

QUESTION: Prime Minister is this a fair summary of your overriding Budget strategy: inflation is to be driven down to the point where Australia, compared with its major trading partners, such as the U.S., Britain and Europe, becomes highly attractive for foreign investment which, with lower domestic interest rates, will stimulate investment, creating new industries, new jobs, and lift Australia out of the recession?

PRIME MINISTER: That's certainly one of the objectives, but it would be too much to say that is the sole objective, because getting inflation down and getting interest rates down would also be of very significant importance to all domestic investments, to all domestic investors. We are not necessarily looking at great large resource projects alone, because as interest rates come down that will provide a great stimulus to the home building industry. I have used the figures before. The 2% reduction involves about \$10 a week for an average young couple borrowing an average loan for their first home. And therefore a general reduction in interest rates accompanying further falls in inflation is, I think, the best possible thing that can provide, if you like use the word 'stimulus', for the whole Australian economy. But the point you make, about making this country more attractive for investors from overseas, is also a highly relevant one. We are a resource rich country. The world needs many of the resources that Australia has. To that extent we are a lucky country. It is up to us to take advantage of that, put ourselves in a position in which we can much better withstand any difficulties in world trade that might come, and certainly take advantage of any opportunities that are open to us.

QUESTION: The problem with an investment led recovery, if that is what it's to be in part, is that it takes time. Meanwhile what is going to happen to unemployment? Do you maintain, as you did during the election campaign, that unemployment will continue to fall steadily?

PRIME MINISTER: I first want to say something about the term "investment led recovery". I think "investment led", "consumer led", these terms give a false picture of what the Government is about. To have full recovery you have got to get all the basic underlying factors in the economy right, and then a number of things start to occur. It's not just investment. In those circumstances consumers also have more confidence. So it's a question of getting the main elements, the relativities in the economy right, and then your whole economy, your nation, starts to move forward. Talking about "investment led" or "consumer led" is putting too simple a view on it in a way that I think is not meant to be, but in a way that can be misleading. Major resource projects can, of course, take a considerable time to implement, but I made the point that we are not just talking about major resource projects when we are talking about making this country more attractive for investment and development. It doesn't take all that long, when it's within

their financial grasp, for a couple to make up their mind that they do want to build or buy a home. And across a wide spectrum of Australian industry things can start to move, I think more rapidly, than your question indicated. There is one other factor in the economy which I think is highly relevant to our circumstances and which ought not to be overlooked. I'd like to mention it here. For many years rural industries have been depressed. You have had occasions when sheep prices have been good, or cattle prices good, but it might be ten or fifteen years - you might have to go back to the relatively early 1960's - to find a time when seasons looked good, sheep and wool prices were good, as they now are: beef prices have come out of their trough and everyone is much more confident about the medium and longer term future of that industry. With the exception of those who have had too much rain, wheat prospects are good, and the dairy industry itself is in a little less gloomy position. So Australia's, a number of Australia's major rural industries are all facing the future with a degree of optimism that hasn't been around for a long while, and also they're facing the prospects of very good seasons. Now I have always believed that the influence of rural industries on our domestic economy has been underestimated. When the rural sector is depressed it has been very difficult to have a fully healthy economy in other respects. When the rural industries start to move forward that has an impact on country towns, it has an impact on manufacturing industry and activity generally within Australia. And this again is one of the reasons why I am looking to the future with a good deal of optimism.

QUESTION: Prime Minister, in terms of social equity the higher taxes on beer, cigarettes, spirits can be justified because you don't have to smoke or drink. Even the tax surcharge is fair in that it falls on people who at least have jobs. But how do you justify the social equity of taxing the eight categories of pensioners, including the blind and sufferers of pulmonary tuberculosis? Are things so bad that you have to squeeze five million dollars out of these unfortunate people?

PRIME MINISTER: I think you need to look at this in the total context of what has happened to the taxation of pensions and income supplements in recent years. There has been a general move to the taxation of all income support payments, for most of them anyway, in the Social Welfare area. Some of those categories that you mentioned are already taxed if the person is over pensionable age, but not taxed if a person is under pensionable age. There seems to be a degree of inconsistency in that. It's worth noting that the tax will not fall on those most in need - those only dependant upon the pension - but will only affect those with additional income. The whole move to tax income supplements, I think, needs to be looked at as part of a concerted effort to make sure that support payments coming from the Commonwealth, from taxpayers, are concentrated on those most in need. It is very easy to have generalised payments that go to everyone. But if you do that the payments, if they are to be kept within our capacity to pay, tend to be much smaller

than would be necessary to meet the real needs of those who have nothing but the pension payment.

QUESTION: The scrapping of Medibank Standard will mean an additional cost of more than \$300 million to the Budget in a full year, and consequently runs against the tight-fisted thrust of the Budget. If the deficit is so important, why scrap Medibank Standard this year?

PRIME MINISTER: There are two reasons for this. The Medibank arrangements existing up to the time of the Budget were certainly complicated, and I think that complication was one of the factors which have concerned many people over the last year or two. We believe that the proposed arrangements are better, simpler, more effective. A standard service will be provided by the Commonwealth to everyone - that maintains a universal health cover. Going back to our commitment before the election of 1975, the commitment we made then was to maintain Medibank certainly, but Medibank to me - to the Government - is universal health cover for all Australians. There is no sanctity in a particular method in providing that, because obviously with escalating health costs one has to change as circumstances change and meet whatever develops. The universality of health cover is of course the factor that distinguishes what's been available in recent times and what we will be continuing to provide. With the pre-1972 health care, which was not universal, it depended upon voluntary insurance. So, I make the point - universality of cover is maintained. We think it is simpler. The Commonwealth will be providing basic services, especially hospital cover, and then it is up to individuals to decide whether they want to insure for intermediate and private ward treatment where they can get the doctors of their choice, or whether they want to insure for the gap in relation to ordinary medical services. But there are other reasons why we made the change. I think you've got to say the principle one was the nature of the service itself and I am delighted to see that most commentators I've seen since the Budget seem to have been saying that the changes are a significant improvement. But let me come to the other reasons: If Medibank with the levy had been maintained, we would have had to increase the levy, we would have had to increase the ceiling. The way Medibank fell out, for very small monetary return had very very significant Consumer Price Index effects. We didn't want to make changes that were going to put, in the Government's view, a completely false jump into the Consumer Price Index, because so much of our efforts and initiatives have been directed to getting inflation down, and in that we have been successful. The forecasts for the future indicate greater success. The effect of Medibank, as it was, on the Consumer Price Index, was something that the statistician determined beyond control of Government, but it was a supporting factor in our decision.

QUESTION: So you have done a sort of cost of living trade-off, have you? You have scrapped Medibank Standard which will reduce the C.P.I. by a couple of percentage points, which

in effect will offset any rise that will occur from the higher excises on beer, cigarettes and spirits and the higher cost of petrol.

PRIME MINISTER: Well, there is one other element that you didn't mention in the question - the reduction in sales tax on cars also has a significant impact on the Consumer Price Index in a favourable direction, I think of about  $\frac{1}{2}$  percent. So the Medibank decisions, the reduction of sales tax on cars from 27% to 15%, more than offsets the effect of excise increases on beer, cigarettes and tobacco. On our estimates, the overall favourable impact on the Consumer Price Index on this Budget should be about  $\frac{1}{2}$  percent. In other words the Consumer Price Increase impact in December should be  $\frac{1}{2}$  percent less than it would otherwise be.

QUESTION: Are you saying that although Medibank Standard has been scrapped, you have replaced it with a universal subsidy scheme and there is free standard ward hospital service, so therefore you have not broken your unqualified undertaking given in the 1975 election campaign that Medibank would be maintained?

PRIME MINISTER: I have said that categorically. But I have to explain what is meant by Medibank: universal health cover showing special concern for the poor people in our community, the disadvantaged people in our community. That is the distinguishing feature between all the variations of health service since 1972 and what was there before 1972. One can look at it another way: It's certainly not possible to say with any degree of sense that Medibank is the health services commission or the public servants administering the service. It's the nature the service available to the people of Australia that is involved in this, and universal health care remains.

QUESTION: So this is Medibank Mark III, Fraser version. How long before Medibank Mark IV, Fraser version?

PRIME MINISTER: Well there you do one of the things which I always object to to a certain extent. In a Medibank Mark III, if you want to call it that I have no objection to that, but then you say "Fraser version."

QUESTION: Is it a Fraser Government version perhaps?

PRIME MINISTER: That would be more accurate, but the decisions of government are decisions of government. I have forgotten which journal it was, but I noted on one occasion that a Minister made an announcement which was a very proper one - I wasn't associated in any way with the announcement - but the headlines said, if my recollection is correct, "Fraser says". I think there is too much personalisation, it's a horrible word, of politics.

QUESTION: If we don't call it the Fraser Government, what should we call it?

PRIME MINISTER: "Fraser Government" is all right, but you said "Fraser version."

QUESTION: Incidentally, what is to happen to more than a thousand Medibank staff whose jobs are to become redundant because you have already placed a new ceiling on the public service to reduce it by a further 1500 by next June 30?

PRIME MINISTER: Obviously there are problems of employment, but in the staff ceilings decisions of recent times the Public Service Board, I think, has been quite skilful in redeploying people. Our policy is to achieve our ceilings without retrenchments through wastage and resignations.

QUESTION: You have made an overriding commitment to tax reduction, in fact I think it would be fair to say you've made it the lynchpin of your political philosophy. The tax surcharge claws back much of the tax cuts that you introduced only on February 1, and therefore must be a bitter blow to you.

PRIME MINISTER: It was disappointing to have to do it, but I'd like to make two points. We introduced tax indexation to make governments honest. Without tax indexation, through inflation, government gets a larger share of revenue year after year after year. We wanted a situation in which if governments needed more revenue they would have to legislate for it, justify it, just as we are doing with that tax surcharge. I believe that our policy is working, and I'd sooner have to do that, and state it publicly and openly, than by doing it by the hidden processes of inflation. The other point I would like to make, two other points: If it wasn't for the estimates that went awry at the time of the last Budget, the tax base would have been higher and it wouldn't have been necessary, but two things - underestimation of PAYE tax refunds and over estimation of non-PAYE tax collections - these two things led to a shortfall of \$700 million of the approaching \$1000 million shortfall in revenue in the course of the last year. It lowered the tax base, and without that I don't believe this surcharge would have been necessary; But the other point, the final point, is that if you took the scales that were operating, the Hayden scales, and if they'd been operating unchanged through to this year and operating this year, in this year alone taxpayers would be paying \$3 billion more than they will be, even with the surcharge. So that emphasises, in quite categorical terms, that there has been an enormous advantage to individual Australians, all taxpayers, as a result of our tax reforms. That's further evidenced by the fact that over the last two years, including this year, and including the surcharge, the growth of tax revenues from income tax will be growing less quickly than incomes. In many years, leading up to the last two, tax receipts from income have grown more rapidly than income itself.

QUESTION: Do you reaffirm your unqualified undertaking that so-called "full indexation" will be fully restored after this financial year?

PRIME MINISTER: That's as the legislation is, and there is certainly no proposal to alter it.

QUESTION: Do you give an unqualified undertaking that this 1½% surcharge will not be extended beyond June 30, 1979?

PRIME MINISTER: I can't make judgements about the way in which the figures will fall out for the next Budget. I believe we'll be in a significantly improving position. For example next year, because rural incomes will be better this year, tax from rural areas will obviously be up; I would expect tax from companies to be up because of a better situation for companies this year, and that effects revenue next year as you would know - I think we will be in a better revenue position next year. Obviously it would be irresponsible to make judgements about the next Budget. Let me only say that the legislation we are going to introduce about the surcharge will expire at the end of this financial year, and whatever revenue we need to collect next year will have to be justified against the facts.

QUESTION: You refer to last year's aggregate estimates of expenditure and revenue going awry. Presumably....

PRIME MINISTER: Not of expenditure, expenditure was pretty much on line. It was some estimates of revenue collections that led to the major discrepancy.

QUESTION: O.K. Presumably the same officials who prepared last year's estimates prepared this year's. How can we be any more confident that this year's figures won't go awry, and that next year you'll be in just as much trouble and have to extend the surcharge?

PRIME MINISTER: I believe that the officials would have worked over the figures with even more meticulous care and concern than they do on every occasion. They wouldn't want the same mistake again. The Government certainly wouldn't. 'Mistake' is too harsh a word - the same error in 'estimation' again - and the Government certainly would not. But I've given you the reasons, John Howard has given the reasons in more detail as to why there was a shortfall in revenue. I think a number of those circumstances were particular in relation to the last year. Again let me point to rural incomes and company incomes through the course of this year - I believe next year we should be in a better position.

QUESTION: Perhaps the Prime Minister worked over some officials to make sure they paid more attention to their aggregate figures this year?

PRIME MINISTER: This was in the area of the Treasury's responsibility, and I think you are underestimating the degree of consciousness of the public servants involved in this particular matter. They would want their estimates to be accurate. They have a pride in their work, they are devoted servants of Australia. I'm quite certain last year and this year they will be doing the best they can.

QUESTION: Prime Minister, Mr Howard has said that public servants would be sacked if the Conciliation and Arbitration Commission granted large wage increases. Can you define in more precise terms what the Government means by large wage increases, in terms and expressed as a percentage of a C.P.I. increase?

PRIME MINISTER: I don't think that I can be that precise, and I don't think I should be, except it ought to be noted that average weekly earnings rose in the last financial year more than the Consumer Price Index, which doesn't indicate much wage restraint. You all know the extent to which wages have risen, right out of line with productivity, in the period of Labor administration. That causes much of our present problem. We would have to make judgements at the time of any wage decisions to see if we believed they were consistent and appropriate. If you believe wage decisions placed too great a strain on our own budget, what we have said is that we will again review our programs to what programs should be reduced or eliminated, so that we respond in a way in which private enterprise businesses have to respond. If wages go up too much, and they can't afford to pay everyone, they have to do something about it. I believe that to have a view that it doesn't matter how much Commonwealth public servants are paid or how much State public servants are paid, there is an inexhaustible supply of money to meet an escalating wage bill - I believe that is a very false view. It is a view that says that it doesn't matter how much money the government spends. But it does matter. What governments spend they have to take from people like you and all the other taxpayers of Australia. We are seeking to drive home the point that the level of money wages is very much related to job opportunities. Trade Union leaders have an option of continuing to press for higher wages for those in work at the expense of those out of work, or they have another option of showing more concern for those out of work and assisting our general policies of getting inflation down, which will be greatly helped by some moderation on the wages front.

QUESTION: You don't think wages, to a certain extent, have already taken off because of the Utah settlement involving an increase of \$95 a week?

PRIME MINISTER: I think that was a most unfortunate settlement, and contrary to what has been said let me just record the Government - neither Tony Street or myself were aware of the final terms of the settlement when it was made. When I heard about it, it was already over - an accomplished fact. But I believe that the great body of Australian working men and women know that wage increases that run too high and too far take the job away from their workmates.

QUESTION: You said it was that it was unfortunate, Prime Minister. Surely it's late criticism for you to call that irresponsible.

PRIME MINISTER: I think I used stronger words at the time. Let me also say though administrative arrangements have been put in frame to try and make sure that the government is kept even more closely informed of the developments in major industrial disputes that have got significant wage implications.

QUESTION: Prime Minister, can I put this question to you in a Budgetary context, because I believe it does have Budgetary implications far beyond the immediate and political implications: If a Prime Minister is under continual attack, it must affect political stability, and if it continues for long it must affect the country's standing - even overseas and even on money markets - so that it can have a serious effect on our international credit rating. Has not the stage been reached when it becomes a national duty, beyond any personal political consideration, to put a stop to the present furore over the Withers Affair, as a national duty?

PRIME MINISTER: I believe that what you said about political stability and economic stability in Australia is very accurate. We all know what happened in the Labor years. It was madness of economic policy, but at the same time political instability and foolishness and other matters - raising money in odd corners, all sorts of different things - which did so much to destroy Australia's reputation overseas, so much to destroy the confidence of investors in Australia and overseas which takes some time to regain. Anyone who is aware of what is happening in the financial arenas of Australia knows full well that confidence is returning, has returned, to a very marked degree. They know full well that the policies of this government, the policies of my government, have led to a marked turn-around in confidence in Australia, in New York, in London and financial circles. When you get people overseas investing in Commonwealth Bonds that's a pretty good sign, and that has been happening a bit this year, probably for the first time in many years. Confidence in Australia, confidence in economic policies, and confidence in political stability are of enormous consequence and enormous concern. Political instability could do a great deal to undermine what I believe is a Budget ideally suited to Australia's circumstances, and the kind of reaction I'm getting out of the public - which is not really adequately reflected in the media up to this point - is evidence of that. Take yesterday for example, at the Lactos Factory. Going around the opening there were people there - farmers, and there were others working in the factory, who were saying it is a good Budget, and glad to see that somebody has had the courage and the determination to introduce the kind of Budget that is necessary for the economic recovery of Australia. That's not to say they agree with every last detail of the Budget - but the broad thrust, its purpose, its objective, its policies. At the Liberal Party State Council Dinner last night I can say that I have never been to a Liberal Party meeting after a Budget when so many people have come up to me with a sense of relief and making the point that the Budget is the right one for Australia. They knew it was tough, they knew it was difficult, but I believe that people outside are very glad indeed to know that we did what we were elected to do and introduced a Budget that is desirable and necessary for

Australia. You asked about political stability, you asked about attacks on myself. I agree with you that if that continued it would become damaging. I say it in no sense than stating anything other than the fact, in terms of what happens in countries overseas whether one likes it or not, and because of the personalisation of politics which the media, I think, does so much to promote. The reputation of this country and its economic policies overseas is Malcolm Fraser's reputation overseas - in terms of the policies that we have pursued, in terms of the kind of determination which has won this country respect, which is moving us into the ranks of the stronger economies of the world. All of that is, I believe, a fairly categoric answer to every significant part of your question. Let me also say that the thrust of allegations in relation to Eric Robinson was a thrust that pressure had been brought to bear upon him, a thrust that there had been a suggestion that he should say that his memory was defective and that something might not have been said in the way in which he put things down in evidence before the Royal Commission. No such suggestions have ever been made to Eric Robinson, and I regard the answers that have been given in the Parliament as answering categorically the thrust and the substance of whatever the implications are.

PETER BOWERS: Prime Minister, thank you.

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