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PRIME MINISTER

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PRESS CONFERENCE - 25 OCTOBER 1984 - GLADSTONE

PM: Ladies and Gentlemen, the statistics that have come out today are absolute proof positive of the success of my Government's policy in fighting inflation and unemployment first. In combination, I think they are the best the country's had for a decade. In regard to inflation, the annual rate now of 6.10 on the basis of the 1.30 for the September quarter is the lowest inflation rate for more than a decade. At the same time as we have got the lowest inflation rate for more than a decade we have the employment vacancy statistics from the Commonwealth Employment Service which shows 230 more vacancies this September than in the previous September, that is now five quarters in a row with substantial increases in vacancies. So outstanding success on the inflation front and on the employment front. Now the people of Australia know the 7 gruelling years through which they went on the basis of the Opposition's fight inflation first - they did not fight inflation, we had record inflation and we had record unemployment. Now the Opposition is seeking to go to the people again now with a return of a policy which must restore unemployment and certainly send inflation through the roof. Now the people have a clear choice. The statistical evidence is there, we are winning the fight against inflation, we are winning the fight against unemployment.

JOURNALIST: Prime Minister, do you expect the trend to continue through to next year?

PM: Yes I do. And that is because the statistics that have emerged reflect the application of fundamental economic policies calculated to produce these results. They are based on an Accord between Government and the trade union movement. It is quite clear now that if you look at the underlying inflation rate there has been a fundamental change achieved. We are now down to the level of the average of the OECD countries. The last 6 months we are now below the United States and the United Kingdom which is very significant in competitive terms and this will mean that the budget forecast which was for an inflation rate of 5.25% year on year - 84-85 - will come in below that and the award wages assumption of about 3% through the year will be easily matched I believe. So when you have got those underlying factors operating, yes we can expect a continuing successful assault on inflation. We are down with the rest of the world and below significant parts of it. We are performing better

in employment creation because of these fundamental factors operating, the Accord between Government and unions, good co-operative relations with the business community. Yes, this successful economic picture will further develop through '85.

JOURNALIST: Prime Minister, could I ask you about an aspect of the Accord. The wage guidelines, I think, are to be reviewed next year. Do you see any need for a change in those guidelines. In particular, do you see any case for a more flexible system which would allow wages, wage rises to be different between different industries in special circumstances?

PM: I think basically the guidelines have worked well and certainly that is the position that is agreed between the trade unions and ourselves and I think to a very large extent the business community welcomes the substantial wage stability and price reduction, inflation reduction, which is associated, has been associated with the application of the guidelines. Now always any system should be periodically looked at, and it may be that as there is a gradual restructuring of industry through time, on the basis of our consultation with the trade unions and with industry itself, that there may be some need to perhaps adapt marginally the guidelines so that you avoid unnecessary rigidities which would prevent sensible restructuring. But that could be on the agenda of discussions in the EPAQ and the Manufacturing Advisory Council over the longer term. So in the day to day operation of basic economic policy I think the guidelines are working well. I mean the evidence is there that they are.

JOURNALIST: Prime Minister, based on today's figures, does that affect the immediacy of your plans for tax reform.

PM: That has got nothing to do with tax reform.

JOURNALIST: Prime Minister, the secondary boycott decision ...
in the Senate last. Democrat Senator Jack Evans said the Government was secretly pleased about this. Is that right and are you going to strengthen the ...
in the way the Democrats want.

PM: I don't know about Senator Evans capacity to know the public or the private happiness or unhappiness of the Government. I would think that Senator Evans has got enough to concentrate on with the problems in his own party. But just let me say this that we put legislation up in good faith. We have always said, and we put it to the people before the last election, it was more appropriate to have provision of that sort in the conciliation and arbitration act and so we had a dual package taking 45D and E out of the Trade Practices Act and having legislation, amending legislation, in the C and A Act. NOW we will just have to consider that position next year when we come back and we will have further discussions with everyone concerned.

JOURNALIST: Back on the wage indexation guidelines, Prime Minister, you mention the possibility of the prospect of removing unnecessary rigidities ...

PM: No, no, I, not of removing unnecessary rigidities, I said that as we moved down the path of gradual restructuring of Australian industry you could get a situation emerging, Paul, of some rigidities, which ...

JOURNALIST: I was wondering what sort of ...

PM: Well I think it is, too early to say but if you could see that you were wanting to build up certain aspects of industry and it was appropriate in terms of getting a mobility of labour into that new industry, I am simply speaking hypothetically now, in that situation there may be some need for some slight modification of the guidelines to meet that sort of situation.

JOURNALIST: (inaudible, relates to previous question)

PM: Yes, I do.

JOURNALIST: Would you expect this matter to be looked at in the next few months?

PM: Oh I think it is the sort of thing, Michelle, which just emerges naturally in the processes of discussions with EPAC and other relevant bodies where, this Government as it is, is looking to the future. We have from day one in office, we haven't just haven't been trying to turn the immediate economic situation around, we have been addressing our minds to what has to happen to Australian industry in the future to maximise the use of our resources. So these sorts of discussions are going on all the time and it is not a question of saying well we need to look at it next year, discussions relevant to this have been already going on and I would expect no problems from either employers, trade unions or any governments if we saw that to optimise economic development in a particular direction, you needed perhaps some modification of the guidelines, I think everyone would say that makes sense.

JOURNALIST: Prime Minister, based on those figures can you see, in the short or ...

PM: Well, let me say this, you would understand that in economic theory and practice one of the important factors in determining the movements in interests is not just the level of inflation but inflationary expectations. Then in other words, if business and government had the view that inflation is going to be increasing then naturally the price of money is affected accordingly, and interest rates tend to go up to cover that expectation. Now with the clear evidence now the fall in inflationary rate has happened and that the expectation should be further movements in that direction. I would expect this to be a downward factor on interest rates.

JOURNALIST: Prime Minister could I ask you a couple of questions about the situation in the Philippines.

PM: Well sure you can in a moment. I just wonder are there any others in the ...

JOURNALIST: Prime Minister I just wanted ask you ... our more favourable inflationary position compared to the United States and the UK now, how would you expect that to be reflected in the balance of payments statistics which are due out later?

PM: Generally speaking what one expects when you have a more competitive position reflected in your relative inflation rate. It has this beneficial effect on balance of payments. One, it makes your local product, manufactured in Australia, more competitive against the imported product. So it has that beneficial effect on lowering the level of imports, it tends to work that way. And makes your exports more competitive so that you will be able to be in a better export position. So both on the import and export side of your balance of trade and the balance of trade component of your balance of payments, it is a plus.

JOURNALIST: Prime Minister in your speech in Bunbury this morning you talked about restructuring industry - the need for and the need to consider the development of new products. What new products do you have in your mind.

P.M.: Well just let me take the example of Bundaberg. I was talking to Brian Courtice there and his family has had almost a century of experience in the sugar industry. He was pointing out to me the exceptional fertility of the soil in the area and given the change in the total market structure for sugar where 80% of our product now has got to be exported he is saying that it would make a lot of sense for you to be looking in that area to increase horticultural production and further diversification in the vegetable area. Now these are not new products. These are new production patterns and that seemed to me to make a lot of sense as far as Bundaberg is concerned. and it fits in with the sort of planning that my Government has been doing for the future in our relations with the Asian region. We recognise that that is the most dynamic region of the world. The standards of living are rising rapidly in the western Pacific countries and in China. And so they will have the capacity to expand their range of consumption, their pattern of consumption, and it just seems to me that Brian is very sensibly pointing out to how there may need to be some restructuring and redirection of industry in his area. Now that's one aspect of it. But when you talk about new products I believe that with the impetus we're trying to give in management investment companies in the venture capital area that Australia should show a capacity in new areas of technology to adapt its productive processes and enterprises to new products in that sort of area. I mean one of the examples I suggest is the development which came out of CSIRO and which is now going to be set up in Adelaide developing these larger chips which seems to me from the evidence made available to me to offer opportunities of developing an industry in that area. Now I don't want to exaggerate how big that would be. But I just give that as an example. We have shown as Australians a great deal of inventiveness over time. The problem has been not so much a lack of inventiveness but translating that inventiveness in an applied way to get the benefit of the actual manufacturing here in Australia. Now I think we can do these things.

JOURNALIST: Mr Hawke, (manufacturing and metal trades)

P.M.: Well the heavy engineering industry has been before us and we have referred the heavy engineering industry to the IAC in two sections - for an immediate report within three months as to what short term measures are desirable to assist this section of industry and then the longer term twelve month report as to what longer term measures are necessary. We will wait for the report from the IAC and we will make the decisions that are necessary to try and give stimulus to that section of the industry. And to the extent that we do that we would hope that this area would also benefit from it.

JOURNALIST: Prime Minister you said earlier this month there'd need to be a fall in unemployment before workers achieved productivity increases. Would you comment on Mr Dolan's statement yesterday that the ACTU will press ahead with its productivity claims without necessarily waiting for unemployment to drop. Would the Government support such a claim?

P.M.: No, we've made it clear all along to the ACTU that the Government will consider its position in regard to that case in the light of all the evidence available to it at the time. And there is an agreement between us all that the more you're getting unemployment down, the more jobs that have been created, then the better then it that environment for a consideration of some improvement in real standards. We've made it quite clear and the ACTU understands our position on that.

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JOURNALIST: Prime Minister are you satisfied that justice has been done in the Philippines in relation to the assassination of Benigno Aquino?

PM: Well, I guess in one sense it is too early to say. You have now got the majority and minority findings of the commission and we will be watching very closely what happens as a next step. I must say that I haven't yet had the opportunity of having a communication with my Foreign Minister or my own Department on this, but I would expect either later today or when I get to Sydney tomorrow to have more detailed information so that I will personally be in a better position to analyse it and come to some conclusion. But just generally I want to the point that Australia has a very keen interest in development in the Philippines, there is a long historical association. We have an aid program there and we will be watching very, very closely the developments in that country. It's just a little too early for me to say definitively anything in answer to your question. As soon as I feel that I am I will be more than happy to speak further with you.

JOURNALIST: Will Australia be trying to use its influence with the Philippines in order to try and bring about justice there?

PM: Yes.

JOURNALIST: In what sort of way?

PM: Well, there are a number of ways I think that Mr Hayden showed very effectively earlier in this year how he was prepared to talk to the President and to talk to other people directly and show that Australia doesn't really have passing interest but is prepared to push a point of view about what should happen, particularly in respect of Father Gore. So we will not ostentatiously, but I believe and effectively make our position known, both by ourselves and I think in association with other nations which share our views on the matter.

JOURNALIST: When you use the Australian aid, when you use the aid which Australia gives to the Philippines in order to exert influence on President Marcos ...

PM: Well as you know Mr Hayden has directed his attention to this matter and has asked Cabinet direct attention to it. We have looked at it and we have maintained the aid programs in the forms that are operating now. Now if Mr Hayden believes on a further review that we will need to look again at that, then then the Cabinet will. But there has nothing been put before it at this time.

JOURNALIST: Prime Minister, can this state which you might regard as conservative, the Queensland Premier, his wife and others who support them, claim you are making rather deliberate socialistic attacks on the family unit. For instance, taking their security blanket, the Union Jack, off the family bed, removing the Queen's photograph off the family wall, encouraging the kids to leave school early to join the dole queue. How will you reassure a conservative electorate.

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PM: I would have thought the conservative electorate might have just, and I hope to have the opportunity on television tonight, of looking at how the kids of the families of this area are upset by me and my Government. I don't think you could get a much warmer reception than we got. Look what matters to the families of Australia are these things. ARE they, as they start their family going to have a home in which to have the family. NOW just quickly on that, when we came into office at the beginning of the year the housing industry was just about destroyed. We have under the First Home Owners Scheme in the public housing system we have got the housing industry working now at full bore. There's more homes being built than under the previous government operating at 140,000 dwelling commensments a year. So if you are talking family homes for families, jobs for kids of families, last year of the previous government an increase in unemployment of a quarter of a million, under my Government since last April, April of '83 260,000 new jobs created, unemployment down and the unemployment rate for kids down. Education, we have now created a situation in Australia where certain assured funding, both in the public and the private sector in primary and secondary education provided for the next eight years, welcomed by both the public, the state and the private sector and that's created an entirely new situation. Health, when we came into office 2 million Australians, they don't exist floating around in space, they are members of families. Two million Australians not covered for medical and health care. Now under our Government, universal coverage. No family in Australia, no family, need worry about the spectre of sickness which haunted so many of them before. So there you have it. If you are talking about families, the real things that matter, they talk about flags and things like that, the things that matter, homes, jobs, education, health, and you compare our record with the Liberals and the National Party.

JOURNALIST: Prime Minister, ... you spoke yesterday of the prospect of the Governments and the unions agreeing to discount ... bearing in mind that there's already talk of a trade off between productivity against wage rises and superannuation bearing in mind also the traditional dislike of the unions for indirect taxes, what can the Government offer the unions as a trade off ... apart from reductions in personal income tax.

P.M.: Well today is not the time to develop the position in regard to tax. Today is clearly the day which shows that our general economic policies are working in the areas of employment and inflation. And I simply make the point that they are working with spectacular success because we believe in the process of effective consultation with the unions, with the business community and the Government. We will apply exactly the same processes of consultation to the area of developing tax policies and on the evidence the outstanding successes we've had in general economic policy as a result of consultations will also be reflected in our approach to the tax area.
