

TRANSCRIPT: THE JOHN LAWS SHOW, RADIO 2UE, SYDNEY

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SUBJECT: INTERVIEW WITH THE PRIME MINISTER OF AUSTRALIA,
THE RT. HON. MALCOLM FRASER, CH, MP.

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PM: Five or six years ago I believed that overseas countries would get their own economies right much quicker. I believed that they'd get inflation down, I believed their economies would start growing and that world trade would start growing and that that therefore would assist Australia because we are very much an export country. I suppose about three or four years ago I came to the view that major world economies weren't going to get fixed quickly and that whatever we did we would have to do on our own account and that's really been the basis of policy ever since.

LAWS: Mr. Hayden is not the sort of fellow who would make that kind of statement without some sort of foundation. I don't really think that Bill Hayden is an alarmist as such. I don't know whether you agree or not but one would think that he had some basis for making that statement. What might that basis be?

PM: I don't really think he's got a basis for it because if you really look at what he has said over the years, you know, he has predicted changes in the value of the dollar, he has predicted difficult circumstances in the economy, he has predicted, if my recollection is correct, 12 or 13 or 14 percent rates of inflation, and those predictions have invariably proved to be very wrong.

LAWS: Don't you think that a statement that we are facing the worst credit squeeze in 20 years is rather an alarmist statement?

PM: Yes it is and I think it's a thoroughly irresponsible statement and you know, I doubt if, this might be a harsh thing to say, but I doubt if he really believes it himself.

LAWS: Yes. I don't know that it is harsh. I think if I made the same sort of statement on radio I'd probably have another trip to the Tribunal. It seems extraordinary that he can make that sort of statement if there's no foundation for it.

PM: Well I don't think there is any foundation for it at all because one of the things that we've tried to do over the last five or six years is to manage the economy and to manage the banking system in ways which have avoided what in the old days you'd call a credit squeeze. And we've been able to succeed in that. I can't see why we shouldn't succeed in the future in precisely the same way.

LAWS: Ok. President Reagan, as you say, admits that America is in a recession - he calls it. Is that going to have an effect on us?

PM: When the American economy is in difficulty it has an effect on the whole world and they buy less from overseas, they buy less from Japan. Commodity prices therefore tend to fall and this is precisely what's happened over recent months. It's not only the United States' economy, the British economy, the French economy, the Italians, the German economy which was known, for a number of years, as the economic miracle.

LAWS: That's right. We looked to it for guidance.

PM: They've taken a very severe battering.

LAWS: Yes they have.

PM: And, you know, when this happens amongst the major western economies around the world it's bound to affect commodity prices and, you know, this in a sense is the main thing affecting our own Balance of Payments.

PM: Yes. I'm asking you to look a bit into the future which is probably not possible, but a calculated guess, what's the situation going to be like, in your mind, six months from now?

LAWS: Well I suppose in office you learn not to make the same mistake twice and predicting too definitely what might be the circumstance has proved to be embarrassing in past years so I don't want to put an albatross around my own neck by being too precise. I think the world economy is going to stay difficult and that means some difficulty through, you know, commodity prices but also believe that Australia is very well and strongly placed to deal with whatever circumstances might arise. We are better placed. We do have a sounder economy than most industrial countries overseas and therefore whatever happens in other places, we ought to be able to get through better and I believe we will.

LAWS: OK. Could I ask you to go this far. Do you think it will be worse or better in six months?

PM: This economy has been growing. The Budget estimates are that this economy will grow through this year. I haven't seen any evidence that would suggest, you know, that those Budget estimates, and they are not cynical estimates, they are put down by Treasury on the basis of their projections.

LAWS: Yes.

PM: I haven't seen any evidence that suggests that those estimates of growth in this economy are off track.

LAWS: So the situation shouldn't worsen.

PM: I don't believe so.

LAWS: OK. What's going to happen over this sales tax question in the Senate? What's the Constitutional position if the legislation continues to be blocked by the Senate? What happens then?

PM: A second rejection. on all the legal advice that I've been given from the Attorney-General and quoting authorities going back for forty years, does constitute a rejection. Now it will be interesting to see if, in spite of the letters they've signed, the Democrats will in fact reject the measures. It will also be interesting to see, in spite of everything the Labor Party has said about blocking Supply and Money Bills, whether they are prepared to participate in a rejection because that is totally against their philosophy in terms of the use of the powers of the Senate.

LAWS: That's right.

PM: We've always said, on our part, that if the situation was serious enough that those Senate powers are there and could be used but the Labor Party is not trying to say that there's that kind of serious situation. They are just taking a totally expedient and in view of their past attitudes, as I would believe totally hypocritical attitudes, if they, you know, take an action which does constitute a rejection of the measures.

LAWS: Ok. Now for the people who don't understand it Constitutionally, and I'm one of them, would that then provide grounds for a double dissolution?

PM: NO. For a double dissolution you'd have to have a rejection twice spread out over a three month period but I think a lot of water has flowed under the bridge over the next few weeks and while we're determined to get the measures through, and I believe we will get the measures through I don't think we want talk of double dissolutions going around the place because

LAWS: Well you wouldn't want one anyway, would you?

PM: I'm quite sure that the people at this time want us to get on with the business of governing. That's precisely what we intend to do.

LAWS: It'd just be a nuisance wouldn't it. It would just waste more time and more money.

PM: It would be a diversion and it would be unnecessary and we are going to get on with the business of governing.

LAWS: Are you ever going to consider backing off on sales tax on items like building materials and footwear if you do find yourselves in a corner?

PM: Look, I believe we'll get these measures through the Senate, I really do.

LAWS: You're that confident?

PM: Yes.

LAWS: Many people are saying that those particular ones, and I remember mentioned them to you the day after the Budget, the building material one, I thought that was a bit tough for young people it's tough enough trying to buy a house now anyway without that additional sales tax on those materials. But that's the only one I questioned actually.

PM: Well I can understand your reasons for that but again, we wanted to take an initial step or a modest step might be a better way of putting it, to broaden the indirect tax base and to put us in an enhanced position for income tax reductions at a later point and also I think it's worth noting that while the additional tax is collected and this year a very few hundred additional million dollars, the real increase in average earnings last year put 2.7 billion dollars into the pockets of Australian families and that was after tax and I think that does put it into, you know, a little bit of perspective. There was a very big increase in real earnings last year for most Australian families and the additional sales tax is a very small part of that. I do recognise the difficulty of people starting out and trying to meet home interest repayments but the real way to solve that problem is to try and collect policies that will reduce pressure on interest rates and get to the source of the difficulty.

LAWS: The new arms deal, the \$2,000 million, that's the biggest in Australia's history. Obviously you feel it's necessary. Why is it necessary?

PM: Australia has got to have it's own independent defence capacity and by the standards of many countries we spend a modest amount on Defence. It's a little less than 3 percent of everything we produce although present projections will build it up to that and it's a small force, small in numbers, and that's one of the reasons why you need modern, highly sophisticated and harder hitting equipment - whether it's for the Airforce, the Army or the Navy and I suppose in a sense you make up for lack of numbers by making sure that your own people are very well equipped indeed. We've taken a very long while to make this decision and Jim Killen will be making a statement later today about it and I think that our own Airforce and Defence personnel have really gone through the whole process with enormous care. It is a vastly expensive decision but that is spread over a considerable period.

It's a sum that has been allowed for in forward Defence planning for a number of years. It's not, you know, in addition to the current basis and whatever, it's allowed in the program and I'm very glad that we have in fact got to a position to be able to make a decision.

LAWS: Are you getting any grizzles from the Opposition about it?

PM: Aircraft salesmen I suppose are very, you know, they press their views very, very strongly indeed but what we need to do in these circumstances is to rely on the expertise and the advice in our own defence establishments and the Airforce because they really have built up a very great capacity and it's worth noting that in buying new aircraft the purchases of the Australian aircraft has quite a relevance to other purchases in different places around the world. They know the expertise of the Royal Australian Airforce and there are other places where they watch that and say, you know, what's the decisions those Australians are making. So whatever the grizzles are and whatever people say from the losing contenders, I think we just need to stick, well I'm sure we just need to stick with our own advice on these particular matters.

LAWS: Yes, well your own advice obviously says you should be buying them McDonnell-Douglas F18.

PM: Well that's what Jim Killen is going to be saying. You know, he's going to be saying one way or the other later on in the day although newspapers this morning all seem to have their particular view but you'll have to wait 'till Jim Killen speaks to see whether the newspapers have jumped the right way or the wrong way.

LAWS: Yes. It would appear that General Dynamics aren't going to take it lying down. I was reading the paper earlier this morning. In the Australian they have a large advertisement giving us a number of good reasons why we should buy the F16 as opposed to the

PM: Whoever, let me put it that way because I'm not going to pre-empt the Defence Minister. Whoever is the loser in this contest will be very well advised to take it with good grace. They really would. Because once a Government has made a decision for an aircraft corporation and a multi-national company to try and whip up pressure against that decision is not behaving in a particularly decent way. It's not behaving in a way that would win any respect whatsoever and I've got to say that I don't appreciate and have not responded to the last minute pressure of which some members of major corporations have sought to put on me.

LAWS: Yes well they've certainly put the pressure on, haven't they?

PM: Well they've sought to and I haven't responded to it and I don't intend to in any sense. But you know, that kind of pressure is something that Governments should well have in mind when they are making purchases in the future because it's for Government to make the decision and if the corporation happens to lose out well then so be it. They've lost that one and they should accept it.

LAWS: Yes but you know the nature of the American salesman as well as I do. They are hotshots when it comes to selling and they really stop at nothing do they?

PM: Well I think that's probably true but maybe they'll think twice if they only learn that that is getting their corporation a very you know, once the decision is made, whichever way a decision goes, if the losing contender then tries to continue to pressure and all the rest the only result of that will be to damage the name and the reputation of that corporation in this country, with the Government, with the Airforce and with the Australian public.

LAWS: Did you have a look at the editorial in the Australian this morning by any chance - our dazzling strike performance. I would think you'd be aware of the figures. The Australian shipping industry has lost some \$600 million through strikes in the past three months.

PM: The Australian shipping industry, and the strikes involved in it, for a variety of reasons, the records an appalling one.

LAWS: Yes it really is. We're responsible for 53.45 percent of the total strikes on the world waterfronts and our closest challenger is Sweden. That comes in with 12.12 percent and Britain is copping such criticism these days, is in third place with 8 percent and we're leading with 53.45. It's not good is it?

PM: Well if the figures right, well whatever the figures right, our record on the waterfront is not good but, you know, there has been a variety of reasons. There was a marine engineers dispute, they have been continuing problems with coal loaders in New South Wales and one of the tragedies is that while our overall strike record is about the same as the United States, although I think we make much more of a fuss of it than they do, a large part of it is in sensitive areas which are evident and obvious to our trading partners. In the resource industries, on the waterfront, in shipping, and therefore, you know, overall our position is the same as many other countries and it is more obvious and that's not good. It's bad for Australia's reputation and, you know, there's one very simple message that I wish we could get through to trade union leaders and, if they could only show some concern for people who are out of work and show greater concern for Australia's trading reputation and whether it's in terms of demanding increased wages or improved conditions or just sheer disruption, if they could have in mind that every time they undertake that kind of activity

they are making it harder to reduce the number of people who are, in fact, out of work.

LAWS: Do you think they really care?

PM: I think a number of them don't care.

LAWS: I'm quite sure they don't.

PM: A lot of them wouldn't care if they thought about it. But then translating theory into action is quite another matter.

LAWS: I mean even those who are totally in sympathy with the labour movement must really shrug their shoulders when they hear figures like that. I mean we must really wonder whether the Australian maritime unions care whether their fellow countrymen prosper or whether they don't prosper.

PM: ...some union leadership just doesn't care at all. They act totally selfishly and their own immediate interests is all that they can see but again the union is made up of a generality of Australians and Australian families and if they and their families or wives - if wives were allowed to have a vote on strikes

LAWS: The situation would be very different wouldn't it.

PM: I think the situation would be vastly different.

LAWS: Yes it sure would. Well thank you very much for your time. It's been good to talk to you. We've covered a bit of ground there. We won't talk about the leadership. It seems to have died down.

PM: I think it seems to have died down but anyway even if it hadn't I wouldn't be talking about it.

LAWS: OK. Well we won't go into that area. We'll talk to you very soon. Thanks very much for your time, Prime Minister.

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TO: PRIME MINISTER'S PRESS OFFICE

FROM: FID'S OFFICE, SYDNEY.