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MONDAY CONFERENCE - 184

(Broadcast LIVE Monday, 24th May, 1976)

This edition of MONDAY CONFERENCE came LIVE from the ABC's studios in Canberra on Monday, 24th May, 1976. In N.S.W., Vic., Qld. and Tas. the programme was shown at 9.25pm; in S.A. and W.A. at 9.30pm and in Darwin at 8.55pm.

MONDAY CONFERENCE:

Executive Producer	:	Robert Moore
Producer	:	Richard Smith
Production Team	:	Lorna Martin
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(MONDAY CONFERENCE THEME)

ANNOUNCER: Tonight on MONDAY CONFERENCE: The First Six Months---with the Prime Minister, Malcolm Fraser.

ROBERT MOORE: Good evening. Welcome to MONDAY CONFERENCE.

Tonight we're coming to you from Canberra. A week since the Prime Minister's economic address to the nation; near enough to six months since he won the last election, and near enough to 13 months since Mr. Fraser was last our guest on MONDAY CONFERENCE, then as Leader of the Opposition.

With me also are: Allan Barnes, one of Australia's best-known journalists, Canberra commentator for "The Age" and a veteran of MONDAY CONFERENCE.

And, a new face for us, but the outward appearance of one of the country's best-known voices: Huw Evans, Anchorman of the ABC's nightly radio public affairs programme, "PM".

Prime Minister, last week, I suppose, was the most important week in your first six months, not just because it was your birthday, but obviously because of the economic statement. I'd like to take up one small passage from Mr. Lynch's statement on Thursday night which hasn't been commented on as much as I would have thought, and he said this, I quote: "Sustained recovery can hardly come about so long as real wages are maintained at the inflated level which over the past 3 years they have attained". Now, is your strategy to reduce real wages, the standard of living of the workers?

RT. HON. MALCOLM FRASER: It's a question of rates of growth. Over the past three years there's been a substantial shift in wealth away from profits, away from businesses into wages and real wages have increased. As a result of that, there's been less profits and less jobs. Now what we would want to see is the real incomes of people maintained, but increasing productivity going more than its normal proportion, into businesses so that jobs can be created, so that Australia can start moving forward again with an expanded production base, with a greater real wealth for everyone.

MOORE: But that's, with respect, Sir, that's not what Mr. Lynch said. He didn't mean, then, what he said?

FRASER: Oh I think he did mean what he said and I think what I've just said in elaboration is quite consistent with what he said.

MOORE: Elaboration, not contradiction?

FRASER: Elaboration.

MOORE: Oh, all right, well...

- EVANS: pass on more in profits to the manufacturers and still allow people to maintain their real wage that they have at the moment?
- FRASER: Once the productive base of Australia starts moving, once new investment starts moving, I believe we can, yes.
- EVANS: But wouldn't it be easier if you could find some formula to decrease the real wage levels as they exist at the moment? Would that not automatically put more money into the private sector?
- FRASER: I think one of the problems in this is the confusion of terms. You're saying decrease real wages, it's really slowed down the rate of growth and the thrust of all our submissions to the Arbitration Commission have not been to decrease real wages, but to slow down the rate of growth.
- ALLAN BARNES: But you want to decrease them below the level at which inflation is running. I mean that is a decrease. If inflation went up in two quarters of last...the last quarter of last year, and the first quarter of this year by 6.4%, you recommended to the Arbitration Commission that wages should only go up 3.2%. That, presumably, is a decrease in what people have been paying out in terms of costs.
- FRASER: Well it depends on a whole lot of things, because the Consumer Price Index isn't a real measure of what it costs people to live, they do change. When potatoes go up very high people buy less potatoes, if meat goes up people buy less meat and they buy other things, but the basket of goods that goes into the Consumer Price Index is a fixed basket so in terms of family habits it's not an accurate measure of what happens. But let me stick again on the first statement I made. It's a question of a decrease in the rate of growth in wages, and...
- EVANS: Isn't that really a decrease in real wage terms?
- FRASER: Oh no, I don't think so at all, because in real wage terms it's a question of what you can buy in terms of real goods, and quite obviously, a key to everything the Government would seek to do, and I think that everything that people with aspirations for Australia would seek, is to get the basic productive base of Australia moving forward. Now after...in the last year and a half, two years, of the previous administration, Gross National Product actually fell. If Gross National Product is falling, how can you do the things that we want to do for education, for welfare, and maintain family living standards. It's just not...the size of the cake in those terms is actually shrinking, and that's what was happening.
- EVANS: Can I put a question to you on the whole wage indexation concept as we know it at the moment, in the light of the economic package that was brought down last week. Can you say one way or the other whether your Government is pledged, fully committed to full wage indexation to continue, that is to say a full flow-on of the CPI?
- FRASER: Oh look, we've made it quite plain in a very long submission to the Arbitration Commission that we want full indexation at the rate of the minimum wage.

- FRASER: now there's no secret of that, that's been public knowledge for a very long while. We do not want full indexation in the sense that you used it, for all salary levels at all wages. Why should there be full indexation for somebody on \$20,000 or \$30,000 a year? I just don't think that's real life if we want to overcome these particular problems, and if..
- EVANS: But you are in favour of..
in
- FRASER: ..and/our particular submission to the Arbitration Commission we put a range of options, the option we said we preferred was full indexation at the rate of the minimum wage, now that would be protecting the standard of living of people that most needed protection, and you might also notice that in the package of goods announced last week there were some very substantial measures designed to help low income people in the Australian community.
- BARNES: That package of goods, really, was meant as a dealing process, wasn't it, wasn't that package put together so that you could go to the trade union movement and say here, we are giving you these things which will benefit the standard of living of various people, in exchange will you accept lower rises in real wages. Is that what you were about?
- FRASER: It didn't work out like that because we worked out what we thought we ought to do and the family allowances element was part of what we believed we ought to do...
- BARNES: Yes, but/part of your strategy, isn't it?
it is
- FRASER: ..but having done that, we decided that the total arrangements seemed, to us anyway, so fair and so reasonable that we ought to make an approach to the Australian Council of Trade Unions and that was done, but that was decided after, well after, the elements of the package.
- BARNES: Did you have any prior arrangement with Mr. Hawke and Mr. Egerton and other trade union people you've spoken to that if you put together a package of this nature, if you dropped things like the proposal to make compulsory ballots through the electoral office, if you did these things that they would use their influence to get a deal from the trade union movement?
- FRASER: No, none at all, because I announced the measures in that preview talk to the nation and at the same time I announced that Mr. Street would be making approaches for the talks. As a result of that I got a call about 10.30 the next morning from Mr. Hawke.
- BARNES: Did you/have any previous signs from them that they'd buy this sort of a deal, had you had any previous...
not
- FRASER: No, we haven't dealt that way. I didn't believe it right to.
- MOORE: Why did you drop the requirement, then, that the Commonwealth Electoral Office supervised the elections? What was the quid pro quo back?
- FRASER: Mr. Street has explained this very well, and for very good reasons as a result of the earlier talks with the trade union movement the Government be-

FRASER: legislation. Now secret postal ballots will still remain a requirement, there's no doubt about that. If a union wants to conduct, under proper regulations, secret postal ballots on its own account, and pay for them itself, it can, but if they are to be conducted by the Commonwealth Electoral Office, the Commonwealth will pay for them.

Now there were some - I wouldn't want to go into it in detail, but some involved conventions with the ILO that also indicated that this would be a desirable thing to do and we believe we'll achieve the result of secret ballots quicker because we think a lot of trade unionists will say to their leadership, well if the Government's prepared to pay for it just by letting the Electoral Office do it, why should we be paying \$300,000, \$400,000 for a ballot.

BARNES: But it was also part of the deal, you also held it out as an olive branch towards the unions.

FRASER: You might find it very difficult to believe this, but these matters came to conjunction at the same time, they were not part of an overall deal of any kind.

BARNES: Mr. Street did say in the Parliament, however, that the Government, having shown this "flexibility" was the term he used, I believe, it was expecting that the trade union movement would also show a spirit of co-operation.

FRASER: Look, we've, right from the outset, shown a spirit of co-operation, a willingness to talk, a willingness to listen to all groups in the Australian community. It's remarkable how sometimes that can be praised as a mark of high principle and other times condemned for something less than that, but, you know, being prepared to listen to people, being prepared to modify your own views as a result of views they reasonably put, surely only makes for sensible Government.

BARNES: Are you prepared to modify your views on Medibank in response to the union's complaints about Medibank?

FRASER: Well let's see how that's understood first, because I've never seen more disjointed and incorrect reports than there were in today's Press about one particular element of Medibank.

MOORE: Could we just come back to the Union Elections Bill, and as I understand it now the changed Bill is going to go through Parliament but it's not going to be proclaimed. Now does the proclamation of that Bill, that Act, depend in some way on a satisfactory outcome, from your point of view, of the Conference next month with the unions?

FRASER: Oh, look, when Mr. Hawke spoke to me, the Government having made the offer of talks, we started to talk about dates. He's off to the ILO, I'm going to Japan and China. We wanted to get the talks in-between, and he then said that he would like to be able to put it that we would listen to whatever views the trade union movement had concerning that industrial legislation, and that we would not, therefore, proclaim it until after the talks

FRASER: faith, if we were persuaded by their views we'd be prepared to modify legislation as had already been the case as a result of the secret ballot discussions that Mr. Street had held, but we were going to put the legislation through the Parliament, we would hold up the proclamation. Now I believe that's fair enough and I believe it's part of the sort of consultative process that Governments ought to be prepared to undertake with different and important sections of the Australian community.

EVANS: You obviously place a very high priority, though, on reaching some kind of way of living with the trade unions and in reaching some arrangement whereby wages don't have the same effect on the economy as you see they had in the last couple of years, but if you don't have any success with this package, if the unions don't buy it and Mr. Hawke is already saying that he finds it unacceptable, I mean are you...what recourse do you have, are you going to try and influence the Arbitration Commission to change its guidelines, are you possibly going to give them parameters in which to pass on wage increases, what's left to you after that?

FRASER: Well I think you might even have misquoted some of the things that Mr. Hawke has said about it, but..about what we've announced, but leave that aside. If there isn't co-operation in these areas, well that makes the Government's job harder, it doesn't mean to say a Government gives up, changes its course. Between now and the time that talks take place, I would imagine we'll all be wiser because we'll have the Arbitration Commission's judgement on the recent case that was before it; we'll have its official views on the case that the Government had put, and so we'll all be that much wiser.

BARNES: Do you contemplate reversing your 1973 opposition to Labor's attempt to get federal control over prices and wages if all these other talks break down? Is it likely that you would approach the States or have your own referendum, Mr. Fraser?

FRASER: Well we haven't really considered that, and when you look at the history of that kind of device in other countries, short of a war time situation, it's never really worked very well. It's like putting the lid on a pressure cooker and putting a brick on top of the lid to keep in in place for a while, but unless you can remove the underlying causes of inflation, and look I'll agree that people can disagree about what those causes are, but unless you can remove those basic causes, just putting some arbitrary controls on the top doesn't really help very much.

BARNES: So you're looking for some sort of a social contract or compact with the trade unions, a co-operative effort.

FRASER: Well I think that's going back too far to Rousseau to be completely accurate in a modern sense, but, look, words that can build too much into them, lead to hopes that can be dashed, I don't think do us any good. We're

- FRASER: before the union officials as we can so they'll at least know the factual basis on which..against which we've made our policy decisions. I would hope that there'll be some discussions that can minimise the differences between the union movement and the Government, but, look, I don't want to build up expectations and hopes to too great an extent. This is one of the processes, one of the conferences that the Government ought to be involved in. We'll certainly be going into it in good faith and hoping for a useful result because if we can get that, all Australians and all trade unionists will benefit.
- MOORE: Prime Minister, just on industrial relations, and then perhaps we might leave it, but have you given up the idea of an Industrial Relations Bureau which was outlined in the joint parties policy last year?
- FRASER: Oh no, work is proceeding on this in the Department and in discussion with other people.
- MOORE: And what is the attitude of the unions towards that? I think they were rather worried about it, weren't they, originally?
- FRASER: I think that it would take some explaining to the trade union movement. I think that it's a very fair proposal, but in the legislative sense, and we always knew this, it would be difficult, technical and involved, and with the advice of departments available to us and the Attorney-General's Department, a great deal of work needs to be done before the Government is really in a position to talk to other people, other groups, about that proposal.
- BARNES: Can I just follow that up briefly, with one brief question. Prime Minister, during the election campaign you spoke about the need for better relations between management and labour, I wonder if since being in office you've come to any firm views as to what Government can do. Last week, for example, there was an article in The Sydney Morning Herald by John Valder, the Chairman of the Sydney Stock Exchange, saying Government can help employees get shares in the companies for which they work. Have you really done any work on this worker control or worker participation in management?
- FRASER: Well, the way you describe John Valder's remarks sounded very much like the Kelso Plan which has had a lot of publicity in some places, a device to enable employees to buy shares in their own company.
- BARNES: Quite, yes.
- FRASER: These devices do depend, I think for their success, on very special tax incentives to enable the proposition to go forward in an attractive and reasonable manner. I have in fact got this sort of proposal under examination. I'm not going to make any prediction about what comes out of it, but if it's a useful means and a reasonably economical means of diversifying capital and ownership in Australia, and amongst employees of organisations, of companies, then it's certainly at least worth examination

- FRASER: because it's, in philosophical terms, it's attractive.
- BARNES: Good. Thank you.
- MOORE: Prime Minister, one of the slogans that's emerged from the first 6 months of the Fraser Government, or has become associated with you, is new federalism. Could I ask you this, in say 18 months from now, just to take a random figure, not altogether random, how many States, in fact, do you think will be raising their own income tax?
- FRASER: Oh I have no idea at all.
- MOORE: Do you think new federalism, or this aspect of new federalism, has been set back by the New South Wales election in which Mr. Wran used, rather effectively, the charge that it would mean double taxation?
- FRASER: Well about a day after that election his Treasurer seemed to cast some doubts on one of the major pledges during the election campaign, so whether the Treasurer would win or whether Mr. Wran will win, only the future will unfold.
- MOORE: But do you think one of the morals is that the people will vote against any State, any State Government which looks as if it's going to introduce income tax particularly, or even any substantial indirect tax?
- FRASER: I don't really believe that this was a major factor in New South Wales, if so why wasn't it a major factor in Victoria where Mr. Hamer did very well.
- MOORE: It wasn't articulated, as an issue, was it, in Victoria, anywhere near as much? It didn't emerge - maybe it should have, but it didn't.
- FRASER: Well it was still there, nobody hid it. On nearly every election platform, certainly when I was present, both the Premier and myself praised the new federalism proposals, but what I think you need to understand, and this is one of the things that I think electors, voters, would want to understand, is that under the proposals that we're putting forward, whether it be Local Government or State Governments or the Federal Government, you're going to have a better opportunity to see where your money is actually going; you're going to have a better opportunity to see who is responsible for spending it, and if we've got different spheres of Government in this country, I think it's terribly important that at each sphere people spending money should be seen to be responsible for what they do, then you know who to blame. In the system that's operated for so long in Australia, whenever a State has not done something it's been able to say, oh, those wretched people in Canberra have refused to give me the extra money to build this school or to build this road. Now if you have a different set of circumstances which enables, if they wished, States to be responsible for themselves, the response can be, but look, you could do this yourself if you really placed a sufficiently high priority on it.
- You've got a situation at the moment in one State that's quite unable to blame the Commonwealth for anything that it's not doing because on all the

FRASER: Best advice available to me it's got a Budget surplus of \$50 million, and so if they thought anything was important in their own State at the moment, at least, they've got the funds to do it.

MOORE: But in your view, as Prime Minister, in your, as it were philosophical view about new federalism, do you think the States should raise their own income tax, that if they don't that they're ducking the idea of new federalism?

FRASER: Oh well, look, that depends on the level of their activities, the degree to which they can achieve economy, out out extravagance, maybe go through the sort of process that we've been going through over the last several months. Now I know some States will claim they've already done that, and that it was the Commonwealth house that was lush and extravagant, but I do think they need to be responsible, I do believe they need to have access to funds and they've always all argued for that, and having access to funds then gives them the opportunity to make the decision and I think that's where it ought to be. They ought to make the decision and cast their own priorities accordingly.

BARNES: Haven't you made them make a special decision though, now, and through this upcoming Premiers Conference, you've unloaded certain things which have been, under the Labor Government, a Commonwealth contribution, things like sewerage I'm thinking of very specifically. The Labor Government said we will give vast amounts or large amounts of money to the States to help speed up the sewerage programme. The States were doing it very slowly under their own resources, it was speeded up under Labor, now you've withdrawn a large proportion of the Commonwealth contribution for sewerage.

FRASER: Oh but not all.

BARNES: No, not all, I said a large proportion of it. If they're going to keep it up, they then have to put the taxes on or they'll have to go back to the old system, presumably.

FRASER: But that raises another and a much larger question and maybe a much more important question. There is no way in the world that Australian taxpayers, whether they're individuals or companies, can afford all the programmes that have been promised by politicians in recent times, and if there is to be common sense in the finances of Australia, the taxpayers and electors of Australia have got to be able to understand that, that politicians have promised too much, they've promised beyond the capacity of taxpayers reasonably to afford, and you know, I only hope that we can get to the stage where people recognise this and will recognise "promising", in inverted commas, politicians for what they are because they're not promising anything of their own, they're promising something that they're going to take from other people.

BARNES: But you'd made promises yourself that there would be no cuts, you said, in

- BARNES: the essential programmes of education, health, welfare and urban improvement. Have you decided that sewerage is non-essential?
- FRASER: We are still providing funds in sewerage. You'll remember, though, that those words were used in the context of the last election campaign, and in the context of what was going to happen immediately thereafter. We were making it quite plain that contracts, funds committed, would flow through over the, you know, the financial year that we're still in, and you also, I think need to know that, well you would know, but people outside mightn't, that even in this forthcoming year, in spite of taking \$2,600 million load off the Budget on the expenditure side, there will be real increases in important areas of expenditure and education, for example, is one of those. Not as large, I know, as some of the experts and many educationists would want, but still a real increase, and what we've sought to do in this last operation, pre-eminently, is to protect programmes that affect the disadvantaged or the aged and at the same time to protect programmes that are necessary to provide opportunity for Australians, and if we're going to do that and bring the total budgeting of the Commonwealth back into some level of balance, and you know you can't get that balance in one year, it'll take a while, it was quite obvious that the large programmes were ones that were going to have to be reduced, and significantly reduced.
- EVANS: If I could just go back to the question of your concept of federalism and the accountability of States to their electors, and indeed to raising the kind of money that they want to spend if they've put a priority on it, Mr. Wran of course has a problem of his own in this area in that he has pledged himself not to introduce personal income tax in New South Wales, now whether you think it was wise of him to close off that option to himself or not, the chances are - and he's indicated this this evening so far as I know - that he's feeling that it's a very real possibility that he's going to have to introduce new indirect taxes in New South Wales to meet the kind of Budget that he wants to spend. If he does that, these regressive taxes are going to find their way back into the CFI and provide new problems for you. Now what's the answer for Mr. Wran if he doesn't feel that raising personal income tax in New South Wales, for his purposes, is the answer?
- FRASER: One of the answers for all Governments, and this gets back to the point I was trying to make earlier, is to make sure that aspirations, expectations, are limited to resources. Now I know quite well that there can be a legitimate argument about the level of resources that the Commonwealth spends, the State spends and Local Government spends, but taken overall in Australia the expectations of the Australian people have been led to grow far beyond that which Australian taxpayers of all kinds can afford and therefore all Governments have a responsibility to bring this back to reality and that's not to say that Governments are to cut out essential programmes in terms of, you know, education, ^{which I've mentioned,} or programmes that affect the disadvantaged, and

FRASER: directed, and we've, in our recent measures, taken one very significant step in that particular direction, but Governments that just go on promising more and more, at a stage when Australia's real wealth, the size of the national cake has in fact been diminishing, are deluding not only themselves but more cruelly and deceptively they're deluding the Australian people.

EVANS: So is there any answer to Mr. Wran's attempt, he's indicated he wants to try and persuade ^{you to help} him in doing something about the employment situation in New South Wales, I mean are you going to be at all responsive to that kind of proposition if it requires federal money?

FRASER: We're responsive to matters that are of concern in the employment area, but we've gone past the stage with inflation as it is in Australia, and interest rates as they always are in a country when inflation is high in which pump priming from Governments will in fact overcome the problems of unemployment and that's been shown very plainly in the last couple of years of the previous administration. Pump-priming, change in techniques, are fine and necessary when you've got unemployment, low interest rates and virtually no inflation. Under those circumstances pump-priming will work, but it's been proved not to work.

EVANS: You're saying we should reduce the money supply?

FRASER: Well again that's using a technical term and I wasn't speaking in technical terms, but I am saying that Governments have got to limit what they themselves do and we've got to move resources out into the private sector which does, after all, provide three out of every four jobs in Australia, to get the real productive sector in Australia moving forward, and this is the rationale behind a number of the measures that the Government has introduced over its term of office.

EVANS: Prime Minister, you threw me a moment ago when you said..implied that the spending things listed in your policy speech last November applied only to the rest of the financial year. Do we take from that that when you said for example, quote, "We will maintain present levels of assistance to Aborigines", and then last week drastically cut the level of assistance to Aborigines, did that promise only apply to the 1975-76 financial year?

FRASER: That policy speech was obviously specifically directed to the circumstances in which it was made, but since then we've found many examples of very real extravagance in this particular area, especially in the way housing is being delivered to Aborigines, quite large sums, upwards of \$700,000 or \$800,000 being spent in a number of cases, five or six or seven houses completed. In other cases large sums spent and no houses completed. There has been very large waste in these areas for which I don't blame Aborigines for one moment, I'm only sad that so much of the funds that have been spent have been dissipated along the way, but let me also say that the change in the family allowance arrangements are going to advantage Aborigine families en-

FRASER: give them some degree of self-esteem because this money goes to them as families to be spent as they wish, not as some paternal person from a Department determines, and I believe that this particular measure, for a number of families in this bracket, might do a very great deal to help. They'll have resources, and if they've got families of five or six kids, as quite a number have, they'll have resources of a kind which is freely available to them to spend as they wish in a way that they never would have had before, and that would need to be discounted against any other decisions that have been made, but one of the reasons for the decisions in that particular area is the degree of extravagance and waste that have in fact been uncovered.

BARNES: I suppose I was just getting at the general proposition that voters come out at election time, they hear a political leader such as yourself make what appear to be very specific undertakings. Where does it leave the whole credibility of political..policy speeches? I mean, you know, there are many other things that you've changed. One may say they're very good things, you know, you've dropped your promise to abolish the Prices Justification Tribunal, people say that's good flexibility; you've dropped your firm promise to introduce compulsory Electoral Office ballots, but people may say that's/very good thing, but it's not whether people think it's good or bad but how much credibility rests in a policy speech if you can suddenly say, well that's non-operative any longer.

FRASER: No, nobody said that's non-operative any longer, and support for Aborigines is obviously a very high priority for this Government, but it's support of a kind that we want to see goes to Aborigines to help them and if we uncover waste in a way that indicates that support is not helping Aborigines, is it our job, our responsibility to the taxpayer to allow that to continue because that wasn't...

BARNES: I'm not getting at what you've done, Sir, I'm getting at what you said you'd do. That's what I'm getting at about credibility.

FRASER: But I think you're wanting to have it both ways, and in any case I'd contend with you, taking the totality of the measures that we have put, that the real level of what is being done for Aborigines is probably not going to be much changed because I place much more reliance, maybe than you do, on the changed system of family allowances and the independence and self-esteem that this will allow to people. I think paternalism has gone on too far.

BARNES: I think it's a great reform.

MOORE: I'm sorry, I want to change and move on if we could, now, because time's beginning to run out. You came to office ⁱⁿ the midst of exceptional Constitutional circumstances in an election/which the electorate showed that it was unusually divided and a large section of the community bitter, has this mood in the country made life more difficult for you as Prime Minister, has it inhibited you in any way, are you aware of a substantial

- FRASER: No, and I don't see it when I go around to people, wherever they may be in different places.
- EVANS: But the Governor-General sees it when he goes around. How concerned are you about the demonstrations against the Governor-General, and some of the speculation that they may reach a kind of crescendo next year when the Queen comes out to Australia?
- FRASER: Well I think/that if people had indicated the kind of demonstration that was given on ANZAC Day in Canberra when there was a record turnout and only one voice raised in protest, silenced by those round about her, not much publicity was given to that, and I think in this particular area the media has given undue prominence to one side of the story.
- EVANS: You don't find it possibly embarrassing though if there are such demonstrations when the Queen is out here in company with the Governor-General, would that not be embarrassing?
- FRASER: But I think that shows a, if I may say it, a slight lack of understanding of what traditionally occurs when the Queen is present in Australia.
- EVANS: I'm not sure that the circumstances really are particularly traditional so far as the Governor-General is concerned, whether he was right or wrong is immaterial to me, but the fact is that there have been demonstrations, and it seems on the cards that they may increase when the Queen comes out next year.
- FRASER: But why would they? Why would people demonstrate against the Queen?
- EVANS: I don't know that the demonstration would be aimed against the Queen.
- FRASER: I know, but the point that you're missing, and the point that you're misunderstanding and which, you know, really I think makes the questions irrelevant is that when the Queen is present in Australia, except for one or two occasions, welcoming, departure and this sort of thing, the Governor-General and the Queen do not appear on the same occasion.
- MOORE: How have the events of November-December last, in practical terms, have they had any effect on your relationship with the parliamentary Opposition? Have they made the working of Parliament more difficult or less pleasant or whatever the word is, in any way?
- FRASER: Oh I don't think so, I think there are some people who are particularly bitter about those circumstances; I think Mr. Whitlam showed a remarkable lack of judgement in carrying on a particular view, but Mr. Hawke showed great common sense in saying, "Let the past be past, the people of Australia have cast their judgement".
- MOORE: Yes. I'd like to spend - unless you've got something, Allan, on this...
- BARNES: No, no.
- MOORE: ...a short time on two specific aspects of foreign policy. I don't think

MOORE: there's a lot that we want to talk to you about foreign policy tonight, but there are a couple of obvious areas and I think one of them is East Timor and our relationships with Indonesia. What is now, forgetting the history, what is now our basic policy objective towards the solution of the Timor problem or its effect on our relationship with Indonesia? What do we simply want?

FRASER: Well the basic objective in relation to East Timor hasn't varied, it has been to establish the circumstance where there wasn't any fighting, where ^{the} /international Red Cross could get in, where there could be a proper act of self-determination, and I'd like to add - and that hasn't altered, and Andrew Peacock has spelt that view out, I think, very plainly and very firmly, and the situation might have been vastly different if a previous administration hadn't taken, if Mr. Gregory Clark is accurate in his reportings, a quite different view in terms of certain assurances that were alleged to have been given.

But let me also say, on the broader context of your question, that I think that we've been able to state the views we have concerning East Timor because of the depth and of the understanding of our relationship with Indonesia itself and it's because of the strength of that relationship that it's been possible to express these views and not damage that relationship, and, you know, there are historical analogies, or not analogies but other events in history which support that view because right throughout the difficult days of confrontation we had troops on one side, but at the same time our Ambassador in Indonesia was able to maintain close links, close communication with Indonesia in a way which was certainly useful to both countries and useful, I believe, to the final resolution of that particular issue.

EVANS: But the vital thing, I was going to say, surely, is just what that proper act of free choice is going to be and how acceptable it's going to be to the rest of the world and indeed to us.

FRASER: Well, you know, that's right, and that remains to be seen.

MOORE: Is there the slightest possibility that there would be a chance for self-determination now, in practical, real terms?

EVANS: Democratic terms, indeed.

FRASER: There would have been a very much better chance if different actions had been taken starting about 2½ years ago. When administration in Portugal started to fall apart, that's when action should have been taken, actions that were not taken.

BARNES: Do you think that not only the previous administration but the previous administration's advisers fell down on the job?

FRASER: Oh, it's not my job to criticise advisers.

BARNES: Why not? I would have thought a Prime Minister's entitled to criticise

FRASER: Oh no, I don't think so, because it's ultimately the politician's judgement whether they accept that advice or whether they don't accept that advice. The task of the adviser in the Public Service is to give his advice honestly and fearlessly, argue for his point of view as hard as he can until the decision is made. Having got to that point, then to carry out the decision even if it's contrary to the advice that he was given, and in all my experience of the Public Service that overwhelmingly is the way the Public Service behaves.

EVANS: It's only about three weeks now before you leave on your first major overseas sortie and of course you're going to Peking and to Tokyo. Tokyo, I think, we might have a fair idea of the sorts of things you'd be interested in discussing there, but what do you think you might have in common with Mao Tse-tung if you met him?

FRASER: Well one of the reasons I'm going to China is obviously to learn. I've never really spent much time in either country, although, obviously contact with people from Japan has been much more than from China. I've had a number of conversations with their Chargé in Canberra and I think we'll have wide-ranging discussions over a number of matters that...trade matters, attitudes to international relations, attitudes to events in the Indian Ocean or the Pacific, South-East Asia...

EVANS: I was going to say, you'd have that in common with them at least so far as the Soviet presence in the Indian Ocean is concerned.

FRASER: Oh, well I understand so from statements they've been making, yes.

BARNES: In choosing to go to China, before even going to the United States or Britain, is this part of you signalling your criticism of detente, your position, your hard position, your firm position that you don't accept American-Russian detente? Is this a signal?

FRASER: I'd like to answer that in two ways if I could because there's an assumption about my attitude to detente and I'd just like to ask a question about it which doesn't need answering. People do need to ask themselves if the relationship between Russia and America would have been any different if that term had never been used, if they'd just gone on talking to each other, sometimes more effectively and sometimes less effectively. Detente gave rise to expectations, the use of the term, that were not fulfilled, have not been fulfilled, and I think President Ford in a recent statement has recognised that.

But my reason for wanting to go to Japan and China first was a different one. Traditionally Australian Prime Ministers have gone to Britain or gone to Washington, but the world changes. We have vastly important relationships with Japan; officials have agreed the draft of the Treaty, the friendship between Australia and Japan and I don't believe there'll be any impediments left to the signature of that when I visit there, and obviously the future direction of China's policies are of enormous signif-

FRASER: world, and I don't believe anyone can foretell with complete accuracy - maybe not with any accuracy at all - what direction, what future directions those policies will take. China, in many ways, is the great imponderable, and to have useful, hopefully constructive relationships with China is, I think, very important indeed. Now to have constructive relationships with a country doesn't mean to say you need the same philosophical background; it doesn't mean to say you need the same form or system of Government. It depends upon your attitude to international relations, and the way you deal with questions that arise in international relations, and while obviously China's done things that we don't exactly applaud, she is still emerging in the great world of the superpowers and nobody really knows quite what direction she's going to go in, and all the more important, therefore, to talk, to discuss, to exchange ideas. And one last quick follow up to that, I felt that when I do come to go to America, and to London which obviously at some stage I will do, I felt it would be much more useful, in both those places, if I'd been to Japan and China first.

MOORE: Prime Minister, I've got one last small point, well not small point but much nearer home issue in foreign affairs. In the question of settling our boundary with Papua New Guinea and the Torres Strait business, what status in these discussions does Mr. Bjelke-Petersen have?

FRASER: As a person who is concerned for a number of Australians, as the Torres Strait Islanders plainly are, and as we intend they shall remain, and since they are part of his State he has a right to be concerned about that.

MOORE: I think my question is how big a right? I mean in the last resort is he going to be part of the decision or not?

FRASER: Oh I think I've said quite plainly what the matter is. He is concerned for the status as Australians of a number of people and he's concerned that that status as Australians, their rights as Australian citizens, will not be upset. He's concerned that their right to the territory in which they've lived and hunted and fished, where their culture has developed over the ages, will not be upset. It's part of the State of Queensland. He has a right to be concerned about these things and I would expect any responsible Premier to be concerned about them, but I also believe that we are going to come to, and I hope you won't probe me too deeply on the details of this, but there have been initial discussions in a number of directions, Andrew Peacock has had one set of talks in Papua New Guinea, there'll be another set of talks a little later; it was discussions with Mr. Petersen, Mr. Anthony, Mr. Lynch and myself after Mr. Petersen's last visit to Torres Strait when he was meant to be coming down and talking to us about other matters, but it was that discussion that cleared the way for talks in a basis that's understood and that preserves the rights, in the way in which I've spoken in Parliament, of the Torres Strait Islanders.

EVANS: One suggestion that has been put forward, and I just wondered if you'd like

EVANS: still remain Australian, is that under consideration?

FRASER: Well, look, I'd much sooner not talk about details because part of the detail's something that's misunderstood and misconstrued and then people get concerned when maybe they have no need to get concerned and it can also upset negotiations which are going on in two different directions, because we are also, in our objective, obviously wanting to keep the Torres Strait Islanders fully informed of our attitudes and of our determination to protect their future and their children's future.

BARNES: Back to very mundane, domestic matters, Prime Minister, as a private citizen, have you decided if you're going to stay in Medibank?

FRASER: Maybe partly in, partly out, but I haven't looked at it yet..

BARNES: You haven't looked at it?

FRASER: Mm?

BARNES: I'm surprised that you haven't looked at it, the public's worried about this, I would have thought the Prime Minister could guide them a little.

FRASER: Well I can, but what I'm saying is I haven't looked at it from my own personal point of view. What Medibank will do for people in every income bracket is to provide the cheapest form of health cover. What it also does is to make sure that those on lowest incomes don't have to pay any part of the levy because they're below the area where the levy is paid, and as you go higher up the income scale you either pay more in levy or then get to the stage when you buy a Medibank package.

Now one of the reasons the Medibank package, buying a Medibank package was introduced was because we felt it would be unjust if with a 2 $\frac{1}{2}$ % levy people going way on up the scale were starting to pay \$600 or \$700 for something that obviously wasn't going to cost that much, and secondly, if everyone was going to pay the levy, two-income families would be bearing an unduly heavy burden, and so at the area where you want to put a ceiling, the Medibank package enables a person to buy a Medibank cover at a ceiling price and it also enables a two-income family to work out whether they're better off both paying the 2 $\frac{1}{2}$ % levy or whether one of them buys the Medibank package, and what people need to do is to look to their own circumstances and if it's a married couple with one income, and then determine whether they want just standard ward cover or intermediate cover, and then they look at the options available to them, and they make up their minds to see whether they're prepared to pay the extra for intermediate or private ward cover. It's not going to be very complicated for each individual, or for each family unit

...

It's just

BARNES: /that you haven't worked it out yet.

FRASER: Well I've been so busy with a few other things that I haven't spoken about my own particular form of health insurance.

- BARNES: Are you impressed by the criticism of Professor Ronald Henderson, the head of the Poverty Inquiry who was very influential, I gather, in your child endowment scheme, are you impressed with his criticism that your arrangements for Medibank could create what he sees as a divisive situation in the community, rather like, he said, the old days of education in which the poor health and the...people who are treated as poor in the Medibank scheme?
- FRASER: No, I don't think it will because the Medibank health cover is going to provide the best basic cover and it's a question really..and the medical side has not altered, or the changes in the medical side I think, for the purposes of public debate, can largely be put aside, it's a question of whether somebody wants to...
- BARNES: Oh, hospital treatment I think is very much what he's talking about.
- FRASER: ...insure for intermediate or private ward treatment, and it was felt that the arrangements that we've introduced are fair and reasonable. I've already met some people, well up the income scale, who say that they don't particularly like health funds so they're going to buy the Medibank package and that's what they want, but I also know other people whose family levy might be \$150 who will want to pay the \$130-odd to insure for intermediate ward treatment...
- BARNES: I think that's what he's getting at.
- FRASER: ...and that gives them the option, the opportunity of doing it.
- BARNES: I think Professor Henderson / ^{was} getting at that very point, that you walk into a doctor's room and you say I've got to have my tonsils out and he says are you Medibank or non-Medibank and you say I'm Medibank, he says, sorry, you go along to the hospital and get treated by whoever you like, I can only treat you if you're in an intermediate ward and covered by a private fund. It's that splitting of the community.
- FRASER: Yes, but a person makes that choice for themselves...
- BARNES: Quite, but I mean it's pretty obvious, isn't it?
- MOORE: And it does mean it's no longer universal in that sense.
- FRASER: Oh no it doesn't, it is universal, because Medibank covers everyone and the total arrangements cover everyone. It's universal, it's compulsory, and there is no means test. But where I was talking about the element of choice, somebody reasonably low down on the income scale, has got an element of choice because of the way in which the levy is structured and the way in which the additional buying 'hospital only' insurance enables him to upgrade the hospital bed he's in because the other element of this, of course, is that your own doctor can follow you into that other bed and which some people will want to do, and Medibank never pretended to allow your own doctor to follow you into standard Medibank wards.