



PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, HOTEL MEURICE, PARIS, 19 JUNE 1989

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JOURNALIST: Prime Minister imports are obviously still increasing dramatically. Should there be a further interest rate rise?

PM: I'm not saying there should be a further interest rate rise. I repeat what I've said consistently, that all settings of policy will be kept as tight as is necessary to deal with the situation. Just making a general comment on the figures. The figures come in at about the mid range of the market expectations. To this point the reaction to the market on the exchange has been not in a downward direction. It's important to note I think, that the import figure is dominated by the increase in machinery - about a 23% increase in machinery - \$250M in the last month and as we've been saying while these are imposing strains upon the accounts, nevertheless we'll be seeing the later beneficial effect of those figures in a strength in economic infrastructure. But it makes quite clear that we have to keep all policy settings tight and they will be kept tight.

JOURNALIST: When would you anticipate a significant positive downward movement in the May indicators?

PM: It's hard to say. We've been saying earlier on this year that we hoped in the third quarter that we'd see that impact and that remains my hope.

JOURNALIST: Do you think the settings are tightening up Mr Hawke, particularly monetary policy? You've said before you see no need for rates to go up further. Do you adhere to that position?

PM: I repeat what I've said before. They'll be kept as tight as is necessary. We will watch the impact of policies in a constant way, as we always have. I trust that the policy settings are tight. What you've got to remember is that we haven't been sitting on our hands. In the Premiers' Conference we slashed another \$2.7B, almost \$3B off the funds available to the States. So that has represented a significant tightening of policy in the fiscal area. Monetary settings are tight and as you know in the area of wages policy, very tight indeed, with an expected outcome of about 6 1/2 per cent.

JOURNALIST: So monetary settings are tightening up?

PM: The question has been put three different ways. I'm not giving another different answer to the ones I've given.

JOURNALIST: Mr Hawke do you see any scope for helping home owners with their loan repayments in the Budget context?

PM: What I've said before is what I repeat here and that is that there have been a number of proposals that have appeared in the public arena on this issue and we are prepared to analyse those considerations but that does not mean that there is any decision that's imminent. But it does make sense where proposals are put to examine them.

JOURNALIST: ... increase in sales tax on luxury goods to try to dampen demand?

PM: Well that's a proposal that has been talked about. So any of these proposals that have been raised, and they have been raised fairly extensively within the Party ranks, some people in Government seem to have made the suggestion, a number of commentators in the markets have talked about these things. Now a sensible government will look at all these sorts of proposals, examine them, look at their various implications, now that's been done.

JOURNALIST: So Mr Hawke what comfort can you offer home buyers who are now facing a crisis in terms of their mortgage repayments because of the Government's policy settings?

PM: The first thing I would say is to repeat what must be repeated and that is that these policies have not been put in place capriciously. They've been put there because the economy is operating at too strong a level. It's quite clear from today's figure that we can't continue to have an economy operating at the level which brings in this sort of imports. Now if the community can say, 'oh well you're sloppy in the fiscal area, you're sloppy in the wages area and you're just hitting us with tight monetary policies', then that would be a legitimate criticism. Fiscal policy is tighter now than it has even been, reflected in the very significant surplus, reflected in the zero public sector borrowing requirement, reflected in the fact that we, as a result of these things, are paying off debt at the Commonwealth level. In the area of wages policy, historically never tighter, never been a situation where you've had such high levels of economic activity and such low levels of wage increase. So the tight monetary settings are in that overall tightness of policy and what follows from that is that if you didn't have tight monetary policy like this then the impact upon the very people that you're talking about and that I'm concerned with

would be significantly greater. Now the rich in the community, the well off, would be able to accommodate themselves to a situation where we just capriciously said, 'oh well we'll generally lower interest rates'. Because we all know what would happen then. The dollar would plunge, interest rates would go through the roof, the economy would collapse. So it's these people who admittedly, and that I'm very concerned about are suffering now would suffer much more. So we'll have to keep policies tight for as long as - with this combination of other policies - we can get a gentle let down in the level of economic activity. I repeat to the people that you properly mention in your question, I repeat what I've said to them. That as soon as it is responsibly possible then the rates will come down.

JOURNALIST: ... the areas of sending signals. For example privatisation. Does it look like the Government's running out of options unless you can move in that area as well.

PM: You're not really suggesting that privatisation is an answer to the problems of the high level of economic activity. I mean it's an important issue, it's an important issue, but it's an irrelevant issue to the question of the level of economic activity.

JOURNALIST: Mr Hawke this is still the highest figure on record. Were you personally worried when you saw them or heard about them this morning?

PM: Well I think it's covered by what I just said earlier Niki, that the figures came within about the mid range of expectations. I would've been more worried if it had been over \$2B. It does seem on the evidence that's available to me just before I came down to this press conference that the market hasn't reacted adversely. If anything the dollar has gone up somewhat.

JOURNALIST: ... Mr Hawke about the half-Senate election. Your comments the other day about the half-Senate -

PM: I've been fascinated by the way -

JOURNALIST: You've set the hares running about -

PM: They've set the hares running. I mean you've been infected you people here by the Paris atmosphere. I had a look, I asked my people to get out what I said earlier on this. I just remind you of what I said and I have no reason to depart from this. Nothing I've said really does depart from it. This was the 19th January, my daughters birthday. Now let me see what I had to say.

JOURNALIST: inaudible

PM: I'm indebted to you for your assistance but I'd rather have me saying actually, directly, what I said rather Milton, than some interpretation of it or attempt to go to what I said. "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 who 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".

JOURNALIST: Are you that silly yet?

PM: Never been that silly, not likely to be that silly now. It is the fact that the sort of thing that excited me so much over the last couple of days is technically and legally a possibility. That's a fact. I can't and won't attempt to change those facts. But I have no difference in my assessment and assumption of what would be politically prudent than that statement which I delivered on the 19th of January.

JOURNALIST: Does that mean there won't be a half-Senate election?

PM: It looks like it doesn't it.

JOURNALIST: inaudible

PM: You really have to concentrate on the trip now. You can't sort of wind it up now, 'Hawke's thinking about a funny sort of election timetable'. Now I've made it very clear so now try and concentrate your attention on the trip because there's some very important issues.

JOURNALIST: Before we get back to the trip Prime Minister, if the figures keep coming in at this level do you think there's any need for a further tightening of fiscal policy in the Budget, further spending cuts?

PM: There'll be obviously a review of that situation. You will have seen that Paul said in his statement on the BOP figures that we will now go into the fourth year in a row of reduced real Government outlays and so that will require a very careful scrutiny of programs. But we're not looking at any massive cuts. But the most fascinating thing in this area isn't it now I read in the cuttings this morning is the collapse of all the hoohar from Mr Peacock and the Liberals. There we were getting from Dr Hewson and the rest of them the story that we were going to have massive expenditure cuts.

The significant difference from the Hawke Government policy and he seems to be battling to stir up the courage to talk about another billion dollars worth of cuts. There is no suggestion on what's come out of the weekend of conservative politics that they are any closer to getting themselves together. All they seem to be doing is still fighting pretty vigorously amongst themselves. A sight which is very pleasing to see from the other side of the world. pleasing

JOURNALIST: How much margin is there for cuts?

PM: Very, very much less margin than has been in the past for the very simple reason that you've never had a government which has but as much as this one. Get your perspective right. What we've had now is three successive years of real reductions in Commonwealth outlays. A second year of surplus. This has never been done before with the zero public sector borrowing requirement. Now you can't, just by similar definition, you don't need to be well versed in economics to know the facts that if you've been cutting and cutting and cutting and if you've done what's never been done before, three years of real reductions in outlays, by definition there is not very much room left for much more if you're going to continue to provide a reasonable level of services that the Australian community properly expects.

JOURNALIST: Mr Hawke taxation is the other side of fiscal policy. Would you see any prospect for increases in taxes as a way of tightening fiscal policy?

PM: I've already directed an answer to a question in that area here this morning. I've been asked a question which said is there a possibility of some increases in taxes and if you read the transcript you'll see what my answer to that is.

JOURNALIST: Mr Hawke if you did increase sales taxes on luxury goods would that hurt our trade position, ... imported goods?

PM: I'm not going to that hypothetical question. I mean let me simply say that any decisions that we made would be consistent with our proper stance on international economic policy.

JOURNALIST: Mr Hawke earlier this year you cut \$700M from State and Federal Government spending programs. Do you think you could aim for a billion in the Budget reasonably?

PM: No I've got nothing to add to what I've said on ...

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