



PRIME MINISTER

E. & O.E. - PROOF ONLY

TRANSCRIPT OF INTERVIEW ON CARLETON-WALSH REPORT, 12 SEPTEMBER 1985

WALSH: Prime Minister, the media and the commentators have hailed the election of Mr Howard as marking a new era, a matter of substance and not just the cosmetics in the Liberal Party. Do you see it that way?

PM: Well, I think it is the start of a new era, but I wouldn't be hailing it, if I were the Liberals. We have now had the opportunity for a few days of seeing Mr Howard in action. And I don't wish to be churlish about this, but I probably have a better view of the Opposition benches than anyone else, and I would say the only happy face I have seen over there this week is a bloke called Andrew Sharpe Peacock.

WALSH: But do you think over the next two years in the run-up to the next election, that Mr Howard will have a different agenda altogether than that from which Mr Peacock would have had?

PM: It can't be altogether different. They are a very malleable group of people masquerading as a party, but there will be differences of emphasis. But the big question, Max, is how far will Mr Howard be able to in fact enunciate the policies in which he believes or in which he alleges he believes. Because you will recall that I spoke with you earlier this year, and with a number of others, and I said it fascinates me that the media concentrates upon the so-called divisions and ideological splits in the Labor Party. And you remember, I said to you that the splits - the ideological factions and groupings in the Liberal Party are much more profound than they are in the Labor Party. And I am not being flippant about this. I think it is totally relevant to your question. It is by no means certain what policies Mr Howard is going to be able to enunciate. He has certainly shown in one week a great degree of instant flexibility on positions, vide nuclear testing in the South Pacific, vide South Africa. In the area of privatisation he has an enormous range of opposition within his party to that, and not only within his own party, but gradually the National Party and its leader are going to summon up something equivalent to courage and come out and say they don't agree with Mr Howard. So it is not possible, Max, on the evidence that is available on the performance to this point and on an analysis of the deep divisions within the Liberal Party and between the Liberal and the National Party as to what policies he is going to run on.

WALSH: Let me just turn to your policies and the one to the fore at the moment is the question of interest rates.

PM: Yes, it is up front.

WALSH: If I could put it this way - that it seems to me from the statements that were in the Budget and from what you have said and the Reserve Bank has said, that the Government's policy and its advisers' policy is at this stage to run a firm monetary policy - which means, in other words, keeping interest rates high, to support the dollar until the beneficial effects of depreciation start to bite. That is until the balance of payments figures start to look healthy. Would you agree with that as a broad brush approach?

PM: I think that is a not unfair broad analysis. And you rightly put your finger, Max, upon the relationship between the exchange rate and interest rates. And we have had from the early part of this year to maintain, as you have said, a firm monetary policy because of our wish to sustain the dollar. Now, I believe that the beneficial effects of the devaluation are already starting to show. You will remember that in today's financial press there is a reference to the Victorian analysis of the way in which manufacturing industry there is starting to show the benefits of it. And may I just anecdotally put to you, Max, that a range of businessmen in manufacturing industry have asserted to me that they see very very favourable prospects now for going into markets that they couldn't previously contemplate. So I think your analysis, in broad terms, is right - that we are going to see the beneficial effects of the devaluation. That will impinge upon our current account position. As that occurs it would be my assessment that the climate for favourable movements in interest rates will improve. I mean, we have done all the things that we should do in fiscal terms - our Budget bringing down the deficit to beneath 5 billion, our arrangement with the States to contain their global limits, all the things that Government can do to create the right environment in the market has been done. So I think your analysis is a fair one and I'm not in the business in these volatile circumstances of wanting to make dogmatic assertions. But I think it is fair to say with you that the environment, the general macro-environment should be such as to create legitimate grounds for hoping that the moves would be in the right direction.

WALSH: Let me turn to industrial relations. And Mr Howard has identified Mudginberri as being a milestone in Australia's industrial relations.

PM: Yes.

WALSH: Well it is in one respect because I don't think we have seen Section 45D used in quite the fashion it has been used on this occasion. In the previous Parliament you introduced legislation to try and abolish Section 45D from the Trade Practices Act. Given the fact you have got a new Senate, will you be re-introducing this legislation?

PM: Well, on the evidence of the last time, it is all very well saying a new Senate, but the numbers are no different in any substance. Can I just make this point generally about Mudginberri. I said in the House today that you really have to put the question of Mudginberri in perspective. I add that I have said in respect of Mudginberri that I don't believe that any of the parties to the dispute emerged with total credit. But I think what I said in the House today should be said to your viewers in response to your question. What the Opposition are looking at is a sea of industrial tranquillity, the lowest level of industrial disputation for seventeen years. This hasn't happened by accident. It has happened because this Government has adopted a policy of constructive co-operation with the trade union movement and with the business community. And that has brought this historically low level of industrial disputes. Now what these people who are so bereft of constructive economic policies are doing, is looking out, as I said, over this sea of tranquillity and putting this miserable confrontationist prism in their eye and say, look, let's - where can we find a dispute. So they found Mudginberri. Now it's not a pleasant dispute. And that I acknowledge. And that's why Mr Willis and myself for some period of time have been trying to get it where it should be - in the Arbitration Commission. And it would be my hope, Max, that through the processes of conciliation and arbitration, all the elements of this dispute can be dealt with in a way which will bring appropriate industrial peace in that matter.

WALSH: Just let me turn to another sea of tranquillity, the Pacific. How do you feel about your fraternal socialist brother, President Mitterrand coming down to this part of the world?

PM: I don't think it is helpful. And, I'm quite prepared to say that, not only now, but I have consistently criticised France and I am not going to mute my criticism because there is a government in France more of our political persuasion. If they are wrong, I will tell them. And they are wrong. Let's get down to the final point. The French can't have it both ways. They can't say to me, as they did in Paris when I directly confronted them on this issue, and say, look, there is nothing to worry about. It is safe. If it is safe, let them conduct their tests in metropolitan France.

WALSH: Right, let me now turn to South Africa. The latest reforms as put forward by President Botha - do you think they have any significance at all?

PM: No, they are not of any significance. If by significance you mean will those reforms, and I would put that in the heaviest of inverted commas, they could only be regarded as of significance if you ignore the conclusion Max, that they can lead to a change in the substance of the abhorrence of apartheid. It is commonly accepted that they are not going to lead to that position. And indeed the result has been that President Reagan has moved far from the processes and principles of constructive engagement that had informed the Administration to this point of time. The European Community has similarly increased the strength of their position as has Canada. The evidence is clear Max, both in terms of the weighting down of the value of the Rand, the flight of capital from South Africa, that the world is saying to South Africa that you are not behaving in a way which we will regard as acceptable into the future. What I am trying to do, and the Government is formulating its policy accordingly. Bill Hayden is doing this as our Foreign Minister and he is doing it with my full support, is to gradually build up, as far as Australia is concerned, the action that we take. We have closed down our trade post over there and we have taken other steps of which you are aware. We are moving ourselves in a position where we can do more and we will be going to the Commonwealth Heads of Government meeting in Bahamas next month trying to get the support of our Commonwealth colleagues for agreement to further economic pressure. We will be moving from there into the United Nations with others to try and do that. So we are going to be part, with I may say, the principles of Malcolm Fraser on this, and he is impeccable on this issue, to step up the pressure, to increase, if you like, the size of the stick that the world has to show to South Africa. But at the same time continuously plead with the South African regime to say 'look we don't want the rest of the world to do those things, we want you to do it' because the inescapable truth, Max, is this - that that regime and those policies cannot continue indefinitely into the future. If they proceed down that path without change there will be bloodshed of enormous and tragic dimensions. It is much better in everyones' interests that they should change. What they have talked about so far is not enough.

WALSH: Prime Minister, if I could just ask three fast domestic questions.

PM: I will try and give you three fast answers.

WALSH: The Australia Card, are you still in favour of its introduction?

PM: Yes, I believe the concept is right and I believe that, Max, for this reason, that there has been a clear identification that the introduction of a card would mean that the honest taxpayers of Australia, which is, of course, the overwhelming majority, would have available to them by way of the revenue so acquired, hundreds of millions of dollars which reduce the pressure upon the honest taxpayers of Australia. That's on the revenue side, on the outlay side we could also then have an instrument for avoiding the payment of social welfare payments in a fraudulent way. Now, I recognise the legitimate concerns that many people have and so I simply say on this that we will be discussing in the Cabinet the introduction of this as part of an overall package. But we are not going to be dogmatic about assertions on this. I will certainly listen to what others have to say. But in principle I believe it must be accepted as in Australia's interests.

WALSH: The Bicentennial Authority, there has been some controversy this week about the departure of David Armstrong and the payment made to him. This has been done by the Bicentennial Authority but it is taxpayers' money. I wonder are you thinking of restructuring that Authority at this stage?

PM: What I have done is to have discussions with officers of the Authority and with the Chairman, Mr Reid. I have, frankly, raised with them some of the concerns that have been expressed by a number of people - Mr McDonald - but not him alone. Now we hope there can be improvement. In that process there has been a resignation to which you refer of the chief executive. I have indicated to Mr Reid that as Prime Minister I would like to have a considerable degree of involvement in the decision that is made to appoint a successor and may I add this that in a discussion that I have had with the Leader of the Opposition, I have indicated to him that I believe it appropriate that I should talk with him also. I want the Bicentennial to be bi-partisan and I say with full credit to John Howard that I believe that's his position. We don't want it to be a political scrap heap so I will do everything I can to involve the Opposition in this decision. I believe that a great deal of good work has been done. I believe we have grounds for looking forward to a magnificent year which will not be just celebrations in 1988 but the undertaking of projects of lasting benefit to Australia.

WALSH: And what sort of flag should we have in 1988?

PM: I am consistent about this. I am not pressing for a change of flag. I am saying Max, that I think it is appropriate for people to talk about this, to see if they want something else. But I understand, and I say this quite seriously, the very deep feeling that hundreds of thousands of my fellow Australians have about the existing flag. They have fought under it and they have relatives who have fought under it. And you wouldn't change that flag flippantly or easily. It is one of those things that the Australian community should think about, talk about in a relaxed and gradual fashion. And if out of that process it was clear that there was a great majority of feeling that we wanted some different sort of identification then that is appropriate. I think that that is quite different from our National

Anthem. We moved very quickly to get ourselves a distinctive National Anthem because I for one found it repulsive when I was watching Olympics to see the Brits get up and win a medal and have 'God Save the Queen' played and then Australian athlete get up and win and have the same Anthem played. I think the flag is different.

WALSH: Prime Minister, thanks very much.

PM: Thank you very much Max.