

PRESS OFFICE TRANSCRIPT

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RURAL WRITERS INTERVIEW

23 August 1978

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QUESTION: .....are you in a position to tell us what attitude the Government will take to a strong line by the union if another situation blows up like last night's.

PRIME MINISTER:

I don't want to elaborate in detail, but let me only say that the Government knows quite well that the sheep export trade is important to the growers concerned, important for Australia, and it is the Government's intention that the trade will continue. The Government will not, and cannot, accept a situation in which a particular group of people can determine the nature or the direction of Australia's exports.

QUESTION:

Prime Minister will that include opening up new ports....

PRIME MINISTER:

I think it's much better not to go into too much detail about it. At the moment the trade is going ahead, and the statement of attitude that I have expressed is the Government's position. It is a very firm position.

QUESTION:

Going ahead until September 1, Sir, what happens after that? The moratorium finishes.

PRIME MINISTER:

I think we need to see what happens.

QUESTION:

Would you allow a reversion to the previous situation prior to the last conference where they imposed a ratio of carcass to livesheep?

PRIME MINISTER:

I have said that the trade has got to go ahead, and it would be much better I think if we could just take it as that at the moment because you go into the details 'if this', 'if that', and I think it's much better to see what does occur.

QUESTION:

They have categorically said that they regard the situation as being clearly resolved by this meeting in Sydney, that no restrictions or bans will apply and they feel totally free to do whatever they want.

PRIME MINISTER:

Who is this.

ANSWER:

The growers. They regard that meeting which Mr Street convened, the result of that meeting as giving them a totally clean bill to do whatever they want to do.

QUESTION:

The AMIEU of course has said totally the Opposite.

PRIME MINISTER:

Yes, I know.

QUESTION:

Your answer, Sir, indicates that the Government will take the strongest possible line.

PRIME MINISTER:

The Government will be supporting the trade, yes.

QUESTION:

Were you aware of reported and alleged differences within the AMIEU?

PRIME MINISTER:

I have heard there are differences, yes.

QUESTION:

Prime Minister, do you think that there is any way that the ACTU can, if you like, get moderation in this dispute, get the union to come to the party?

PRIME MINISTER:

I think it was the joint activities of Mr Hawke and Mr Street on the last occasion which did a great deal to resolve the issue, even if only for a period. One of the problems of this area is you are in the realm of "it" - If something happens, if somebody does something, and it's not a very good practice in politics to respond on that basis because the conversation can so soon move to an area which can appear

to be nothing but provocative, and future events might unfold that that was unnecessary. I have stated the Government's attitude, and I really think that for the moment that ought to be adequate.

QUESTION:

You are hopeful that discussions in other words will still solve this problem.

PRIME MINISTER:

Obviously I would sooner discussions solved the problem, any problem. It's much better to have that. Whatever anyone says the Government doesn't want confrontation. That doesn't mean to say the Government doesn't have a determined view.

QUESTION:

The union says that a lot of the problem is caused by the transitory nature of their employment - they need adequate compensation. We know about the shearers, they have compensation in their award, and there is compensation in the award for AMIEU people, but what is your reaction to this claim that they do need compensation.

PRIME MINISTER:

I think that awards have taken that sort of thing into account and traditionally have in Australia. At the same time we need to understand that in a number of meatworks, not all, the seasonal nature of the business is much less than it used to be. There are some meatworks that used to go from, at the peak, employment of say 850 down to not much more than maintenance 100 or 150, but now are able to maintain their peak, or something close to their peak all the year round. A lot of work in Australia is seasonal, and awards have traditionally taken that sort of thing into account. There is nothing unusual in that.

QUESTION:

Prime Minister, will you do the same thing and make these, pursue the ram embargo with the same sort of ....

PRIME MINISTER:

I don't see any problems in the rams going out.

QUESTION:

You don't?

PRIME MINISTER:

No.

QUESTION:

How will they go out?

PRIME MINISTER:

Again you are in the same position - hypothesis.

QUESTION:

The Russians said they would have bought a hundred rams in Melbourne if they had been confident they could have got them out.

PRIME MINISTER:

If they had asked me I would have said they would get out.

QUESTION:

So the Russians should come to you should they Prime Minister?

PRIME MINISTER:

I'm not really saying that. If the Russians had gone to Ian Sinclair I am sure Ian Sinclair would have said the rams will get out, you can bid in complete freedom.

QUESTION:

Turn a blind eye to the (remainder inaudible)

PRIME MINISTER:

Again, why do you want to pursue the "if"?

QUESTION:

We have questioned Ian Sinclair on a number of occasions about what the Government might do, and he has responded in roughly the same way as you have: 'Let's wait and see what happens'.

PRIME MINISTER:

But look, the "if" doesn't help, it really doesn't in an industrial relations sense. I know because I think somewhere a wrong answer was given.

QUESTION:

Some good Western District rams/<sup>would</sup> have gone out.

PRIME MINISTER:

Well there were a lot of NSW rams there too.

QUESTION:

And some Nareen stuff?

PRIME MINISTER:

They won all the unhoused. But it really doesn't help to pursue the "if" situation. It really doesn't.

QUESTION:

But surely farmers need.

PRIME MINISTER:

They need to know that the rams will go out.

QUESTION:

They will go out?

PRIME MINISTER:

I said I have absolute confidence that they will go out. And I'd say that to anyone who wanted to come and buy.

QUESTION:

If I could come back also to something....

PRIME MINISTER:

I was very surprised that the Russians hadn't bid. But I made some inquiries why and I think they got a wrong answer somewhere.

QUESTION:

Another thing I'd also like to bring on, with absolute interest to primary producers is the P.I.B. When will interest rates be structured, and is there any indication at all what the interest rates will be?

PRIME MINISTER:

I can't add to what has already been published about this.

QUESTION:

What has been published?

PRIME MINISTER:

I'll check the figures.

QUESTION:

Surely there would be a requirement if the Government has made IED's available through the Budget, surely it would be reasonable to presume that.....

PRIME MINISTER:

The fact that IED's are available will enable the bank to ameliorate its rate of interest to some extent.

QUESTION:

Are they being told to do so?

PRIME MINISTER:

It will enable them to do it.

QUESTION:

I understand the Government took legal advice on the use of IED's. Surely if you are going to make this available it is to a certain extent controversial. Wouldn't you say to the bank it must be used to give concession?

PRIME MINISTER:

Well it's my understanding that it's going to be. There is one argument here, a point of view, that I would like to put. Somebody has said IED is five percent, why can't it be much lower than the estimates appear to be? One of the things that needs to be understood of course with IED's is that there are very considerable tax advantages in IED's to farmers, and I don't want to lose sight of that now that they will be starting to get on to a better income basis - the advantages of tax averaging conditions that we've introduced, and the advantages of IED's for farmers will really come to the fore. In periods of slack income it's a bit like saying that Christmas is around the corner when it never comes. Those who are getting out of a drought situation and beef producers are going to, through averaging and IEDs, obviously carry ??? of past losses, through a combination of these three things they are given a real opportunity to rebuild their reserves.

QUESTION: Can I ask you this. When Cabinet met in Perth, did it decide that the interest rates of the PIB would be 11 percent?

PRIME MINISTER:

I don't think I can say any more about it than I have...

QUESTION:

There is \$80 million in the PIB account alone. I am told that if the Bank lends out \$50 million in a year, sorry, borrows \$50 million in a year, and lends out \$25 million, the contribution from the Federal Government - \$250,000 I think - would be equal to dropping the interest rate one percent. Could you give some indication of this \$80 million, (inaudible) how much the Federal Government will be instructed to go into the PIB?

PRIME MINISTER:

I don't think that's been finally determined.

QUESTION:

It could make a tremendous, a huge difference to what, how the Bank...

PRIME MINISTER:

The main thing with the Bank, really it is, is to have the long-term finance available which we know quite well the traditional banks have not been particularly interested in and it's the period, the length of - the term of - the loan which has the greatest impact on the repayments which is the most important thing-whether or not the farmer can carry it. In addition to that, and this is confirmed by the success of the Commonwealth Loan, there's not the slightest doubt that interest rates are going to go on going down and I would hope that if we are in a position in which that movement downward in interest rates will, in a reasonable time, flow through into the rates which are of great importance to much of the productive sector of the community and to bank overdraft rates. I'm not putting any time on that but Government rates have moved down, a lot of finance rates have moved down, housing rates have started to move down. The one area that hasn't moved down are the bank deposit and overdraft rates.

QUESTION:

So you are suggesting...

PRIME MINISTER

What I'm suggesting is that with our economic policies, with 5 percent inflation, there is a light on the hill. That will be achieved unless something quite unforeseen happens. Overall, there is going to be a movement downward in interest rates.

QUESTION:

Eventually the interest rates of the Primary Industry Bank will move down...

PRIME MINISTER:

Well, they've got to move down with those - whatever they are now, if general rates move down they'll have to move down too, of course they will.

QUESTION:

Will they be a concessional ratio all the time, to the ruling rate though?

PRIME MINISTER:

The use of IED's is designed to enable them to shade their interest rates below that which they would otherwise be.

QUESTION:

Would you need legislation to use IED's?

PRIME MINISTER:

I'd have to check that. Ian Sinclair and the Treasurer have been handling the details of this.

QUESTION:

Prime Minister, back in 1975 when you became Leader of the Opposition, you were talking in Portland and Warrnambool, and you said then about the Primary Industry Bank, "We would propose that funds be available for the purchase of land for up to 30-35 years. The funds will also be made available for the purchase of producers equipment so that people don't have to buy their tractors and their combines on hire purchase terms." Do you still see the Primary Industry Bank making loans available to Primary producers over a 30-35 year period?

PRIME MINISTER:

They will certainly be making them available for extended periods.

QUESTION:

Can you put a figure on it for us?

PRIME MINISTER:

No. The bank will have to make its own judgements about that, but there will be nothing in its charter to prevent it.

QUESTION:

You're hopeful that they will be able to lend over a period of 30-35 years, depending on....

PRIME MINISTER:

I would hope they can lend up to that period, yes.

QUESTION:

Prime Minister can I say something in relation to the Budget? Would you agree that the new tax levels on fuel will discriminate heavily against the Primary Industry sector?



PRIME MINISTER:

No, they won't discriminate heavily against them, because fuel is a significant cost to a number of industries. It is a significant cost obviously in relation to Primary industries. It was a policy move that we felt it necessary to take. The directions I have had from the Primary Industry area are it received the Budget very well indeed, because they know inflation is going to come down and that means interest rates are going to come down. Farmers I think above all know that getting these two things right means much much more to them than outweighs any detriment that comes from the fuel tax for example.

QUESTION:

Well what are the costs likely to be in terms of international competitiveness?

PRIME MINISTER:

I haven't the slightest, although they will be improved because inflation will be coming down and interest rates will be coming down. Inflation will be under that of many of our major trading partners, and our position, instead of getting worse as it has with high inflation, is going to improve, there is no doubt. Quite apart from that there are better markets at the moment.

QUESTION:

Prime Minister, on this subject of markets - overseas markets and overseas trade - have you had any Japanese reaction at all to the increase in tariff.....(remainder interrupted).

PRIME MINISTER:

I haven't had any. There's not an increase in tariffs. I have been given very firm assurances that they intend to be a stable market in the future, and I accept and believe those assurances.

QUESTION:

Could you get the same assurances from the MTN discussions?

PRIME MINISTER:

We can get them from the Japanese, but the MTN's a lot of people, and in relation to a number of MTN countries we haven't got those assurances at all, as you know. I don't regard it as an extra tariff, I regard it as the community getting some of the monopoly profit from import quotas.

QUESTION:

They have to pay though.

PRIME MINISTER:

No. I think it will come out of the monopoly profit that now accrues to the holder of an import licence.

QUESTION:

What is the ASEAN reaction to the 12½% increase in customs?

PRIME MINISTER:

I haven't seen one. It's a monopoly profit, and ASEAN know quite well that their exports to us have been increasing at 30%-40% a year for a long long while. They have got a better access into this market than they have into any other developed country market in the world. I'm not saying they shouldn't have, but they have. On a per capita basis, especially for sensitive goods.

QUESTION:

They are paying for the right, actually.

PRIME MINISTER:

No they won't be paying for it, it will be the importer here that will be paying, not them. It will be the importer here. It is important really to get this all around the right way. But we need to recognise that 86% of ASEAN exports to us come in I think either duty free or under preference arrangements, about 3.6% comes in under quota, so it's only the bit that comes in under quota that is in any way affected. It's a very small part of the total trade with them.

QUESTION:

Prime Minister, in the event that the EEC doesn't come up with anything particularly good in the way of agricultural trade concessions, is the Government prepared to consider retaliation moves?

PRIME MINISTER:

There is work being done now, and there will be a submission coming forward from the Government which we'll take within the next few weeks on the totality of our trading relationships with the European community. Let me only say everything we have said about that subject we've said in great seriousness and we mean it.

QUESTION:

In other words we are ready to get tough with the EEC. How tough can we be?

PRIME MINISTER:

Oh, they need a lot of things from us, and sometimes we have alternative sources of supply for what we need.

QUESTION:

The obvious question, resources diplomacy?

PRIME MINISTER:

Oh I don't think it's resources diplomacy, I think it's a question of taking the totality of one's trading relationship into account.

QUESTION:

(inaudible)

PRIME MINISTER:

We can't offer any more. We have gone as far as anyone has gone, and that doesn't stand unless we get reciprocal benefits for Australia.

QUESTION:

Mr Ushiba was not very confident when we questioned him a couple of weeks ago that Japan could meet the Australian (inaudible)...

PRIME MINISTER:

I think we'll get an improved situation with Japan on meat. That's one of significant concern to us as you know, and I do believe that Japan is making every effort not only to be but to be seen to be very responsible member of the international trading community.

QUESTION:

That's from pressures from Washington isn't it. You brought up meat - how concerned are we about the legislation? \_\_\_\_\_ ?

PRIME MINISTER:

I'd be very concerned about that.

QUESTION:

Are you concerned at this stage with what you know now, are you?

PRIME MINISTER:

No. I would be very concerned if it was introduced.

QUESTION:

At the Ways and Means Committee last week, the second congressional committee approved it, although watered down. It looks like the administration, for varying political reasons, is going to also approve it. It may not affect us for up to five or six years, but what are we doing in the mean time?

PRIME MINISTER:

What do you mean 'what are we doing in the mean time'?

QUESTION:

What can we do to counter the (inaudible)

PRIME MINISTER:

Press our case with the United States as hard as we can.

QUESTION:

Are you getting signs from the administration that they are really for it?

PRIME MINISTER:

No, I haven't.

QUESTION:

Any signs at all from them?

PRIME MINISTER:

What I have been told was that they were opposed to it.

QUESTION:

And do you think that that will stick? It's an election year, and of course.....

PRIME MINISTER:

Well everything I've been told would leave me to believe that would not be accepted.

QUESTION:

It has been watered down I understand and will be accepted.

PRIME MINISTER:

That's not consistent with what I've been told. You've pointed out that it is election year. On everything I've been told I've got every right to be confident, but I note your remarks about an election year. On the other hand you've got to understand also that for a number of months the United States has had a monthly inflation rate of around about 1%. That goes on and on and becomes 10% or 12% over a year. They are getting increasingly concerned about inflation and food prices have an obvious impact on that. My belief is that the United States economy and consumer is going to need more meat, and Mr Strauss said this in the plainest terms. This isn't just something up to Christmas. Their cattle numbers were 20 million down.

QUESTION:

I thought President Carter told an assembly of U.S. cattlemen in Columbia, Missouri, that he would not allow unrestricted imports of these products.

PRIME MINISTER:

It has never been suggested that imports would be unrestricted. They have been restricted for many many years. It's a question of what the word 'restriction' means, isn't it.

QUESTION:

Prime Minister, on the question of import tariffs, you have told us here in the past you consider the import tariff argument overdone as far as farm costs are concerned. There has been a lot of activity on tariffs in the meantime. Has your attitude to this question changed in any fundamental way?

PRIME MINISTER:

No.

QUESTION:

Prime Minister, is the Government still looking for some form of special unemployment benefits for rural producers other than what goes at the present moment. Understandably there are problems with legality at present...

PRIME MINISTER:

I don't know that there are problems with the legality, I think there are problems with the way the present arrangements have been working, and it's not giving great benefit. This matter is still under examination. It does in a sense become less urgent with an improving rural outlook, obviously.

QUESTION:

Brandy, Sir, and the excise. Some people would regard that as giving a glass of water to the drowning wine industry. What is your general appraisal of the situation of increasing the excise, which was a way of using, of course, wine excess.

PRIME MINISTER:

I think the wine industry is going to be very greatly assisted by the Budget.

QUESTION:

(inaudible)

PRIME MINISTER:

You are saying it was a way of using excess grapes, but to the extent that grapes go into wine the industry is going to be assisted. This is one of the reasons why there weren't increases on wine, for example.

QUESTION:

It was intended to in actual fact put wine in a better position in the market place than spirits?

PRIME MINISTER:

Well that was in our minds, yes.

QUESTION:

(first half inaudible)...as I understand it the rather small fellows with 30 or 40 acre vineyards rely on getting their bottom of the market grapes into brandy as that's the only outlet for them or they're going to be in strife, because it's the increase in the excises that (inaudible).....

PRIME MINISTER:

Well if they are hurt by imports it's open to any industry to go to the T.A.A.

QUESTION:

Prime Minister, do you think this idea of limiting the amount of non-farm income the primary producer can get under the averaging system to \$5,000-\$10,000, do you think this will affect the investment from (inaudible).....

PRIME MINISTER:

I don't know that it will to a great extent, but I don't believe it's right I should get the benefits of tax averaging from a Prime Ministerial salary for example.

QUESTION:

What about Trust Accounts, Sir?

PRIME MINISTER:

What about them?

QUESTION:

They seem to be hit. The Government a year ago was saying to Parliament 'go into trust accounts.'

PRIME MINISTER:

I'm not aware of that.

QUESTION:

I was aware of it.

PRIME MINISTER:

The Government as a whole I don't think was saying it.

QUESTION:

But Trust Accounts have been hit.

PRIME MINISTER:

Some trusts have been hit, because we believe trusts have been abused. There can be all sorts of trusts, and its a highly complex matter, and some trusts over a long period have been necessary & proper and honourable mechanisms for helping to preserve a farm and keep assets together. Because of the public furore over some quite outrageous tax avoidance arrangements that have been made it has tended to bring the name 'trust' into disrepute. There is still an honourable and proper place for trusts, but it depends how they are used and in what way they are used. Trusts are still available of course, but it depends how they use a trust. It is always the way in which a trust is used, but I think part of this is the fact that we have abolished death duties, the fact that we have got tax averaging now really is an advantage, and Income Equalisation Deposits. All these things need to be taken together and they remove much of the need for complicated financial arrangements that previously have become necessary, especially in times of low income, to try and preserve the integrity of a farm. We've been seeking to establish ways in which farmers can do this and leave a farm to their kids without having to go through all sorts of complicated devices, and I think that's the proper way of doing it.

QUESTION:

Prime Minister, you seem to be banking a fair bit on a rural led recovery.

PRIME MINISTER:

No, not rural led. To get the economy right you've got to get a lot of underlying factors in the economy right, and occasionally we are accused of wanting it investment led, or consumer led, and now you've said rural led. You have got to get all the underlying factors in the economy right... inflation down, interest rates down, respectability of profits in all sorts of industries.

QUESTION:

Wages down?

PRIME MINISTER:

Moderation in wages. When you say 'wages down', we still estimate that average earnings will increase this year. They increased last year, but at a much more moderate rate than previous years, and that's obviously an important element. Moderation in wages--wage restraint--is obviously an important element in it. But what I have said in terms of the recovery of Australia I think is this: get the underlying factors right and especially inflation and interest rates, and that makes it more profitable for people to invest whether it's on farms or in businesses of other kinds; it also makes us a preferred country for resource developments. If somebody from America wants to invest in a resource producing nation such as Australia, they will look at political stability, they will look at economic factors, and they will make a decision - Australia or somewhere else. One of the things we want to do is to make this country a favoured country for that kind of investment, and if we do that I think we can do Australia a great service ....(inaudible)...activity in Australia, especially when world trade is difficult, slack. World markets aren't growing as much as they ought to to reduce the total level of world unemployment. But because we are making better progress with inflation, and therefore will make better progress with interest rates, we do have a capacity to put Australia in a preferred position, to take advantage of whatever investment is going. The same circumstances put farmers into a better position for their own markets, for exports. I haven't looked up all the seasonal records, but I think you might have to go back 15 years to find a year in which the seasonal prospects were as good, and in which you've also got beef, sheep and wool and wheat prices all looking good - you have had good years for sheep, you've had good years for cattle, you remember a time in the past when cows were \$200 and sheep were \$1.50 or 50¢ - but now they are all looking good and all being good together is going to be the best news for Australia's country towns, and I believe for many other



businesses around Australia that are suppliers to the Australian rural industries. I think one of the factors that has often been underestimated in this economy is the importance of a prosperous rural sector. If you have a depressed rural sector it has a dragging effect on the whole economy, and that affects businesses, it affects cities, it affects country towns. But if the rural industries are looking to the future with confidence then that's good for the whole nation. We have got those circumstances. You would have been around in country areas - there is an optimism abroad which is great to see, and I haven't seen it for many, many years.

QUESTION:

Perhaps for the producer, but not for the person in the country town. You mentioned the word 'town'.

PRIME MINISTER:

There is a lag.

QUESTION:

The producer has not been hit, or has been hit less by the Budget. The person in the country towns, the actual employee in the country towns.

PRIME MINISTER:

I'm not talking about the Budget, I'm talking about the outlook in rural Australia. And when the times become prosperous farmers start to spend on deferred maintenance, replacing equipment and all the rest. They spend more in country towns. If they want to get some carpentry done, if they want an addition to a house, if they want something else improved - a lot of that is work that comes out of country towns. Obviously there is a lag, but a prosperous rural Australia is reflected in prosperous rural towns, and that also has a flow through into other industries in major capital cities.

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