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PRIME MINISTER

E. & O.E. - PROOF ONLY

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PM: Just before we are open for questions, I thought I might help you today by an opening statement. I have had the opportunity of meeting with my colleagues of the Queensland State Parliament and in that meeting I indicated to them that we had been drawing attention in the Federal Parliament and would continue to be doing so to the gross economic incompetence of the Premier of Queensland and of his Government. As I pointed out to them, the evidence is overwhelming and it goes a considerable way, I believe, to explaining the pathetic diversionary attempts that the Premier is increasingly engaging in. But those attempts to attack the trade unions or to attack Canberra or to attack journalists for non-existent interviews that he didn't give and some phantom Premier gave, those things are not going to divert attention from the facts. And the facts are overwhelming - that Queensland is the worst managed economy of all the State economies and has the worst results and that the very fine people of Queensland are now increasingly paying a very heavy price for the incompetence of Sir Joh Bjelke-Petersen and his Government. Just let me go to some of the relevant statistics. Employment, of course, is a very important area. They have the worst unemployment rate here of any State in Australia - 9.9% against the national average of 8.4. Now that is a very significant difference. Where employment is rising in the rest of Australia, here in Queensland employment has actually fallen. If you look at inflation it has one of the worst rates in Australia. Over the last year the Australian average - 4.4% increase. Queensland - 4.8%. If you look at the registrations of new motor vehicles - always taken as a significant indicator of what is happening in the level of economic performance - the health of an economy - over the past year the Australian growth in the registration of new motor vehicles - 18.3% - Queensland 10.9%. The building industry - again a very significant indicator of what is happening in the economy. As far as Australia is concerned there have been significant increases, but here, measured in the last quarter, the March quarter, whereas for Australia as a whole in regard to the number of dwellings approved in Australia - 0.9% increase. Almost a 20% decline in Queensland - 19.8% decline.

So it doesn't matter what you look at - employment, unemployment, prices, registrations of new motor vehicles, dwelling industry - Australia is doing very well. Queensland is doing worst of the States generally speaking and certainly much worse than the Australian average. As I say, these are the reasons why this Premier and this Government seek to divert attention from their own incompetence.

The second thing briefly that I would like to go to is to share with you my amusement at the latest offering of this poor Federal Leader of the Opposition whose contribution to the tax debate has been to this stage so irrelevant and pathetic. His latest contribution is to say that Mr Hawke did not get a mandate from the Australian people for Option C. Well what a magnificent irrelevancy because I never claimed that we and the Government got a mandate from the Australian people for Option C. What I have been saying is that we got a clear unequivocal mandate from the Australian people to undertake the task of tax reform. And it would be much better if the Leader of the Opposition could get his own act together and make some comments which are relevant to the great debate which is properly taking place in Australia today.

Over to you.

JOURNALIST: Given what you have said then, Prime Minister, and the level of concern expressed at today's meeting about Sir Joh's tacking, is it now fair to suggest that the ALP has pinpointed the Queensland Premier as its biggest political foe. Given that you often claim that Mr Peacock is politically irrelevant.

PM: Oh I don't regard him as my biggest political foe, but as far as Queensland is concerned, he has become a danger. Not to the ALP, he has become a danger to the people of Queensland. I mean, I think it is evident from the amount of time I spent over the years coming to Queensland, not only to Brisbane but particularly to the north of Queensland, that I have a very soft spot for Queensland and its people. And I think it is becoming an increasing tragedy that Sir Joh is becoming the enemy of Queensland. There is no reason, looking at the resources of this State, and comparing them with the resources of the other States, as to why their economic performance should be so bad. Queensland is blessed with resource endowments at least as good as those of the other States of Australia - better than most. Why is it therefore that you have such an abysmally bad economic performance compared with the rest of Australia. Now he can't have it both ways. He can't say that the quality of economic management has got something to do with the parties in power and then have the evidence showing within your own State you are doing worse than everyone else in all the major indicators.

There is only one conclusion that can be drawn. And that is that the very fine people of Queensland are paying a very heavy price for the Government and the Premiership of Sir Joh Bjelke-Petersen. So, he's not my foe. He is increasingly becoming a very heavy price that the people of Queensland are paying.

JOURNALIST: Yesterday the Premier indicated that when the Tax Summit took place next week he would be taking a proposal to a single rate of tax. Have you a response to that?

PM: Well yes. It is not surprising that he will because he has been talking that sort of nonsense for a very long period of time. And it is consistent with the position of the sort of people that he represents because it would be massively inequitable. It would impose a relatively very very much greater burden on the poorer people of the community and represent a very distinct advantage to the more privileged in the community. So it is no surprise that that would be the extent of his contribution.

JOURNALIST: Mr Hawke, were you able to offer any advice to the Queensland Labor Party about their failure to get into government over the past few ...

PM: Well, I don't put it in those terms, but I did say that I believed that there should be a concentration upon the exposure of the sorts of things that I have been talking about. After all, what people are concerned about in politics is basic economic performance. You can talk about all the other things, but in the end, people are concerned about jobs, about prices, about housing and about their capacity to improve their standard of living. And of course registration of new motor vehicles is an indication of that sort of thing. Now, what I am saying to them is what they should concentrate on is those issues. And once the people of Queensland come to understand that they are being, and have been taken for an enormous ride by this Government and this Premier, they will start to draw the right political conclusions. I repeat, there is no reason why the people of Queensland should be getting such a rough deal compared with what is happening to the people of the other States of this country.

JOURNALIST: Back on the tax, will you let Mr Djelke-Petersen put his views on single rate tax at the Summit?

PM: Of course I will. And I will even allow him his knighthood - Sir Joh. I will not only allow him to put his views, I will welcome the putting of his views. I am glad he is coming. At least you can say that much in his favour compared with the Federal Opposition. He is coming.

JOURNALIST: Yesterday the ACTU Secretary, Mr Kelty, indicated that the union movement wouldn't be stampeded into an early decision on the consumption tax issue. He says there might be a special unions conference called as late as September. I am wondering, given the importance of the ACTU decision to Government plans, whether the Government is prepared to wait until September to make a decision, and if it isn't, is it prepared to make a decision before the ACTU finalises its own position.

PM: Very fair question. I noticed the report in one of the papers today that Mr Kelty had made the observation that the members of the trade union movement and their dependents would have to live with the tax decision for very many years to come. And that therefore they won't going to be stampeded. That seems to me to be a perfectly reasonable observation for Mr Kelty to make on behalf of the trade union movement. Obviously, we have a responsibility to come to our decision as quickly as possible so that we can move to get the appropriate legislation into the Parliament and carried and the work done to make the changes which we regard as appropriate. We are not going to be demanding an immediate response from the ACTU, but I don't know that there are any questions about waiting until September. I think that may be too long. But obviously it is appropriate that the trade union movement representing so many millions of Australians does have the opportunity properly to consider this matter. I don't think it should take until September.

JOURNALIST: Mr Hawke, President Reagan has called for a world-wide reaction - campaign against terrorism. Given that one group has targetted Australia as a possible target, have you directed your mind to this subject yet, as to what part Australia will play?

PM: Yes, I have. I understand that Vice President Bush is visiting some countries to discuss these matters with them. He won't be coming here and I think that that's probably a reflection of the fact that the United States Administration makes the judgement that we are probably better placed than most in regard to the arrangements that we have for security. And I think that's a judgement that is well placed. However, Secretary of State Shultz will be coming here in July and I will be talking about these matters with him then. It is appropriate that President Reagan should be expressing concern about these issues. I think the world is increasingly coming to the conclusion that we cannot tolerate the increasing use of this tactic of terror as an instrument to try and achieve desired political results. This has got an increased poignancy, if you like, for Australia because of the tragedy of the death of those two children in the Frankfurt tragedy and atrocity. And so, I say this on behalf of the Government and I am sure the people of Australia, that we will be totally co-operative in any approach which seeks to eliminate from the affairs of men and women in this world the use of this tactic of terror which is so indiscriminate in its impact. It is of itself intrinsically objectionable and it becomes more objectionable when you see innocent children paying a price for the mindless stupidities and bastardry of terror groups.

JOURNALIST: Prime Minister, the White House is talking about economic sanctions against Lebanon. How do you feel about that?

PM: Not of economic sanctions against Lebanon. I mean, I would want to obviously look at any proposals that were put. I don't dismiss proposals just out of hand without seeing them, but let me say this, that when you are talking about Lebanon you are talking about a country which in many respects can be regarded as the most tragic in the world because you have there the two sets of considerations. You have the interconfessional rivalries which have a degree of bitterness which is almost incomprehensible. And in addition to that you have the fact that external forces are using Lebanon as a ground for the playing out of their own intense and bitter rivalries. And the upshot of those two considerations is that the people of Lebanon, particularly the women and children of Lebanon, are paying a massively disturbing price for those things. And one couldn't easily contemplate sanctions which would add to the burden of those women and children of Lebanon.

JOURNALIST: Mr Hawke you indicated yesterday that you expected the Summit to discuss the distribution of the tax cuts through the incomes scales.

PM: Yes I would think that would be one thing they want to talk about.

JOURNALIST: How much flexibility is there there though and you also said yesterday that you believed that the distribution proposed by the Government was the highly desirable one. Could you elaborate on why you think (inaudible).

PM: Let me say this, you say how desirable is it. I mean you can't put a measure on these things, but it is clearly appropriate that that be talked about because after all if you are talking about tax reform, in the end you are talking about how people at different levels are going to benefit from whatever package is adopted. And that to a considerable extent, almost overwhelmingly, be reflected in what happens to the changes in the tax scales. So inevitably for that reason there would be a considerable amount of discussion about that. As to the second part of your question, how much room is there for change. Well, we have come to that prima facie position and the preferred option that that seems to be the way to do it. As we have in regard to A and B said, well those seem to be appropriate ways of changing the tax scales if the amount of revenue available is what it is at Option A which is 1.8, - 3.3 million at Option B and about 6.7 at Option C. With that level of revenue available that change in the tax scale seems the most appropriate. But we will listen closely to what is said and if we could be persuaded that some other sort of change in the tax scales was on the balance of consideration better, well we will take that into account. As to that part of your question which says how much room is there for change, I think it should be remembered that the change in the tax benefits which occurred in the tax cuts last year were very significantly skewed towards the bottom levels. And so that's not something that you can continue to do indefinitely. But having said that, I will listen carefully to whatever arguments are put forward for some different sort of distribution of benefits.

JOURNALIST: Mr Hawke, still on tax - how significantly have the mobilisation of farmers in recent days in rallies that were claiming tax.... been in convincing you that they have a genuine case for some economic relief.

PM: As I said to the rural representatives who met me yesterday, the rallies haven't changed my thinking at all. I have welcomed the rallies, however. As I said to the representatives yesterday, over some months now I have spent very very many hours with the representatives of the rural community through the National Farmers' Federation and then again yesterday at a regional level. And at that sort of putting of submissions and arguments which I find impressive. And I am not being - my thinking is not being formed by the rallies but nevertheless I welcome them. And I welcome them for these reasons - that this is a democratic society within which different groups historically have regarded the form of rallies as a legitimate way of bringing to the community's attention the concerns of those involved in the rally. And there is absolutely no reason why the farmers shouldn't themselves use this perfectly appropriate mechanism within our democratic society. And the second point is that on the evidence so far the farmers have been very responsible in the way they have conducted themselves. They have now had these rallies in Perth, Adelaide and Melbourne. And all the evidence suggests that they have conducted themselves sensibly and responsibly and have tried peaceably to bring to the attention of the community and governments their concerns. And that is to be welcomed. If that's all they were doing it would be rather futile but as I say, they are backing up that sort of form of activity with very detailed submissions being put to Government. And I respect them for that. And, as I have said, I believe that they have got some legitimate concern in the area of farm costs. Let me use this forum to repeat what I have said elsewhere. The economics of farming are very straightforward in terms of the outcome for them that counts - what is their net income position. It is an interaction of what happens to their prices and what happens to their costs. And what concerns the farmers of Australia and what concerns me is that they are amongst the most efficient producers in the world and yet their price level - their products are going into an international pricing mechanism which has been increasingly distorted by the operations of the Europeans. So that the fact that they are amongst the world's most efficient producers is not being reflected in their capacity to obtain markets and reasonable prices. And it is inevitable in that situation when their prices are being distorted in that way and they are being discriminated against that they will be concerned even more on the sight of what happens to their cost inputs. And they have, as I say, legitimate cause for concern and that's why the Government will be paying serious attention to what they are saying in that area.

JOURNALIST:low against the American dollar and there is no sign..... do you think its fairly inevitable that the unions will have to accept discounted wages national wage case.

PM: Well, what I've said is that I believe on the evidence so far that's most appropriate in regard to the September hearing that the normal processes go ahead. Once that is done then the Government and the trade unions and the business community are going to have to do a lot of serious talking about what happens in the control of the economy generally, because as far as the Government is concerned we are not going to dissipate the great benefits of growth that have occurred since we came to office. We now are going into our third year of growth in non farm GDP of over 5%. We are not going to dissipate that by movements in the area of wages and salaries which could have counter-productive results. And I believe that in discussions with the trade union movement and with the business community both outside and within the Commission we will be able to achieve a result which will be in the best interests of this country. And I believe that the trade unions will be responsive to what we've got to say. And the final point I make is this - that if the community is going to be making judgements in this area about what's best for the community, they have got to contrast the capacity that this Government has within a centralised wage fixing system to get some appropriate relationship between wage movements and other economic variables as compared with the chaos that would exist if the Opposition had its way. And that is that they would abolish the centralised wage fixing and leave the level of wage movements to the free play of market forces. That is an undiluted recipe for chaos. And we, having established appropriate mechanisms will see that those mechanisms are used in a way which benefits the Australian community.

JOURNALIST: A number of State Labor politicians have expressed concern that they could suffer electorally if the Federal Government decides to introduce its consumption tax at the same time as the State election next year. Was this discussed today and is this a legitimate claim.

PM: The point was raised about the timing of any introduction of any changes, yes. The basic point is this. The Australian community, of which I have always regarded Queensland as a part, has suffered grievously from the existing system. And they will continue to suffer more if this existing system is not changed. And that is the case simply because those who pay taxes - ordinary wage and salary earners - will have a greater burden imposed upon them. There will be more and more of them who will go into the 46 cents bracket and more if changes are not made. So therefore it should be regarded as a plus not only in Queensland but anywhere else for a Party which is bringing in a reform of the tax system which is going to make the bulk of the taxpayers better off. And I believe the situation will be that in the post Summit situation when my Government considers all that is said at the Summit - at the Summit and before - and makes its decision we will be making a decision which unquestionably will improve the lot of the overwhelming majority of Australians - taxpayers and those dependent upon them.

And that will be a context in which the Party here in Queensland associated with the bringing in of those changes, will benefit. I repeat here what I said in Rockhampton yesterday. I am certain that in the period ahead this tax issue and what is done about it will be a political plus for Labor and a devastating minus for the conservative coalition whose responsibility the existing tax system is. Because the first question that has to be asked in this whole issue is this. Why are we having tax reform now. Why is tax reform necessary now. And the answer to that question is, the Australian society has to have tax reform now because the conservative coalition for thirty of the last thirty-five years has been in power. The existing tax system is their system. They are responsible for the inequity, the unfairness, the economic inefficiency and the lack of simplicity. And the Party, that is the Labor Party, which will be getting rid of the inequities and unfairnesses and producing economic efficiency will be the Party which gets the benefit of the political judgements of the Australian people.

JOURNALIST: Between the time of the Summit, the time the Government makes its decision and the time the decision starts to take effect, are we likely to see any sort of large scale public relations campaign launched by the Government through television and the newspapers to try and explain these things in more detail.

PM: Yes indeed you will. It will be, not only the right but the responsibility of the Government when the decisions are taken as to changes in the tax system, to inform the Australian people about those changes. We will not only exercise that right but discharge that responsibility.
