



## PRIME MINISTER

TRANSCRIPT OF QUESTION AND ANSWER SESSION, NATIONAL PRESS CLUB, CANBERRA, 21 MARCH 1990

E & O E - PROOF ONLY

JOURNALIST: Tracy Lois, Austereo News. Prime Minister the Chamber of Commerce says today's national account figures show we're heading for a recession and whichever Party's in Government on Monday they'll have to move immediately to bring down interest rates. Andrew Peacock says if it's him he'll make an announcement on Sunday to ensure the market moves on Monday. Will you be doing more than just ringing Bernie?

PM: Well, let me refer to the national accounts and from that into interest rates, the two issues which you properly interlinked in your question. Of course, in the national accounts we see the confirmation now of the policies that Paul Keating and I, on behalf of the Government have been talking about. The reason of course why we had to have high interest rates was that in the previous year you had that gap of between the eight percent increase in consumption and the four percent increase in production and that led to a massive increase in imports which was unsustainable. And so we had to have high interest rates to reduce that level of activity. What the national accounts show now that that gap has been eliminated, total spending grew by 4.5 percent over the year to the December quarter while growth in production was 4.2 percent. So that gap has been eliminated and what we're seeing is a situation in which you've got now an increase in net exports. So what we're seeing is not a move to recession, there's a reduction in consumption which there had to be and our activity is now being channelled into net exports which is precisely what we need to have. And that of course will enable us to move to a reduction in interest rates. Let me make the point that my comment about the reduction in interest rates is not simply my statement or the statement of Paul Keating, although Paul Keating in his release today with the national accounts has made for the reasons I've put, the judgement that the fall of interest rates will follow. But in a sense it's more important, I think, to look at what's been said recently by people within the banking industry and most particularly I'd like to share with you the thoughts of the Reuters screen last night. But just let me refer to a couple of the observations from the banks recently and the Sunday Age

recently. They said economists broadly agree that the conditions already exist or are forming for an easing of rates. March the 15th, when the labour force statistics came out, the Commonwealth Bank said the slowdown in employment over the last two years provides further evidence of the slowing in the economy which should allow for some further easing of monetary policy in the near future. Yesterday, the publication of the latest retail trade figures, the Commonwealth Bank said the January retail figures confirm the softer trend in consumer demand which should prompt a further step easing in monetary policy. And on the Reuters screen last night, in the context of what had happened in Japan, traders - this is on the Reuters screen - traders said credit markets ended the day firmer in anticipation of a further easing in monetary policy in the next few weeks assuming the Hawke Labor Government is re-elected at Saturday's federal election. The Reuters screen is right because what they are saying, what they are saying is OK, Hawke and Keating and the Labor Government have had the policies, they've suffered some flak. We were prepared to take the necessary hard decisions, but the national accounts reveal that those decisions are working. There is no need to fear a recession in any sense because we've had 4.2 percent growth in GDP over the whole of 1989, but the conditions have been filled, filled now for a reduction in interest rates. I confirm what my Treasurer said and that is that we'll be in touch with the authorities within a week or so of being re-elected and it is my judgement that, given the evidence of the easing in the economy, that I see very good prospects for a further easing in commercial rates and that expected fall on top of the earlier fall in commercial rates should feed through to mortgage rate reductions. Now I'll try not to make the rest of my answers as long as that, but you did get to national accounts and interest rates and I needed to go to all the facts. Thank you.

JOURNALIST: Bob Bowden, SBS Television Prime Minister. You've stated during the campaign that the pace of reform Australia can expect over the next few years will be quickened if you are re-elected on Saturday. I wonder if you'd explain how you expect to achieve that, given that on some evidence the Government's appetite for reform appears to have diminished and would you nominate the areas you see as the highest priority as part of that reform process.

PM: Well I, when I answered that question earlier I made the point, Bob, that in fact why I believe that there would be an acceleration in the rate of reform was that because we had, in fact, overcome the first hurdle. And that was that it's very difficult, when you've had an economy cossetted as this was for such a long period, and remember the statistic, for 30 of the 33 years - for 30 of the 33 years before we came to Government - conservatives in power, no micro economic reform at all. The easy assumptions of the lucky country, that it was

all going to fall into Australia's lap from a grateful world that loved us for some peculiar reason, that we didn't have to do anything. All the old attitudes would remain. Now we in seven years have done more to turn around those attitudes and institutions than has ever happened before. Remember in this place in December I issued the challenge to the conservatives, come up and point out any period in all your 30 years when you came within a bull's roar of our pace of economic reform - deafening silence because they haven't. Now what we've done is had to tackle in these first years employers, trade unions, State governments and other institutions in this country who had been brought up in this atmosphere of conservative apathy and gutlessness. And now we have the situation where, in this last week, you can have users and employers in the waterfront coming out and applauding my Government for the reforms that it's brought about on the waterfront and saying, faced with the choice between our approaches which are going to involve 3,000 of the older waterside workers going out, thousand younger people being recruited, getting rid of the concept of pool employment which we inherited from the conservatives and having employer oriented employment, bringing about very significant improvements in productivity. On the, in the maritime industry, as a result of what we've done Australian manning levels by '92 at the average of the OECD. Now what I'm saying is that to get to this position where these changes have taken place, reflected yesterday in the Metal Trades Award, this country had gone on for decades, for generations with an award, the centrally important award in our manufacturing industry, still going on with 360 different classifications dating back to the beginning of this century. As a result of what we've done, getting the unions to face up to the challenge of change, getting the employers to face up to the challenge of change, that's gone. And instead of 360 ossified, irrelevant, counterproductive classifications, now 14 classifications which will facilitate training, retraining and the proper application of modern processes. But to get there just imagine the hurdles we had to overcome. So the point of my answer to your very important question is we've got over that. We've got now a receptive, cooperative trade union movement. We've got a much more enlightened band of employers, collectively and individually and government, State governments also. So I believe that because we got over that hurdle and seeing now the example, for instance, of the waterfront, the maritime industry, what's happened in the metal trades. I mean, if you can reform the Metal Trades Award then you're going to have a much easier road now to surge through with reform and all the rest of the award structure. So it's because the hard battle of changing attitudes has been won that I think we're going to be able to continue. You asked what were the most important areas. I think transport generally will continue to be very important, Bob, and I think with Ross Garnaut who referred not only to transport, he also identified as a very important

area, power generation. Now, so these things need to be looked at by the Industries Commission. We'll refer these things to them, but I think we've now created the environment, the attitudes for change, the preparedness on the part of Australian workers and management to understand that if we're going to meet the challenge of the future, then they've got to be prepared to abandon past practices and that's going to make it easier in the future.

JOURNALIST: Laurie Oakes, Nine Network, Prime Minister. Why did you say yesterday it was reasonable to predict a two percent fall in interest rates in a relatively short time if you won the election? Why did you say that and then back away from it and why did Paul Keating claim you didn't say it.

PM: Well, I had to confess, I had to confess that I got somewhat side-tracked by John Howard parenthesis. I had seen the report where John Howard had referred to the possibility of two percent reduction and I indicated that, you know, that may seem reasonable but I wanted to make it clear - and it was pointed out to me that I may have left that impression, I didn't want to leave it and I shouldn't have got carried away by the John Howard parenthesis. Because I have been very careful, right throughout this campaign, to point out two basic things. And that's what I've continued to do and what I've done today. That is that if you're going to get reductions in interest rates which can be sustained, then you have to have the fundamentals of economic policy right. And fortunately today what we've seen is the further confirmation that those policies are right. We've eliminated that great gap between consumption and production and that means that the conditions are right as has been said within the banking industry and the Reuters screen and so on that - don't knock the Reuters screen, it's very important, very important - and they've said, they've said that the rates can come down. So you've got to have the policies that are right. That's the first thing and it's working. The second, I repeat, and perhaps I should have been more astringent yesterday, I don't walk away from that, that the decision will in fact be made within the banking industry. What we will do and do it with a great deal of vigour and do it early on our re-election is to say to the central bank that it is the strong view of Government that all the evidence is there now to justify a further reduction in rates.

JOURNALIST: Jim Middleton, ABC Television News. On page three of your speech, you talk about fighting to realise a vision for an Australia, an export oriented economy.

PM: Yes.

JOURNALIST: In line with that you recently gave \$12 million to the Kodak Company. Now the Kodak Company has announced a competition in which they are giving away \$12

million, an intriguing similarity I think you will agree. What does giving \$12 million to Australian punters do for an export oriented economy? Shouldn't you reconsider the decision?

PM: Well, good try, Jim, but the two things are not connected as I'll point out to you and it's quite simple to understand - I give you the facts. Kodak's promotion is purely related to its film retailing operations. The bounty is solely related, solely related to Kodak's manufacturing operations, both for the domestic and export markets. And the terms of the bounty, the terms of the bounty dictate that there be no cross subsidy from Kodak's manufacturing operations to any of its retailing or processing operations. Now Kodak's always run film promotions in the past and will continue to do so no doubt into the future, well after the bounty finishes. And we have the situation where Commonwealth bounties go to, and other types of assistance, go to hundreds of Australian companies but that doesn't give us a right to involve ourselves in any way in their promotional activities. And we go back to the basis of the decision in regard to Kodak. Very simple. We had there a company which was the second largest exporter of elaborately transformed manufactured goods and as a result of the decision that we've taken, we will have a position where they are going to see exports more than double on an annual basis, from just under \$100 million currently. And we calculatedly made the decision that it ... we weren't entirely happy with the decision and I said that at the time, but we had to make up our minds whether we were going to see the loss of this major export capacity or not. We made the decision that we shouldn't lose it and, as I say, in the terms of the bounty arrangement it is clearly spelt out that there shall be no cross subsidy from the manufacturing operations which are in question to any of its retail processing operations.

JOURNALIST: Paul Lyneham from the 7.30 Report, Prime Minister. This morning the Treasurer's Office told me that the Commonwealth net debt overseas is \$9.25 billion. Yesterday in your interview where you didn't say interest rates would go down by two percent, you also said, talking of the \$17 billion surplus you've accrued over the last three years, the Budget surplus, you said 'we have used that' and this is your own official transcript 'we have used that to pay off every cent of Commonwealth Government overseas debt'. Isn't that what would be known in some quarters as a bit of a porky and secondly, on what will likely be the key issue of the campaign, are you concerned about the appearance of elitist enclaves of rich white Anglo Saxons in Vaucluse and Toorak?

PM: I may say something about that last little bait you threw out, I'll think about that one. But on the question of debt the position is quite clear that on the latest figures that I've seen that when you take into account in regard to the Commonwealth Government its debt

and its assets we are net creditors to the tune of \$4.4 billion. And I don't resile from that at all. That's the position. If you put against our liabilities our assets, in international terms we are creditors to the tune of \$4.4 billion. But as you go to the question of debt, let me, let me just expand briefly on that. We have addressed this issue constructively throughout the campaign which is the opposite of what's in fact been done by our opponents. We have in place a coherent, inter-related strategy to deal with the debt problem of Australia. It's in three parts essentially. The first is, and it's absolutely essential that you have it, we have a wages policy which can ensure the continued growth of a competitive Australian manufacturing industry and the continued growth of services. We've had 54 percent growth in manufactured exports in the last four years, that sort of thing will continue. These latest national accounts confirm the fact of the move to a stronger net export position. Against that wages policy that we've got to enable that outcome, our opponents have a position where they will guarantee a wages explosion. Secondly in regard to dealing with the debt problem, we have a surplus - \$17 billion surplus you referred to, over the last three years, and that's being used to pay off debt. Against that you have the fiscal irresponsibility of our opponents which would blow the surplus. And thirdly we have a national savings plan - statistics, straightforward, when we came to office in superannuation funds \$17 billion, now \$100 billion, calculated by the end of this decade under our policies to grow to over \$600 billion. That will mean that we will be developing the savings of Australia in a way which will reduce the call by Australian enterprises on overseas capital. Against that again, in superannuation, the Opposition promises the smashing of the award based superannuation system. So the facts are there in regard to our own position and, generally speaking in regard to debt, we have the policies to deal with it and our opponents have not. Now about these enclaves in, I just caught the word enclaves, in Vaucluse and Toorak, I just didn't quite catch the way which you put it. Is it a serious question? If it is, please repeat it.

JOURNALIST: ... something about an enclave.....

PM: Well I may be getting a question, I don't know, on the question of the Multi-Function Polis but I will limit myself to your concept of enclaves by saying this. That, as you put it geographically, I inherited with my colleagues in 1983, a Government, a country which was a country of enclaves in terms of opportunity. And the most glaring example and the most damning indictment of the Conservatives in that respect was in the area of education. There can be no more damning indictment of a government than that it goes out of office after seven years virtually leaving the retention rate in our education system unchanged. That is the proportion of kids staying on in school. It moved up from 34% to 36%.

They walked out of office with only one in three of our kids staying on in school. That was the enclave of Australia that I hated because you had imposed upon the education map of Australia a pattern of enclaves. There was no doubt whatsoever that the kids from the wealthy suburbs were going on in the education system as they should, they have every right to, but they had no more right, no more right than the kids from the poor to the middle class suburbs. But that was the pattern of privilege, the pattern of enclaves as far as the education map of this country was concerned and we have changed that. In seven years not no change but now it is nearly two in three of our kids and so that pattern of education, the map of Australia has changed. Instead of the enclaves of opportunity, now the kids are streaming on in the education system from all the suburbs. So we did inherit an Australia of enclaves in just about the most important and fundamental sense you can talk about. Because what is more fundamental than that basic building block of the education of your kids, and it was an Australia of privileged enclaves. Not any more after seven years of Labor Government.

JOURNALIST: Dennis Grant, Prime Minister, from the Seven Network. The clear winner in this election campaign so far seems to be cynicism, but perhaps followed by apathy. You raised this yourself in your speech when you urged the cynics to think again because as you said the stakes are high. I wonder if politicians are not alone at fault here, that maybe we in the media have to cop some blame as well. I think that is maybe because we take politics in this country as a spectator sport rather than a participation game. What can be done do you think by the media and the politicians to reignite hope and perhaps regain some confidence?

PM: I regard this as a very significant question. I think the last part you mixed up another issue. You mixed up, you were talking about cynicism and apathy in the first part and then you brought in confidence. But let me deal with the first part of the question where you were talking about cynicism and apathy. I have had time to read Laurie Oakes' article this morning in The Bulletin and Laurie's thesis there basically is that those who say that there is boredom in this campaign - he repudiates that and I must say that I tend to go along with the Oakes' interpretation rather than the more general one of this being a boring campaign. I don't reject the proposition that there is perhaps more cynicism in the electorate about the major parties. I accept that there is evidence to sustain that proposition, although I don't think that the evidence of a higher vote for the Democrats and the Greens generally, is just to be ascribed to cynicism about the major parties, Dennis. Because I am sure that if you look at politics around the world one thing just strikes you right between the eyes is that there has been a growth everywhere of interest in environmental matters. So

people do want to give evidence of that being their major concern and that is why I think you are going to have more people voting for Democrats and the Greens than before. But I don't walk away from the thrust of your question that there probably is some more cynicism about than there was before. I'm glad you gratuitously suggest that it is not just the politicians' fault, that the media has got some responsibility. I had a talk with one editor and a journalist during this campaign when this issue was raised. I asked them a question when they came up and talked about cynicism. I said would you tell me when you wrote in your paper an article about the hard, unremitting work that politicians do. You talk about how we misbehave ourselves in the House, and we do behave rather poorly at times, myself included accepted, but how many times, I asked them, have you written a story about the work that politicians do in the committees, on both sides - I am not talking just about Government. Hard, tough work they do in committees, either of their own Government parties or of the Opposition or joint parliamentary committees. How often do you write about that? How often do you write about the hard undramatic and unrewarding work in the electorate of politicians? And I know that politicians of both sides work bloody hard out of their electoral offices, meeting the needs of their representatives. Well I ask you today how many articles have you written about that work that they do in the parliamentary system, and they do out of the electorates. There was a sort of sheepish grin of acknowledgement - nothing. Now if all you are going to get in the media is the cheap shot and where the shot should be put at it, ok of course it should be done. But if all you are going to get about the parliamentary system is the cheap shot and no exposition about the tough unremitting work that goes on outside the actual chamber of parliament and in the committee system, within each house and between both houses and the hard work they do in the electorate, I guess the electorate is going to get a pretty cynical view of politicians. Now let me finalise that by saying I accept that all of us in the political arena have got room to lift our game, from the Prime Minister through to lowliest back-bencher, we have all got the capacity and the room to lift our game. But I do think that you have very fairly gone to the point that the media may have something of an obligation too to show that a hell of a lot of hard work is done for which politicians get no credit at all.

JOURNALIST: David Barnett from The Bulletin, Prime Minister. While you have been Prime Minister - on the foreign debt again - the gross foreign debt has gone up from \$38 billion to \$150 billion. Given that your economic strategies remain basically the same, wages policy which was just referred to, tight fiscal policy, a tight money policy, one that's sustainable .... for very long. Is there any reason to think that at the end of three more years the foreign debt shouldn't be around

\$210 to \$220 billion? If that is not a good figure, what would your figure be?

PM: Well basically your figures aren't, I'm not avoiding the thrust of your question, but you are using gross figures and everyone who writes about this acknowledges that it is the net figures that are appropriate and I will give you the net figures. There has been a substantial move in the net figures, it has been from 23 to 118. They are the relevant figures and we are not in argument about that though. Now let me explain what have been three factors basically involved in the growth of the debt. Firstly, of course, with the devaluation of the Australian dollar which occurred early in our period in office, by definition there was a revaluation of the Australian debt and that had its impact upon raising the figure - firstly. Secondly, we had the very significant decline in the terms of trade in '85/86 and that had its impact. And thirdly, we have had the massive surge in investment in recent years which has given us investment as the highest proportion of gross domestic product in our history. Those are the three factors which have been involved in the lift in debt. It is very interesting to notice David though that if you are talking about trends, and certainly as a proportion of GDP, that virtually the position has been stabilised since the middle of the 1980s. Debt as a proportion of GDP peaked in about September of '86 at about 34% of GDP, it is now about 33%. What we have seen in the period in the latter part of '80s is two conflicting elements which have operated to keep the proportion of debt to GDP pretty stable. Firstly, you've had, as far as the Commonwealth Government is concerned, the running down of our debt and that surplus of \$17 billion that I have talked about and the activity of the Government to turn around the net public sector borrowing requirement which was turned around by eight and a quarter percentage points. So you have had that massive impact from what we can do directly to reduce the public demand upon the resources of the community. But as we have been doing that you have also as I say had this massive surge in investment. Now that investment that has been taking place and which is reflected in the debt figures is not something which is all bad. I mean if you look - and let's take the most conservative element of the access economic figure - the \$45 billion of investment which they identified which is already under construction or committed. They say that that will be bringing in about \$5 billion additional foreign income in the years ahead. So as we have been playing our part to reduce the demand on the community savings, the business sector has been very significantly increasing investment which is going to have its pay-off in the years ahead. The other element that needs to be taken into account David when you are thinking about this is of course something which fortunately the Reserve Bank went to in some detail in an article the other day and this is something that Paul and I have talked about quite a bit which hasn't been picked up so much and that is the

massive increase in Australian equity investment abroad. When we came to office that figure stood at \$7 billion. That has now increased up to a point where it is now nearly \$50 billion. It is an increase of over \$40 billion in Australian equity investment abroad. In other words if that hadn't taken place David, the foreign debt now wouldn't be 33%, it would be 22%. But because of the encouragement that Australia has given, this Government, that investment abroad has taken place and that is giving Australian companies access to foreign markets and to foreign technology which is going to be so vital to Australia's future. It is earning us some \$3 billion in income as well. So I am not avoiding David the fact that we need to be concerned about foreign debt but I am saying that it's essentially been stabilised in the latter part of the '80s. And if you look at the components of it there are very positive elements for our future. But the final point I make in terms of the election is this. The Australian people have to ask themselves which of the two parties have the policies to deal with this issue and I have gone over this before so just let me very quickly recap them. We have the policies in terms of, one, a wages policy which will continue to create a more competitive Australian manufacturing and services sector which can increase the range and breadth of our exports and reduce that profile of exposure to commodity price fluctuations. Against that the Opposition has no wages policy, they have a certain prescription for a wages explosion. Secondly, in regard to fiscal rectitude, we have done what they never could do. Never once in all their years in office could they get a surplus. We have, \$17 billion and we will keep the surplus intact, but they will dissipate the surplus. And thirdly, we have got a massive national savings program through superannuation, they will blow it. Those are the questions that have to be asked when you talk about the debt.

JOURNALIST: Bruce Juddery from Australian Business Mr Hawke. I'm afraid it has got to be a double bungler.

PM: Bruce, I always expect at least a double bungler from you, mate.

JOURNALIST: I'm being generous to you today.

PM: Thank you, thank you.

JOURNALIST: On page seven of your speech, Prime Minister, when you are indulging in product differentiation with the Opposition, you make the point that young people don't want more uranium mining, uranium . . . . industry in Australia, and so on and so forth, they shouldn't vote for the other lot. Am I not correct in believing that the Labor Party has an enquiry into the subject of uranium mining and enrichment and the jury is still out. I am wondering what Mr Kerin, for instance, who is strongly in favour of uranium mining, Senator

Button who also wants uranium enrichment here, they put in submissions along those lines. Even Gerry Hand went out of his way in his submission to say that the Aborigines don't object to uranium mining. I am wondering who you might turn off with that particular suggestion. The second bung. Is the MFP, Multi-Function Polis, dead? And who do you blame if it is? Do you blame Mr Peacock for wrecking the potential bipartisanship with anybody who was going to put money into investment for 20 years duration would require, or do you blame Will Bailey of the ANZ Bank who was Chairman of the national committee here, and who has deliberately kept the wraps on the whole process of evaluation for the last year, and refused to publish some of the more interesting and imaginative proposals of his team because he believes that they should belong to the rich companies which have already invested in the Multi-Function Polis Australia Research Limited.

PM: Thank you Bruce for those important questions. The first one, yes there is an inquiry going on within the ALP on uranium mining. But that is not the jury, I mean that is in a committee. The decision will be made by the Party and it is my assessment that for - and I am expressing my view - that for a combination of economic and other reasons that the Party will not be in favour of any further mining. And I think on economic grounds it is probably a very strong case for that quite apart from other considerations. Now let me go to the second part of your question. The Multi-Function Polis. Now you asked really is the Multi-Function Polis dead. Well I guess you would have to say that if the Coalition were to win the election, as it stands now, the Multi-Function Polis would be dead. Although one has to ask a question even there, I guess, when you look at how the decision was arrived at. Now let me remind you Bruce, what happened in regard to the position of the Opposition on this. Here we were going along through an election campaign, Multi-Function Polis, no. No issue. The position of the Opposition, quite clear. Let me quote it. Here it was in the Sydney Morning Herald the week before the ..... by Andrew Peacock. This I quote, when they were asked ... policy, his exact words, "the proposal is unique for Australia and deserves extensive consideration". Got it. That was the position of the Opposition stated publicly in the Sydney Morning Herald the previous week. I repeat it. "The proposal is unique for Australia and deserves extensive consideration". What was the statement by the Minister involved, the Shadow Minister involved, Mr Howard? Very clear. I quote him, "I don't think we should bury the concept in a sea of hostility before we know anything about it". Now there you are. Last week. Not bad is it. Unique to Australia, deserves extensive consideration, and the Minister involved, the Shadow Minister involved, shouldn't be buried in a sea of hostility before we know something about it. Now something happened on the way to the forum. What was it? There was Mr Peacock with his

travelling press crew, and I'm told, I wouldn't describe these as leaks, I mean it's just these sort of intercommunication channels that exist in these matters. But I am told nary a word to those travelling with him on the Thursday. But something happened. The faxes went out on the Thursday. Thursday night. So much so that Senator Stone was able to say on Thursday night it's dead. He told us, and he told you then on the Friday, that he didn't make up his mind until the Friday. Didn't tell the travelling press with him, but shoved something into the media boxes. Mr Howard wasn't consulted. Now I go to these things just because your question is, is it dead. Well it doesn't seem to me that the position of the Opposition has really been thoroughly discussed. Pretty hard to come to that conclusion isn't it. Where was the discussion in their Shadow Cabinet? And how did it happen? Did they get a bit of research shoved under their nose and suggest well this might be something that is worth throwing in? Mr Howard wasn't involved. So I have got to say that if Mr Peacock were to win the election, a totally hypothetical position as far as I am concerned, and if he were to remain Leader of the Liberal Party, which is also somewhat hypothetical, then you couldn't even say in those circumstances that the MFP is dead. Because there hasn't been this consultation, and most importantly because the basis upon which he purports to put his position is totally flawed. Let me examine that aspect of it. He has said that he is against enclaves, he's against enclaves. Well let me read to you, December '87, and here is a statement of principles agreed by the Commonwealth and State Governments. The following principles should guide Australian participation in the joint feasibility study of the Multi-Function Polis. Principles for, let me read it, develop the MFP as an entity which is not an enclave but is linked with the remainder of the Australian economy and provides a leading edge testbed and technology transfer. So here he comes out and says, I am against enclaves, when it is laid down, has been since December '87, that the concept of an enclave must be out. Secondly, he says that he relies on the report. Well you say that Will Bailey was keeping things under wraps. Very interesting to note that September last year the Opposition Leader provided with the opportunity to be fully briefed, no keeping under the wraps, provided the opportunity to be fully briefed, he declined to accept that, and says that he reaches his position now. In defiance of all that his Party has said before, in defiance of what Mr Howard has said on his reading of this document. Now, I bet my bottom dollar that he hasn't read the whole lot of it, but let me go to what the consultancy report says. To just destroy the basis of his proposal. What it says is very ... It says it should be said that this is not a final conclusion on feasibility. Overall feasibility will be determined by the Australian and Japanese Governments which will receive a report from the Joint Steering Committee by the 30th of June 1990. They say, this report concludes that

the Multi-Function Polis is a compelling concept. This is what he is relying on to throw it out. They are saying it is a compelling concept. And then let me go to what they say in regards to the economics of it. He is quoted from economic statistics. What do they say about the economic analysis. He says, "that analysis must be regarded as a first attempt to understand the Multi-Function Polis in terms of the Australian national economy. Its conclusions are necessarily tentative and heavily qualified". And yet he tries to ... out the proposition on that basis. Finally, and let me just go to the total hypocrisy of the Peacock position. I mean you have already seen - it is hypocritical because he bases it on an objection to an enclave and from December 1987 that has been ruled out. He bases his position on a report which provides him with no basis, but look at what they had to say in their policy statement. Have a go at us, page 19. Labor's foreign policy has too often been driven by domestic political considerations. Now you have a massive full-on insult to our major trading partner by rejecting the MFP out of hand, because that is not driven by domestic political considerations at all. But in it, ..... page 20, what they say needs to be done. We need to revitalise our economic relationship with Japan to a new framework of co-operative trade marketing research opportunity. I mean have you ever seen such an opportunistic action by a leader of a political party, I would like to know what it is. You have four adventuristic, opportunistic, domestic, political reasons thrown out the window, something which your own Party has said is unique, unique opportunity for Australia, should be thoroughly looked at, shouldn't be sunk in a sea of hostility, and there you go and do this. I think the facts speak overwhelmingly for themselves, and I conclude my answer by saying this. No, the Multi-Function Polis is not dead because fortunately Mr Peacock will not be in a position, he has shown he is not worthy to be Prime Minister of this country. He has shown it before this week, but if ever an issue and its handling showed that he was not fit to be Prime Minister of this country, this has been it. The future of this country depends absolutely on attracting to this country the very best technology we can from overseas, from Japan, from the United States, from Europe. Bringing here and marrying in Australia the best technology that we can with an increasingly well trained Australian workforce. Not in an enclave, because we never would do that. And any Leader who would jeopardise the capacity of this country to attract such technology, is not deserving of the support of this community. So we will proceed with the analysis, with the feasibility study, and if those reports show that the concept can be proceeded with in a way which is consistent with Australia's best interest, its sovereignty and its integrity and its needs, then it will go ahead.

JOURNALIST: (inaudible) ... a part of that saying a passage had been included without your authorisation.

I'd like to know how a letter signed by the Prime Minister comes to have something included without his authorisation. Don't you insist on reading things in their final form before signing them. And if you didn't in this case, why not? What is the value of a Prime Minister's signature on anything if, when there is a bit of controversy he can turn around and say, I didn't say that bit? And if something is published with your signature, and you're responsible for that publication, notwithstanding the letter from the person in the Victorian Attorney-General's Office, shouldn't the buck stop with you and with no-one else?

PM: I accept that the responsibility for that letter going out in the end must stop with me. Of course I can't deny that. But I must say that I regret very deeply the fact that the person concerned, without my authority, included that sentence. I don't know what more I can do than that.

JOURNALIST: (Milton Cockburn) Prime Minister, will you match the Liberal Party's promise that they will hand back each year the proceeds of bracket creep?

PM: Well I am in the position where I can match my commitment, Milton, by looking at the record. And of course the fact is, as has been demonstrated by independent sources just within the last week, that under the decisions that I, with my colleagues, have made in Government, the Australian people have got back more by the tax deductions that we have implemented than they would have got simply by the application of bracket creep. Putting that the other way, in seven years we have more than given back bracket creep. But may I just make this point quickly in regard to taxation and the expectations of the community as to what sort of deal they get out of us or the Opposition. Just let me remind the Australian electorate at this late stage of the campaign what is proposed in terms of the Coalition for their taxation policy in their next term if they were elected. They propose to adjust the taxation scheme by bringing in what they are pleased to call a flatter two-tiered system. What will that mean? What's the revelation of their concept of equity in tax. Let me tell you, and through you, let me tell the people of Australia. Under their proposal, someone on \$17,000 a year annual income, would get the princely reduction of 20c a week. If you are on average weekly earnings of about \$28,000, you would get a reduction of \$4.73 a week. And if you were the Prime Minister, you would get a reduction of \$104 a week. Average weekly earnings -

JOURNALIST: Mr Hawke, I said this to Mr Peacock yesterday, so in fairness I should say it to you today. My question was quite specific in regards to promise.

PM: Yes, I have done that. But I was getting a bonus in, and I won't be as rude. I think you should do that.

It is perfectly even-handed. Perfectly even-handed. And I am very naughty, I thought I had answered the question. The answer is, of course, yes. Because I have done it for seven years and I will do it for the next seven years. More than do it for the next seven years. But I was getting in a bonus, Milton, and saying that what they are proposing in regard to their taxation policy was a concept that it is fair taxation to give himself as Prime Minister more than \$100 a week tax reduction while he gave the average bloke \$4 a week. That doesn't fit with mine. The answer to your question is yes.

BARTON: That's where we run out of time.

PM: Can we have one more?

BARTON: No.

ends