



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
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PM I'll just give a brief overview of the meeting. We're now about two thirds the way through the Council of Australian Governments' agenda, and there have been many positive outcomes and I'll refer to those in a moment. On the protocols, on the environment, forests, micro economic reform of electricity and gas, Asian language development and a few others I'll mention more comprehensively in a moment.

We had a long and vigorous discussion on industrial relations where there was not agreement between the Commonwealth and particularly the State of Victoria, and where I said that the Commonwealth was determined to give the workforce of Victoria a choice, a matter the Liberals often refer to - a choice - as to whether they wish to accept the opportunity of enhanced access to the coverage under the federal jurisdiction for awards, an option they would lose when State awards terminate in March of next year.

I argued to Mr Kennett and to Mr Stockdale and others, and you might have seen those charts about the factor shares between wages and profits, that already at this stage of the cycle the profit share is at the level of the golden mean of the 1960s, and of course with any volume in the economy, any volume above overheads will certainly just produce a higher level of profits on the bottom line of companies which will take the profit share above the '60s experience. And of course, the concomitant wage share is at the 1960s levels, levels where we all believed were such as they would promote investment and allow the economy to develop. My question then was - what are you asking for? Are you saying that the profit share is not high enough at this stage, in absolute levels or at this stage of the cycle, that the wage share should be lower? To which of course I had no replies. Because there isn't a reply. Wages in Australia are competitive with countries with whom

we trade, and their unit labour costs are nearly 10 per cent below where they were a decade ago.

So I told Mr Kennett that the Commonwealth would be legislating to extend Section 11G of the Australian Industrial Relations Arbitration Commission powers for coverage for those employees or groups of employees in Victoria who sought such coverage, who exercised the choice and who sought such coverage. We're not imposing coverage, we're leaving the opportunity there for people to make a choice as to whether they want coverage.

Secondly, that in relation to the adoption of legislation under the ratified ILO agreements, I again reaffirmed the Commonwealth's willingness to consult with States about the detail of that legislation. Need I say, these are for two of these treaties, treaties which were ratified some time ago with the agreement of the States. This is for things such as minimum rates and equal pay, and it is putting into legislation the adoption of the content of the ILO ratifications which are internationally agreed minima agreed by the employer, employee, and government representatives in the ILO, subsequently agreed by Australian States, subsequently ratified to which we are giving effect. Hardly a basis for objection. And of course, what point could anybody argue that they don't agree with the principle of equal pay for equal work. Or in the later to be ratified termination of employment convention, that there people will have, again, legislated international minima under that convention, but about which we've agreed to consult, and consult we will. We've established today a mechanism chaired by Peter Cook for that consultation, as he is the appropriate Minister.

So, we take the view, and I made this point, that Australia in the last decade has adopted a much more consensus, cooperative model in industrial relations, we have advanced in terms of the change in our economy materially since that adoption, that there can be no complaint about the factor shares in the economy between wages and profits and the notion that we should drive wages down to peasant levels, or something approaching it, is not what is holding the economy. What has slowed growth in the economy is lack of demand, not the price of labour. And it is demand which is now picking up, we've had 2.1 per cent growth over four quarters, a lot of that demand has come from the public sector which is a result of the Commonwealth stimulus, and Australia is growing now faster than any of the countries of the OECD area.

So, on industrial relations I think you could say we've agreed to disagree, but around the basis of the Commonwealth Government giving Victorian employees a choice as to whether they want to go on single employer contracts with recourse only to the common law, or whether they opt for choosing the enhanced access for the federal jurisdiction of the Australian Industrial Relations Commission.

In relation to the other areas, in the protocols we've established a basis and rules for the proper functioning of the Council of Australian Governments and the Ministerial Councils, and we've also decided to review the number of Ministerial Councils which are now 48 to more closely align them with the structure of the Federal Government's administrative arrangements orders as a guide to the sort of model we might have.

On the environment, we have agreed with the States on ESD and Greenhouse strategies. This is quite an historic agreement involving work of environmentalists and industry, and is a sound basis for further decisions. I think the main flavour of that is we now have a decision-making framework for better land use planning across the country which we've never had in this nation before.

In forests, we adopted a forest strategy which provides a sound basis for future planning and more confidence for the forest industries. In relation to water, a primary national resource, we've adopted certain principles and sought a report on better pricing, transferability of water rights and the use of water. And in other micro-economic related reform areas, in electricity we have reaffirmed our decision in May to separate power generation from distribution, making the point that separate accounting is not enough, that we actually want a separation of generation and distribution assets. In gas, where we are working towards the objective of a free and fair trade in gas in the country, and setting up a report to achieve it. And also adopting a proposal for enhanced Asian language development in the Australian education system.

That is the progress to date. That's about, I'd say, 60 per cent through our agenda of the Council of Australian Governments, and my colleague the Treasurer John Dawkins will share the Loan Council Meeting to follow this afternoon..

J: Prime Minister, aren't some of the States, including the Labor State of Queensland, concerned about your legislation, while it's directed specifically at Victoria, may have unintended consequences on places like NSW and Queensland, which already have a number of enterprise agreements which are outside the State award system?

PM: No, but they have the status of awards, just as in the Commonwealth area an enterprise agreement has the status of an award. Even though it may be jointly entered and agreed by an employer and employee or a representative of employees, and is no longer the subject of scrutiny by the Commission, still enjoys the status of an award. There is still an arbitral structure. That's why, while it is national legislation, the trigger will be the absence of an arbitral structure. That's why Queensland doesn't have a worry in that respect. In relation to some of the other matters, that is the equal pay, terminations et cetera, we've agreed to let them see the detail of the bill, and that's why it's fine

J: ... get any support from any of the States today for your ILO conventions now, have you?

PM: Yes, absolutely.

J: ... States amendments

PM: No, no there's no States amendments. Labor States were arguing the case with me against the conservative governments represented about the nature of the Victorian reforms, so-called

J: But they've all expressed concern.

PM: They've said they'd like to be party to the consultations. I'm very happy to reaffirm that, and we've set a structure up. But I've made it very clear that the first and principal change is the extension of enhanced access for employees for coverage by the Australian Industrial Relations Commission, which does not rely on the external affairs power.

J: You said you'd consult on that, but you're also going to rush it through the system by Christmas.

PM: No, we will. Rush through are your words. We will consult, full stop. And then, I hope, expeditiously put it through.

J: So does that mean it's not likely to go through before Christmas?

PM: I'm not sure whether we can draft some of it before Christmas, but if we can and we can consult, we'll put it through. Certainly the equal pay, and the minimums, which have already been ratified. Let me state the point again, these are ILO conventions already ratified with the agreements of the States, and they are for internationally agreed minima. Who is going to argue in this country? What are the Liberals going to stand up and say, they don't agree with equal pay, they don't agree with somebody doing the same work being paid equally?

J: Can you just clarify that Mr Keating, you're going to put through the arbitration amendments before Christmas if you can, and you may put through the ILO convention amendments as well if it's possible to do that before Christmas?

PM: If it's possible, except the third element, the separations have to be ratified first.

J: So the ones that are ratified you would try to get through before Christmas?

PM: If it's possible, and with consultation.

- J: Well in this case, this task force that's been set up, Mr Keating, are you going to move before that reports? Wouldn't that report to another Premiers' Conference?
- PM: No, it's not a task force at all. It's a working group, a working party between the Commonwealth chaired by Peter Cook, our industrial relations Minister, and whoever the States wish to nominate.
- J: The States would be putting on officials in positions?
- PM: No, I think Ministers, probably, or officials or both.
- J: So this doesn't report back to a Premiers' Conference?
- PM: No.
- J: And you can't see this delaying the introduction of that second draft of legislation at all?
- PM: No, there are two possible delays in it. One, that we can't get the drafting completed and introduced in time, and (b), there's something in the consultation which causes us to redraft or do something else. In other words, it's a reaffirmation of what we've already said. But can I just say that as a result of our legislation, today in Victoria the power strike, I understand, is not going ahead. Again, it makes the point, the Liberals are always talking about choice yet they object to Victorian employees, instead of the gun-at-the-head policy of take the contract or take the sack, of which of course there is no choice, we're actually saying you can choose, if you wish, to be covered by the federal Australian Industrial Relations Commission. Now, I don't think Mr Kennett can argue a point of frustration here of his legislation if there's a free choice for the community of Victoria.
- J: Mr Keating, Mr Fahey has just said that this is basically going to ... many of the States ... tax on employment costs?
- PM: Laura, can I just answer that point straight away. I have agreed as Treasurer to many additions to the global limits to States, to pay redundancies, to cut the size of their workforce and make their GBEs more efficient. None of us is entitled to short-change employees from redundancies on which they believe always existed, and it's not a valid case to be saying that it's a cost to the States which they can remove by just savagely, without consultation, removing a right which someone formerly enjoyed.
- J: But they're not just talking about redundancy, Mr Keating, they're saying if you establish a national framework for all ... particularly in the area of teachers, there will be another ... effect in the setting of wages, and the States will lose control.

PM. But that's the case now. A large proportion of State employees are covered by federal awards now. And that's nothing to do with this Government, it's just the way the Arbitration Commission has developed over time. A substantial proportion of State employees are covered by federal awards. The fact is, the Liberals had no reply to the factor share point, that the profit share is already high, very high for this stage of the cycle, that the wage share is competitive with any country we wish to compare ourselves with, that the levels are ones which generated high levels of investment in the Australian economy in years gone by, and that the whole point of their policy is basically to cut people's income.

J: I thought Mr Kennett's point was, when you said that, was that basically the only thing that was rising was unemployment.

PM. It wasn't his point at all. They had no come-back to the essential point, that their policy is basically a red-neck, small business group generated policy which they had dropped on the people of Victoria without consultation, in Parliamentary sittings in the dead of night, without any consultation with the national Government which has a mandate for a cooperative policy, which it's introduced now for over a decade, which is producing high levels of productivity, which has arranged in an aggregate way the factor shares to generate high levels of investment in the '80s and will again in the '90s, no consultation, out of the blue, for a policy which basically seeks to generate more activity by cutting people's wages. Now, we reject that. We say the wage levels in this country are adequate to promote the investment we need. But the problem has been demand not labour costs and this is basically a red-neck agenda which the Commonwealth will never accept. I can't see how the Liberals, always so keen to talk about choice, are afraid of Victorian employees making a choice of their own volition to exercise the enhanced opportunity of coverage under the federal award system.

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