without creating a situation where you're going to unjustifiably subsidise some private operator. Now I'm waiting to get the report. We'll make a decision on the basis of that report.

JOURNALIST: Mr Hawke you've talked about the private executive salaries but is the Government concerned about

PM: Well let's look at the situation there with the OTC story you know. Where the most publicity as I understand it recently has been about Australia Post and that basically if I may say so has been a beat-up. In this period of December/January no-one's to blame in the media but it's a quiet time and you get beat-ups as you know. I find most of them pretty amusing actually. In the case of Australia Post what has basically been happening there is that there has been a legitimate office restructuring, some new positions have been created and some people have been promoted into those new positions and increases in salary have been associated with those promotions but basically the pay levels in Australia Post are very much related to the APS and I don't see any movements there that are going to create undue strains.

JOURNALIST: What about the judges salary? ...

PM: Well the judges salaries as I've said all along, you've got, with judges you've got a very difficult situation. We're not going to allow the decisions we take in that area to upset the restraint that we want to see exercised in the general area of wage fixing in this country and judges have to understand that, that they can't be treated in isolation from the general area of wage fixation. They would argue perhaps and I could understand it, that there area special considerations applying to them and in some senses there are. We can't ignore the fact and we will not ignore the fact that at the level of the Federal Court there has, over recent years, been some difficulty in attracting people from the Bar to the Bench because of the very high levels of remuneration which are available to legal professsion. Some of the salaries which they earn are almost mind boggling if I may say so. But nevertheless that does create a problem. Now we've got to take that into account and we will. But I can assure both the judges that on the side of the judges that we will try and get an outcome which meets some of their legitimate concerns and I can also say to workers generally in this country that we will attempt to handle this is a way which they can see is just.

JOURNALIST: Will you making a decision on this before the end of the wages negotiations ...?

PM: The actual timing of the decision as to the judges salaries, I couldn't give you that now but we will be going into discussions with the trade union movement and I repeat also with employers as we talk about the wages round in the very near future. So it will at least be the case that before we've made a decision in regard to the judges we will have started some of the discussions with the trade unions and the business community.

JOURNALIST: Are you confident that Mr Hand's administration of Aboriginal Affairs ... due to report the Inquiry is due to report next month?

PM: Yes I've indicated on the floor of the Parliament and outside of the Parliament that I have confidence in Mr Hand. Let me make it clear. I think that Mr Hand is one of the truly outstanding Ministers for Aboriginal Affairs that this country has seen. He has the level and type of compassion which is appropriate for this portfolio but it's not a blind or a soft compassion. He has and I've seen the evidence of it, he has a capacity to be tough where toughness is what's required. You've got to understand - in my judgement at least - that when you're dealing with the question of Aboriginal Affairs, when you're dealing with the question of dispensation of very substantial amounts of money around Australia for so many organisations and individuals in the Aboriginal community, there are going to be pressures and difficulties. You can't always apply exactly the same sorts of standards of accountability or involvement that you may

PM (cont): in other areas. That doesn't mean that you just have an open slather and Mr Hand certainly hasn't done that. We have shown as a Government that we've got nothing to hide. We want to have every possible inquiry into any allegations that have been made and the various instruments that I have established for this purpose will go about their business and we'll receive reports. If out of those reports there is a need to adopt some changes in approach to funding then we will of course do that. As to Mr Hand himself I have total confidence in him.

JOURNALIST: Do you anticipate any Ministerial changes before the next election? Specifically do you think Mr Holding will remain a Minister this year and when's the election going to be?

PM: I don't anticipate any further changes at this stage. I have nothing on the plate. Yes I think Mr Holding will remain a Minister. And when will the election be? Well I can say to you what I think I've said it publicly before that really you're looking at a sort of period of the latter part of this year through to May of next year. That's essentially the period within which an election can most properly be held. It is the case that you could have the House of Representatives going up until November of 1990. But that means you would have to have a half Senate election by the middle of the year and then a House of Representatives election. It would be a pretty bold Prime Minister that would try and pull that one off and I'm bold and aggressive but I don't think I'm that silly. So that really means that the outer limit is about May of next year than the earlier limit of, say, the latter part of this year.

JOURNALIST: Are you still confident that you can conclude a treaty negotiations with the Aboriginal community by that time?

PM: I have never asserted, said that is what will be done. I've said that is an objective. Now the important thing is process. I believe that the interests of this and future generations of Australia will be very well served if we can get a treaty or compact - the word has never worried me - but a basis of understanding between the Aborigines of this country and the non-Aboriginal population. I am absolutely convinced that the best interests of everyone, both Aboriginal and non-Aboriginal, would be served by the achievement of that outcome. There is no point in rushing it or trying to force it upon people, particularly in a situation where you have such may I say vicious misrepresentation by our conservative opponents about the nature of such an agreement. Now what needs to be done is to allow the processes within the Aboriginal community which are going on, we want them to say to us what sorts of things that they would like to see covered by such an understanding. Then, in the relatively near future, I think Mr Hand will be coming to me with recommendations as to how we should develop the process within the non-Aboriginal

PM (cont): community of discussions about this issue. Now it would be nice if those processes could comfortably produce an outcome of such an agreement within the life of this Parliament. That's certainly what the Government would like to see, I understand it's what the churches would like to see, who've concerned themselves with this issue and if it can be done well I certainly would be very proud to be associated with it. The important thing is to do it in a way which is going to mean that the people of Australia -- both Aboriginal and non-Aboriginal -- are content and secure and happy about the process. If it takes longer than the life of this Parliament so be it.

JOURNALIST: Prime Minister while George Bush has got a fairly tough economic decisions to make early in his Administration, what's your measure of the impact or the potential impact on us of the decisions he has to make?

PM: Let me put it this way. There is no doubt that within the United States and in the rest of the world there is a developing understanding of the need for the United States to tackle the twin deficit problem and until that is done then you are going to have a distorted interest rate and trade pattern internationally which can adversely affect us. Now the important thing is that that is clearly understood and I know from personal correspondence that I've had with President-elect George Bush that he is aware of this. I believe that he's going to address the issue in a way which is more than simply a confection or superficial -- I think he will handle it in a way calculated to deal effectively with the problems. Now let me say only one thing beyond that and it's this that some people historically have argued that if the incoming Administration in conjunction with the Congress was to tackle the budget deficit seriously that that could lead to a significant decline in the economic activity in the United States as they brought the budget deficit down. I have never believed that that simplistic analysis is accurate because I would think that if both the business community within the United States and internationally formed the judgement that the incoming Administration was serious about dealing with that problem then let's give very very considerable boost to confidence. So my judgement is that the interests of Australia are very much served by the incoming President effectively tackling these problems and I have reason to believe that he will.

JOURNALIST: Do you know when you'll meet him?

PM: Sometime this year. I can't be certain at this stage but we have a very, very good personal relationship as you know, we're in communication with one another and will continue to be so.

JOURNALIST: Mr Bond's comments regarding support for Premier Dowding and also liking Premier Dowding to Margaret Thatcher. How damaging have they been to this State Party and in particular your Party?

PM: Well I hadn't found them damaging to my Party federally. As far as the State of Western Australia is concerned let me say this. It's crystal clear that if you look at the range of issues which have to be dealt with by a State Government then the interests of the people of Western Australia will be significantly better served by the return of the Dowding Government than by a resort to a disorganised confrontationist group who form the Opposition over there. In what has already been a fairly brief campaign they've demonstrated overwhelmingly their incapacity to work together. They are at odds on fundamental issues. For instance in the area of industrial relations you've had the humiliating prospect of the National Party coming out and saying what their policy would be and then a public brawl and scrap between the National Party and the Liberals with the National Party having to partly pull back but with the loaded gun up there over the Public Service in that State. So they have shown a total incapacity to offer any cohesion in that area and now in the very area which they've said was going to be their heavy artillery against Labor in the area of the Development Corporation, a total conflict between them with the Liberals saying "we're going to scrap it" and ... "oh no, no, no we're not. We're going to keep it". Now they chose the ground. They said the issue of the future of the Development Corporation was central, the central issue for the people of Western Australia to make up their mind on and they can't make up their own minds about it. They are fighting one another with the Nationals saying "we'll keep it", the Liberals saying "no we won't". Now the fact that Mr Bond has made the obviously correct observation with the best interests of Western Australia could be served by continuing Labor than resorting to this into this mish-mash of uncoordinated unsophisticates is not surprising. You would expect him to state the obvious and I'm confident that the West Australian people will come to the same conclusion.

JOURNALIST: Mr Hawke what did you think of the cricket?

PM: Now this is the last one. I think the first item on the next Cabinet meeting will have to be consideration of proposals for new rules for rain interrupted one day games. The present situation is entirely unacceptable.

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