



PRIME MINISTER

TRANSCRIPT OF PRESS CONFERENCE - 11 APRIL 1985

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PM: Well Ladies and Gentlemen over to you.

JOURNALIST: Prime Minister what did you mean last night when you said "we can't be talking about in 1985, giving some increases on productivity grounds to productivity which occurred in the past".

PM: Well I was trying to encapsulate a very brief form the concern that the Government will have in the conduct of wages policy generally in regard to the productivity case whenever the ACTU decides to take it. That we will want to ensure that the outcome of that case will be consistent with the economic achievements that have characterised the first two years of Government. That is, economic growth with low inflation. And you know that I have had some experience in the Arbitration Commission and to the way they go about these things. And I think I was reflecting in my shorthand statement that experience. It is the case the way the Commission considers productivity is that they look back, they look forward; they look back to get some assessments, some attempts to measure how productivity has been moving in the economy as a basis for making some assumption about how its likely to be moving in the period within which any decision they take will operate and so I was indicating that the Government when it appears in this case will be making its submissions conscious of the way the Commission does look at these things. But knowing that importantly for the Commission, for the Government and I would suggest for the ACTU will all be wanting to ensure that the decision that is taken is consistent with its economic capacity of the economy in the period in which it operates.

JOURNALIST: Will you be saying at all Sir that there haven't been improvements in productivity, appreciable improvements in productivity over the last two years. Enough to take account of it.

PM: I'm not saying that there haven't been, in fact the answer that I have just given should indicate that I believe that when the Commission does entertain the hearing of the ACTU's case that

all the parties will be concerned with an analysis of how the economy has been operating. And the best way of trying to get some understanding of the environment within which any decision that a Commission makes will operate is to try and get some picture of the past and the relatively recent past. I believe they will be doing that again, to do it would be consistent with the way the Commission has approached these things in the past. I wanted to emphasise and I take this opportunity again of emphasising that this Government has been at great pains to turn the Australian economy around. Its been remarkably successful in doing that. We've got record growth and employment increase with very distinct lowering of the inflation rate, a halving of the inflation rate. What we'll be concerned about and I believe all parties there including the Commission will be about, will be in looking at the past, making decisions which will enable the future pattern of movement in the Australian economy to maintain that sort of momentum within those sorts of parameters.

JOURNALIST: Today's unemployment figures aren't all that terrific are they.

PM: Its going to be very interesting, you know I'm a reasonably keen media watcher, I will be watching very carefully to see if there is total symmetry in coverage between the figures of March and the figures for February. I mean in February we had an increase of 44,000 in employment, it wasn't much coverage of that, so I presume an equal lack of interest in the fact that the figures for this month are disappointing. Now I concede that what you have got to say is that the movements month by month in this series are somewhat erratic. You have got take, therefore, I think if you are going to get a picture of how things are moving. You have got to take the longer term, if you take the March quarter, which is now available. The March quarter has provided about half of the increase of some 90,000 new jobs that have occurred so far in the financial year 84/85 and if you take the longer period back to April 1983, 340,000 increase in jobs. So we're confident that looking at the other statistics that are available about economic activity that there will be a continuation of employment growth through time. I am disappointed that in this particular month it has gone down, obviously must be one of disappointment, one would rather have seen an increase. But I am totally confident that if you take the longer term trend there will be a continuation of employment growth. I still believe that the target which I set at the beginning of 1983/84 a 1/2 million new jobs in the first three years of office will be achieved. We are ahead of that target.

JOURNALIST: Does it undermine your attempt last night to restore confidence ...

PM: No not unless you make the assumption that the market is entirely irrational in that they say oh this month is down in a series which has been notably erratic over the last nine months or so and if they are going to be guided by that month, why after an

increase of 44,000 last month did the market not, if you are talking about the dollar go through the roof. Now I don't think that they are as irrational as that.

JOURNALIST: Mr Hawke going back to productivity, the ACTU is talking about a 3% claim phased in. Do you believe thats reasonable.

PM: I think that such a claim would be a perfectly reasonable for the ACTU to What you have got to remember, its not merely a question of the principles that have been outlined by the Commission. But lets go to that, the principles of the Commission itself acknowledge that through a period of time would be appropriate of the Commission to consider whether under their auspices there is room for an improvement in real terms in conditions of employment of the great bulk of the workforce for which they are responsible. They recognise that and lets also observe that employers have traditionally recognised that as well in the opposite position only needs to be stated to be seen to be quite unreal. If you don't agree that through time there is room for reflecting a growth in the economy in real terms, then the logic of that is that you have no improvement in real standards ever through time. Now that is an absurdity, no one would suggest that. The critically important thing is as I gave in my earlier answers is that you ensure and this should be the responsibility of Governments, Arbitration Commissions, I believe also of the trade union movement and of employers. But you have got to ensure that the reflection of underlying economic realities through time is implemented in a way which does not upset the objectives which are important for everyone, including the trade union movement in workers. That is increasing employment at low rates of inflation.

JOURNALIST: Sir, last night you said the Government would take the impact of devaluation into account when you were deciding your attitude to the productivity case, and today Mr Willis told us the result ... of approximately 3% productivity trade off would be improved super benefits phased in sequentially over 2 to 3 years. How do you plan to fit the devaluation impact consideration in with the productivity super trade off? Where is there room for it?

PM: Well the actual methods that the Government will adopt, the positions that the Government will adopt either in indexation cases or in productivity cases, as I have said on many occasions and as Mr Willis has said, will be a matter for a decision at the time when those cases are being prosecuted. It would be an exercise in economic managerial irresponsibility to say now precisely what the best approach is for a position 6 months or 12 months down the track. What the Australian community can be sure of is that this Government, having achieved better economic results than there have been in recent memory, is not now going to adopt positions which would dissipate those achievements or make it less likely to be able to continue that sort of achievement. So you can be assured that at the time when we have to put a

position to the Commission that we will put them in a way which achieves those results. Now you talk about the possibility of a productivity improvement of that order being brought in over a period of say 3 years, well obviously if the calculations were such that the productivity increases in that time could comfortably accommodate that then you would have one attitude. If you had doubts because of particular economic circumstances at that time about the capacity of the economy so readily to accommodate, then the submissions and positions that you would be putting would be somewhat different. But let me say this, we are confident of the future course of the Australian economy and I want to repeat here again what I said on the program yesterday that there is a totally firm adherence by this Government to the commitments it made to the Australian people as to the conduct of economic management in this country. The trilogy will be adhered to. There will be a reduction in the deficit. Now it follows that if we are going to be adhering to the sound and firm economic management, that we are going to be having an economy which is performing strongly through 1985. And I believe through 1986. And it is just precisely how we see the economy performing which will fashion the exact nature of the submissions that we make. And I go back to the general observation that I made - it is an accepted fact within the Commission guidelines, within the attitude of Governments, and the attitudes of employers and trade unions, that through time you don't simply have an adherence to the same real standard. It doesn't happen in this country and it doesn't happen anywhere else.

JOURNALIST: Mr Hawke do you accept that one of the consequences of the devaluation and the Government's offsetting action will be a higher level of interest rates than the Government would have previously liked to see?

PM: It is the case that with the greater devaluation than has been expected, yes there has been more of a movement of interest rates that you otherwise would have expected. There is the relationship between what happens to the levels of exchange and the level of interest rates. We nevertheless believe that given the fundamental strengths of the Australian economy and I think, the increasing perception of the strength of the adherence of the Government to the fiscal management which is embodied in the trilogy, that we can expect through the period of this year that there will be, I would expect, a lowering of the level of interest rates. But also understand that we are right now in the tax rundown period and you appreciate the impact that that of itself has on the interest rates.

JOURNALIST: So do you think the present increase is in fact temporary. I mean is this simply a function of the tax rundown period or would you expect interest rates including mortgage rates to stay higher for some time after that?

PM: No, I don't expect them to stay high for a long period into the future. No-one I believe at this stage, Paul, is able to

weigh each of the factors which is operating in respect of both the value of our currency and of interest rates. I know of no economist who would be prepared to weight those factors. But to the extent that the seasonal rundown, for tax reasons, is operative, it would be logical to expect that once that factor is out of the way, that therefore there would be an easing of pressure. I expect that to be the case. I also expect it to be the case that to the extent that there has been, that one of the factors in the lowered level of the value of the dollar has been some perception of, if you like, non-adherence to previously stated economic policy approaches. To the extent that that perception diminishes, as I believe it is now diminishing, and that there is an acceptance of the commitment of the Government to firm economic policy, and to the extent that that has been a factor, I would also expect that therefore to mean an improvement in regard to interest rates.

JOURNALIST: How did that develop?

PM: How did that perception develop? Well as I said yesterday, and as I have said before, the market as distinct from some views of it being a collection of very hard-nosed operatives, I think at times operates in a somewhat irrational way. There may have been some perception that because of one particular incident or another, that the Government had departed from adherence and strong adherence to its economic policy framework. If they thought that then they were wrong. Now I can't help it if they make a wrong assessment about what is happening to economic policy making, but I would think that increasingly, as the days and weeks go ahead, they will see the evidence of the Government's continued commitment to the trilogy and to a significant reduction in the money level of the deficit in 1985-86. And to the extent that is seen, and it is seen that the Government by its action will be reducing pressures in the public sector borrowing requirement and giving more room to the private sector then logically certain consequences should flow in regard to interest rates.

JOURNALIST: Mr Hawke, do you see the devaluation putting, if continued, putting so much pressure on that the trilogy just won't hold?

PM: The trilogy will hold.

JOURNALIST: Prime Minister what action does your Government plan in support of the trade union movement and trade union principles in Queensland?

PM: Well at this stage I don't want to go into any detail. Let me say simply this, that certain discussions are going on I will be in a position to say more in the relatively near future.

JOURNALIST: Will Senator Macklin have your support for his Private Members Bill?

PM: Well I hope that this doesn't come as a shock to Senator Macklin but I don't follow assiduously everything that he says or proposes. Which particular proposal is this?

JOURNALIST: The Bill relating the concept of one vote one value?

PM: Yes, well.

JOURNALIST: Do you believe in that concept?

PM: I think it is an excellent concept. I wish more people believed in it. We will be discussing, as a Government, our attitude towards that. And that will become clear at the appropriate time.

JOURNALIST: Do you think it is likely you might support it?

PM: Now, you have been around long enough to know that you can't jump ahead like that and get me to answer what is likely to be a Cabinet decision.

JOURNALIST: Mr Hawke, on your damaging incidents, presumably ...

PM: My damaging incidents?

JOURNALIST: The incidents which you feel that perhaps leave the ...

PM: That might have been seen.

JOURNALIST: You are presumably referring things like the MX matter and tertiary fees decisions. How can you guarantee that now that these sorts of incidents have started that they won't be repeated in the future?

PM: Well I think that one operates first of all from the basis that people who have been involved in certain circumstances in reacting in particular ways look at the results of their actions and the reactions and I am simply making the judgement, that I think is particularly well founded, that we will not see any circumstance arising which will be capable of a misperception about the fact, which has always been the fact, that the Government is firmly in control of economic policy and that the basic framework, which I set down in the election campaign will be adhered to. And I remind all the people who are viewing and who are going to read your written words, that I think it is true to say that there is no government in the western world which has imposed upon itself such a stringent framework of economic policy and we are entitled to be believed, on the basis of our performance over two years, we are entitled to be believed that we will adhere to it, because we will adhere to it, we have shown that we are prepared to take the range of decisions in the economic field which are necessary to produce beneficial economic results. And it would be an exercise in stupidity for the

government, having achieved those results, which in many respects are the envy of most of the rest of the world, to suddenly depart from that stringent approach. We don't intend to.

JOURNALIST: Mr Hawke do you now foresee the Reserve Bank playing a larger role in monetary policy than one of simply smoothing out fluctuations.

PM: I don't think you seriously expect me to speculate on what the role of the Reserve Bank will be in the future.

JOURNALIST: But you said last night that it had played ...

PM: I answered a question yesterday in respect of what had happened, what was my observation about what had happened. I say you don't seriously expect me to talk about the future role of our central banking institution. And I am not going to.

JOURNALIST: Prime Minister would the Government ever consider going to the Arbitration Commission...

PM: I'm sorry.

JOURNALIST: Would the Government consider going to the next national wage case and arguing that full indexation increase should be discounted to ...

PM: I have addressed that question several times in the past, I suggest that you look at the transcript of the number of answers I have given that, you will see what our position is on that.

JOURNALIST: Could you tell me what that was.

PM: No I suggest that you do your own reading, I mean I've answered the questions specifically on a number of occasions and I am not here to do your homework for you.

JOURNALIST: Have you had any discussions with any representatives of the ACTU about your latest views on productivity.

PM: I have spoken with Mr Crean.

JOURNALIST: Can you give us any indication of his response, we are having trouble getting Mr Crean too.

PM: I'm here to do your telephone work for you.

JOURNALIST: On the question of Bang ...

PM: On the question of Bang.

JOURNALIST: Mr Bang.

PM: Oh, well. Lets say that we know that we are talking about

the Secretary-General of the Communist Party of China Hu Yaobang, yes.

JOURNALIST: The same bloke who was reported in the press this morning ...

PM: Hey this is getting very chummy. This is an indication of what he is to expect at the Press Club on Tuesday is it.

JOURNALIST: Would you be seeking clarification of his reported remarks that American Warships will be welcome in Chinese ports and about the nuclear weaponry.

PM: Well I think the matter may come up in general discussion, I mean I haven't pencilled it down on my agenda, but I think it may arise in our discussion.

JOURNALIST: What would your view be.

PM: I think my view in respect of what happens between China and the United States if I seek to express a view about relations between China and the United States is something that I would convey to Hu Yaobang.

JOURNALIST: How detailed will be the May economic statement if it goes ahead. Will it just be on expenditure cuts, or are you planning to make other economic announcements?

PM: Whenever any statement is made right before the budget in the expenditure, it would be in the expenditure area, in other words it is not going to be a mini-budget covering the whole range of issues that would normally be in budget. But I believe that it would be appropriate to make some of our announcements in the expenditure area early, and if for no other reason that of course you then get the full year benefit of the effect of those cuts.

JOURNALIST: Is it appropriate to consider family allowances in this expenditure review process or because of their tax implications would they be a question left for the summit?

PM: I couldn't answer that at this stage because we haven't considered that issue. And I am not going to by some answer now pre-empt consideration of the expenditure review committee and the Cabinet on that. But you are right in referring to the implications in the tax area, but I'm simply not in a position to give you an answer on that because we just haven't gone to it.

JOURNALIST: Just fudging on Prime Minister ...

PM: Just fudging on, just sneaking one more.

JOURNALIST: Can you tell us your opinion of the program you

appeared on last night.

PM: I didn't see it.

JOURNALIST: How was the program.

PM: Oh the program generally rather than my support.

JOURNALIST: Your appearance was wonderful.

PM: Thank you, thank you you are entitled to extra questions when you ask questions on that basis.

PM: Let me say there is considerable room for improvement, I did say to the interviewer who was equally excellent if I may be gratuitous as you. I did say that if there were more segments like that then the hope for the program would be enhanced.

JOURNALIST: Would there be hopes for more ABC money in the Budget do you think.

PM: You're a trier son, your a trier.