

PRIME MINISTER INTERVIEWED BY RURAL WRITERS

CANBERRA

Question

The President of the Wheatgrower's Federation in Toowoomba yesterday criticised the Government for not having a cogent policy on the supply and regulation, prices, for the wheat industry. Can you give us -

Prime Minister

Of fuel?

Question

Of fuel, yes.

Prime Minister

Well, there is a policy, and a comprehensive energy policy, in broad terms, based on the conservation of a scarce resource and the promotion of alternative energy forms and the promotion of maximum exploration and development within Australia. That has already led to much greater reserves. World parity pricing is an essential tool in achieving those three policy objectives. I can well understand the wheat industry, or any rural industry, any other industry for that matter, the very real need to have available fuel supplies if there is -- if you are going to harvest your crop or you want to spray a cotton crop or you want to sow your wheat crop you've just got to have the fuel to do it.

Question

But can you guarantee supplies?

Prime Minister

I believe that industries will get the fuel that is necessary. When you say guarantee, nobody can totally guarantee what is going to happen politically in the Middle East. Now, the assessments available to us at the moment are that the general world supply situation is easing a little. That is carried forward into the coming months. It would be a bold person indeed who would guarantee there would be no further political instability in the Middle East. If that happened, nothing on earth would guarantee supplies. In those circumstances, of course, we would have to have very firm allocation systems within Australia which gave priorities in appropriate cases.

All the forecasts we have is that that sort of situation will not arise. But, you asked me a question of guarantee and you can't guarantee Middle East politics.

Question

What priority would you give, though, to the rural industry.

Prime Minister

I have said on many occasions, and I said as much as a month, six weeks ago, that essential industries would obviously be given priority. The wheat industry is plainly an essential industry. There is no doubt about that. We will be announcing very shortly an industry government committee which will have a job of recommending supply, or drawing up a national system of supply and allocation, if there should be a more stringent supply situation than we at present believe is likely to emerge.

Question

If the demand for fuel continues, have we got sufficient supplies to meet these demands?

Prime Minister

What do you mean if the demand continues?

Question

We are looking at an increase of 15% I think for this, compared to the first quarter of this year. Other fuel supplies, the demand is increasing. Whether people are hoarding or not I don't know.

Prime Minister

It's not demand increasing by anything like that extent. With some exceptions, and Avgas is the major one and for reasons which we are all well aware of, the supply situation has been met. Now, I have said that the world supply situation over coming months on present estimates is likely to ease. There always has to be the proviso about political instability in major oil exporting countries because nobody can guarantee that.

Question

The wheat industry, and all our rural industries use fuel of course for export industries, and they are facing the Canadian and the American situation where fuel is cheaper to their farmers. Is there going to be any moves by your Government at all to make fuel ...

Prime Minister

In North America they are starting a system of increasing the price of fuel and they have announced a policy of introducing world parity pricing. They are very slow to achieve it. But there won't be a fully fledged energy policy in North America until they do. With fuel priced as it is, it is obviously going to be used much more abundantly in a whole host of ways than if it is priced on a world basis. I think it is worth noting that some recent sales of wheat which have been undertaken are pretty much at world record prices. The outlook for the wheat industry is good, dependent upon seasons. Rains over the last week have helped - ten days - have helped in many areas. But the season has been touch and go through the winter.

Question

But will you ever consider having some sort of a price preferential for the export-orientated industries, as the price goes up?

Prime Minister

It is not only a question of export-orientated industries, because there are some domestic industries which are just as important to us as export industries. Some local industries who operate on a import replacement basis, they'd make it unnecessary to import. And other industries and a number of decentralised industries. If you were talking about preferential treatment for industries probably have just as much grounds for claims on support as export industries. So once you start down that path, it becomes very difficult. Nobody has recommended it to - nobody within the Government - has recommended it. The point that ought to be made is that the best part of \$50 million is spent on freight equalisation. There is a further commitment there. That will be met, which would in fact more than double that commitment on the initial figures that we have had. It has not been possible to introduce that within this Budget but the first part of the commitment, equalising freight to within 4¢ a gallon has been met. It is worth noting that in many cases in inland Australia the price is much more than that above capital city prices. Where that occurs it is because the retailer's margin is very much more than the margin in capital cities. Now we don't have powers to do something about that, but if any State Government wanted to, they could. In some cases the retailer's margin is a very high one indeed.

Question

Can you foreshadow when (inaudible) might be allocated?

Prime Minister

The first step for Stage Two -- no I can't, but that's a commitment and I am saying that commitment will be met. There is no doubt about that.

Question

During your present term?

Prime Minister

That was the commitment, yes.

Question

There has been criticism of the fuel policy from the National Farmer's Federation and others that more revenue-raiser - that the crude oil levy is more a revenue-raiser than a conserver of fuel. If I could lead on to that, that the jump, direct jump into

Question (continued)

world parity pricing compared with the gradualism in the Crawford Report where there won't be (inaudible) the need for adjustment, there won't be an IAC reference relating one, the IAC won't report until the mid-1980s. There seems to be a real contrast to the Government's approach. Is it anything to do with the \$2,000 million that is hooked up in the revenue.

Prime Minister

No. It was mainly to do with the fact that until you get to world parity pricing you can't have an energy policy. To make a decision you need an energy policy now, as opposed to having an energy policy in three years time or whatever. Clearly you've got to go to world parity pricing. It's through that mechanism that you can achieve greater exploration and greater development. It's through that mechanism that you will encourage people to divert into other forms of energy. It is through that mechanism that you will encourage conservation of a scarce resource. You are not going to achieve any of those three major objectives without world parity pricing. There are other things, obviously, in tax incentives and investment incentives to encourage people to move away from oil fuels, oil-based fuels. There have been a number of elements in the total energy policy which are moving in that direction.

Question

If the farmers do go over to other forms of energy, will there be moves by --

Prime Minister

It's not just a question of farmers. There's obviously, because I think in many parts of rural Australia the capacity to go to other forms of energy is pretty limited. I am well aware of that.

Question

If they go to gasahol there is a problem of excise. Is your Government doing anything about the alcohol excise, because if they make stills they are contravening the excise, customs...

Prime Minister

Well, they are not at the moment. Nobody is making it.

Question

They are going to be. There was a report in yesterday's paper that there is a still going to be marketed in the next couple of months in Australia and there is --

Prime Minister

Well, I haven't seen a report of that.

Question

So nothing is being done at the present moment to make it legal for people to make their own fuel, help pay an excise.

Prime Minister

Alcohol?

Question

Alcohol.

Prime Minister

Well I haven't heard that proposed.

Question

Could I move onto the Crawford Report. It seems that there is never a right time to reduce protection and while the Government has embraced the thrust of the Crawford Report, the Government isn't apparently grasping the nettle, at this time. Is there ever a right time to reduce protection?

Prime Minister

You can never take dramatic steps in that area unless you are prepared to pay a very high price for it in terms of jobs lost and dislocation to industry. We are not prepared to pay that sort of price for it, no. I don't think any Australians would want to. One of the best markets for Australia's exporters, or primary producers, is the domestic market. If you are not going to look after that domestic market and make sure the domestic market grows, then the position of Australia's rural producers will certainly be weakened. So that's one point. I don't think Australia's farmers want us to say New Zealand lamb can come in without any restraint, New Zealand butter can come in without any restraint. There is an unwritten agreement, or understanding, between ourselves and New Zealand in these particular matters.. that New Zealand is not going to put our farmers under too much pressure in these areas. New Zealanders sometimes wonder why they should be under that restraint. The question of protection can work in more than one way.

Question

A lot of people argue, a lot of industry argues, that protection per se does not protect jobs. In fact counterproductive.

Prime Minister

I know people argue that.

Question

Bradmill?

Prime Minister

I think a lot of this depends upon degree. If you take these arguments to the extreme I think they will all become false.

Question

But in the textile industry, big companies like Bradmill apparently are grasping the nettle and they've seen the writing on the wall and they are moving in the sort of direction which critics like the National Farmer's Federation would see as the right direction.

Prime Minister

Well, they are moving in the right direction but I don't think they would be wanting to operate with no protection.

The other side to this coin of course, is that in terms of world protection Australia is one of the lowest protected countries in the world. That might be hard for some farmers to accept, but when you look at the new forms of protection in Europe and America and Japan which are not practiced in Australia, then what we might do with tariffs or quotas can be quite puny by comparison with the totality of the protective devices used in many countries of the world.

The other way we can look at this question of course is access to our markets. ASEAN countries, developing countries, have a better access to this market than they do to any other developed country.

Question

I just wonder if 1985 is just a bit too far away to expect the IAC to bring down a report and the Government to consider that report.

Question

1985 is not very far away but is it as far off as that?

Question

Why the timing?

Question

It won't get a reference until 1981. I am told it will take two or three years to (inaudible).

Prime Minister

I think it's too early to make that sort of judgement. Matters are under reference by the IAC and the Government took the view that we ought to have those reports and be able to make decisions on those before further references are made.

Prime Minister (continued)

In all of this, the primary industries need to understand that the main protection we can provide them is access to markets overseas through trade negotiations. We've been remarkably successful in that. And making sure that inflation stays as low as we can get it, certainly below that of our major trading partners. They are the things of greatest importance to rural industries. On top of that, other forms of taxation incentive, investment allowance, abolition of probate and gift duties so far as the Commonwealth is concerned. These are all benefits to the rural industries of a kind that I think have not been equalled by any other Government. In addition to that, it is worth noting the special depreciation allowance has reappeared in the last Budget in relation to (inaudible) conservation. Special depreciation allowances was one form of benefit which farmers certainly appreciated very much before it was knocked off by the Labor Party.

Question

It was being criticised in the last week as coming too late because there was an excess, particularly in wheat, on production last year which meant they had to make a storage last year not this year.

Prime Minister

If they get another good harvest this year, they might have to make more storage. I've got no doubt that every benefit would be a greater benefit if it was introduced earlier, but I doubt if any farmer would say they would prefer to be without benefit now that it has been introduced. If they want to, it is perfectly open to them to ask their tax accountants not to make allowance for it when they put in their tax returns. I don't really think anyone will do that.

Question

In the Budget, with reference to the fact that the Wheat Board may again be asked to go commercial... (inaudible).

Prime Minister

It may well be, but it won't be at any cost to wheatgrowers and (inaudible). It is an important instrument in monetary control.

Question

Do you see this as a forerunner of any further steps in that direction?

Prime Minister

What do you mean any further steps?

Question

Is it likely that the Wheat Board may be asked to go commercial permanently, on a permanent basis?

Prime Minister

I think it is useful to have it as a flexible instrument in monetary control. It is helpful in the fight against inflation. It is a very large increase in the money supply, as it was done in the past. The main thing in the Government's view, is to protect wheat farmers against any additional cost. Well, they have been fully protected so as far as the Wheat farmer is concerned, I can't see cause to worry one way or the other. You ought to prefer us to do it in the way that contributes best in the control of inflation.

Question

Next week, next Thursday, the counter-cyclical talks with the United States will be held. What sort of stance are we going to take. Are you going to be adamant about requiring the 1.3 billion.

Prime Minister

We will be arguing for it as firmly as we can. I don't think we can disclose what we are going to do or what we are going to say before we get into the negotiations.

Question

(Inaudible)...Australian Wool Corporation, the Chairmanship, would you be seeking a grower or a public servant.

Prime Minister

The best possible person for the job. I am not putting a tag on it or a label on it. The best possible person for the job. It is a very important job. The Wool Corporation is one of the great success stories which had full support from the Government, where it didn't get very much support from the previous Government. I think everyone remembers the time when it needed that support and the price was lowered by 50¢ in a most damaging way. But the confidence that has been shown by giving it support, and taking that support forward into the future, has built up an underlying strength in the market, or contributed to building up because many other things are also involved, which has put a strength into the wool market and as we believe at the moment, a stability which hadn't been there for a very very long while.

Question

Do you think it is possible to increase the type of money offered to say the Chairman of the Wool Corporation, to attract a better sort -- when I say better sort of man, a man from outside?

Prime Minister

I haven't heard that that is going to be a problem in getting a good man. Obviously you've got to do what's necessary in getting the best person for the job. But I haven't heard that put as a problem.

Question

There is some concern in the rural sector that the \$4 billion in short-term overseas borrowing, for the short term deficit problem, if that's not repaid soon -- well if the Government doesn't have to repay -- there will be some sort of Federal revaluation. Could you give us some guidance--

Prime Minister

I'm not going to speculate one way or another about the value of the dollar, but it ought to be noted I think that the mechanism for management of the dollar has been altered over the last couple or three years. It now happens smoothly, and gently. The alarms and excursions and speculations of past days seem to be gone. I think it is again one of the great success stories. The dollar is much stronger and I would hope everyone would welcome that. I well understand the concern of exporters in relation to these matters, but I am not going to enter into speculation about the dollar. We all ought to be encouraged by the fact that the dollar has strengthened, which means that overseas confidence in Australia is much greater. Still, the most important policy for farmers is a policy to fight inflation and a policy to make sure that what inflation we do have is less than a number of other major countries overseas. We have been successful in that. In addition, we've developed a range of special policies to assist Australia's farmers and pastoralists which I believe have not been equalled by any other Government.