

INTERVIEW WITH PETER HARVEY, NATIONAL NINE NETWORK - ECONOMY

Question

Prime Minister a lot of people are understandably very concerned about interest rates, so much so that the New South Wales Premier has today, and I understand the Victorian Premier is going to bring in, some sort of guarantee scheme to protect people, they say, from losing their homes. How concerned are you about the problem that this sort of reaction in political terms represents?

Prime Minister

We of course, acted to help people who are buying or who want to buy their homes several months ago. We brought in an approach that was going to subsidise the interest payments first home buyers, one that was going to make a much more easily attainable subsidy to help pay for part of the deposit. In addition to that, we offered to the states, quite significant sums in co-operation with the states to help families in a crisis situation. I mean, the very circumstances that Mr Wran is talking about has probably been funded in part with our funds, because we said we were going to work with the states, circumstances where people who are in emergency difficulties over mortgage repayments will be given help and protection.

Question

So this is something that doesn't apply just to New South Wales?

Prime Minister

No, we are providing funds. We said we would go dollar for dollar with the states over a three year program and we are obviously concerned at high interest rates and especially if a family gets damaged in other ways. If somebody loses a job well that family can be in very great difficulty and Government's need to have arrangements that can provide help. So if Mr Wran made an announcement yesterday, we were three or four months ahead of him, but the detailed administration of that kind of personal crisis relief needs to be undertaken by the states, because they have the machinery, the framework for that. But we have said that we would provide significant sums, and we are.

Question

But you are obviously keeping a watch on whether it is being done, are people being protected? Are the states doing what they should?

Prime Minister

I will need to speak to our own Minister about that because he had not completed the discussions with all the states in the last report that I had from him, but because this matter has come up this morning, I will make sure that if the matters are not concluded with all the states, that they will be pressed forward as a matter of urgency, because I know they are important.

Question

To protect the family homes, no matter where in Australia?

Prime Minister

No matter where.

Question

And this will be a continuing interest from Canberra?

Prime Minister

Yes it will.

Question

Prime Minister, overall with the state of Australia today, it is a big question, but broadly, how do you see it?

Prime Minister

We have some problems ahead of us. Now part of that is home grown, to the extent of wage increases last year and when you take the hours decisions into account, probably we gave ourselves a 15% or 20% wage increase. Now when other countries are settling for 5% or 6% wage increases and when other countries very often as a result of very real recession, have been getting their inflation rates down below ours. Obviously their industries are being made more competitive and ours are being made less competitive. There will be more imports coming into the country and unfortunately, they have been replacing Australian made goods.

The hours decision and the wages decision of last year have done a great amount of damage indeed, and now we have to work that through the system and we have to be restrained in our approach to these matters over the period ahead of us.

It has all been compounded by world recession of a very real kind. If we have problems in Australia, then visit the United States, Canada, Britain or France or other countries in Europe and the problems, the difficulties of unemployment are measurably very much greater than in Australia. There are not many people here who know that over the last recorded quarter industrial production in most of these countries has been falling and world trade shrank last year for the first time in 20 years.

(Prime Minister cont.)

That all gets reflected in much lower commodity prices for our exports, for mining exports, the exports from primary industries and our manufactureres are now in a more competitive world. Now the task of the Government as I see it is to do everything that we possibly can to guide Australia through a difficult period and to make sure that when there is a world upturn, Australian industries are going to be well placed to take advantage of expanding trade opportunities. But we cannot afford any more loss of competitiveness, we have to make sure that that sort of thing does not happen. We are looking at the Industry Assistance Commission reports and obviously against the Budget discussions going on over the next couple of weeks against this total background. There is a very significant responsibility on Government to come up with the right answer.

Question

You are talking in fairly tough terms, does that mean that measures such as incomes tax reductions will now have to be postponed?

Prime Minister

Well, I do not want to talk about any particular facet or part of the Budget or what might be in the Budget. But obviously the situation we are in today is different from that of 12 months ago on the lead up to that Budget because then Australia was growing strongly in economic terms, we had expectations that that growth would continue. Now a continuing world recession, the massive downturn in commodity prices which is putting miners in great difficulty and there can be no guarantee that all projects are going to go ahead. There has been talk in the papers in recent days about the problems of Alcoa at Portland and I hope very much that Mr Cain's negotiations with the company can lead to a continuation of the project. We know the company is in a cash difficulty and we know the market for aluminium is very thin, and that is a project that is based entirely on export orders. If they cannot get those export orders there is obviously a real problem.

So these things are now hitting Australia hard. We have been told over the last two years there will be an American upturn in six months. Well we are still being told there will be an American upturn in six months and sometime those forecasters are going to have to be right, but I will believe it when I actually see it, and we are not going to see a shift in commodity prices till that happens. Now the longer this continues the more it affects Australia because we are a significant trading nation and a large part of our national income a large part of the well-being of every Australian family is dependent on our capacity to sell overseas, and to sell at a reasonable price. We cannot pretend we are an island unto ourselves, we cannot shut out the world outside.

Question

The reality is that that translates the things like the possibility of taxation reduction.

Prime Minister

Well it translates to all sorts of possibilities, unfortunately, but I am not commenting on any particular item because we are just beginning the Budget discussions and I don't want to start speculation about what may or may not be.

Question

Obviously it is something you would like to work for?

Prime Minister

Obviously, nobody likes paying taxes, you don't, I don't nobody else does. But at the same time, if there are things that Governments must do, they have to be paid for. Whether it is education, health, roads or whatever and we have been, certainly by comparison with other countries very restrained in our own expenditure over the last six or seven years. Some people come out and say: "knock a billion, knock two billion dollars off expenditure, knock it off welfare or whatever", but then when you challenge them with a harder question: "where in particular would you reduce expenditure", they say: "that is your job". Well of course it is but we are not in the business of cutting expenditures and haven't been in a way that damages the lives of individual Australians.

Question

Mr Hayden and Mr Hawke are both saying the only way for an Australian Government to behave at the moment is to generate jobs, to generate business, to spend. They are saying that only the Labor Party with its links with the trade union movements, with its links with the labour force, can get this country out of what they say, is an economic recession. How do you respond to that, it is a fairly powerful argument at this time with unemployment at a record high?

Prime Minister

I don't think that is correct, and I don't believe the track record of Labor in Government gives any credibility to that claim. I don't know that it really is a powerful argument because the Labor Party's approach to economic problems has always been to spend and to spend up big. They proved that when they were in Government and Government expenditure went up by 46% in one year alone which people tend to forget, and it was that Labor Government that really began Australia's economic problems. It is worth noting perhaps that there was Mr Whitlam as Prime Minister and Mr Hayden as Treasurer

and Mr Hawke as President of the ACTU and as President of the Labor Party, the three of them together made the biggest mess of Government in Australia that this country has ever seen. So I don't think that does much for the credibility of either Mr Hayden or Mr Hawke. In addition to that, we have seen the problems that Labor caused in Tasmania but people probably don't pay a great deal of attention to that, but the deficit that they were left there would be equivalent to a New South Wales deficit of \$400 or \$500 million. We have seen the massive economic nonsense that Mr Wran has gone on with through five or six years of total mismanagement in New South Wales and wherever Labor has had a chance to run a Government is has messed up the economy which that Government was responsible. Now, if Mr Hayden is going to come along and say: "all you need is a Labor Government, which is going to spend a great deal of money", that is not going to be the answer to Australia's problems. We need careful management, we need careful analysis of the difficulties that industry, that people face and we need a Government that is responsive to those concerns.

Question

Will an election campaign, be it early or late, be fought along these lines, that the Labor Party be it Hayden or Hawke promising that they can do better than you with 7 years of difficulties. Would it worry you fighting an election campaign on those grounds?

Prime Minister

Whenever it comes, no it wouldn't, because I don't believe for one moment that people would take a gamble with the Australian Labor Party in terms of the management of this country's affairs. The Wran example in New South Wales, the tinsel, the public relations machine has fallen apart and the damage that he and his mismanagement, his lack of concern has done to the state and to the people of New South Wales is massive indeed. He has had to put on new taxes and charges totalling \$350 million and that is on top of against this base grant last year of a 17% increase in funds from the Commonwealth this year and the untied tax reimbursement grants. Now if a Labor Premier cannot run on a 17% increase in those untied funds, then obviously there is something very wrong indeed with Mr Wran's administration. I don't believe Australians would take a risk again. I know that there earlier had been suggestions that Mr Hayden was a responsible economic manager, but he was a Minister of a Government that resulted in greater increases in health costs in Australia than ever before in Australia's history. He was Minister of a Government that increased expenditure by 46% in one year, that led to massive problems. Now neither Mr Hayden nor Mr Whitlam had told the people of Australia that that was what they were going to do before they got into Government. They kept that all a great secret and it is all very well to pretend to be reasonably responsible when you are in Opposition, but it is the test of what you do

when you are in Government that counts and when you put that test on the Australian Labor Party whether it is in the Commonwealth or whether it is in the States, they have failed abysmally.

Question

Now you appear quite certain about the result of an election?

Prime Minister

Yes.

Question

No matter when it comes?

Prime Minister

No matter.

Question

Do you rule out an early election?

Prime Minister

I can say no more than I always have. Unless there are very good reasons I believe the Parliament should run its full term. I still say that. There is no doubt that over the last two or three weeks at the Labor Party conference Mr Wran sought to terrify the conference members with the prospects of an early election because that was the only way he could belt them into some elements of responsibility.

Question

Is he wrong, is Wran wrong?

Prime Minister

Well, I think it is rather a poor thing that that is the kind of weapon he has to use to try and get even a half responsible answer out of ALP conference delegates.

Question

But isn't it an option that you keep up your sleeve?

Prime Minister

If the circumstances required it, if the Senate misbehaves. I am not going to say under no circumstances. We don't have a majority in the Senate and I don't know what the Senate is going to do. So to that extent I don't know whether I would be forced into a position when I would have to call an election or not.

Question

But it wouldn't worry you even with the Labor Party campaigning on their economic promises?

Prime Minister

No, because once people start to focus their minds on the problems, on the sorts of policies that the Labor Party would put in place. Let's just take a couple of examples. They want to put on a resource tax. Now our resource industry is right down on its knees, world prices are falling. This is often the nature of what happens in that industry and if they are going to get an additional tax put upon them then quite plainly there are going to be many more people out of a job. The press reported the conference decision on uranium as one which would allow the industry to continue, but if you read the policy, the resolutions carefully, the commitment to getting rid of the industry is as firm and as absolute as ever, and Mr Hayden has reaffirmed that since the conference. They are just saying instead of putting a knife through the industry they are going to phase it out, but they don't even say existing contracts can be allowed to continue. The phase-out could be in three months or six months, it could be in three weeks and still comply with the conference resolution. The concept of the social wage, the union movement won't buy that. It has already been condemned by the AMSWU and the Labor Party seems to be getting closer and closer to that particular union and to the leadership of that particular union. Obviously, a Labor Government would be significantly influenced by the affairs and policies of the Amalgamated Metal Workers' Union if they were ever in office. That again is not something that the people of Australia would want. People are not going to buy this. There are real problems ahead and it would be quite the wrong time to have a Government that didn't have stable, sensible policies. It would be quite the wrong time to have a Labor Government that would clearly be subject to the dictates of unions like the AMSWU.

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