



## PRIME MINISTER

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TRANSCRIPT OF INTERVIEW WITH MIKE CARLTON - 2GB - 24/1/86

MIKE CARLTON:

Just when you think the economy is off and running smoothly in top gear along comes another spanner in the works.

This time it's oil. There is in the world today too much oil about - there's a glut of the stuff - and overseas the price of oil is dropping like a stone.

That can be a mixed blessing for Australia. It may reduce our inflation rate - that's good - but it may also cost the government hundreds of millions of dollars in lost revenue, maybe making for a tight budget this year.

There are other straws in the wind for the economy too - some very good, some not so.

For a look at them, on the line from Canberra this morning, the Prime Minister.

Good morning.

PRIME MINISTER HAWKE:

Good morning, Mike.

CARLTON:

Thanks for your time.

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PRIME MINISTER HAWKE:

Pleasure.

CARLTON:

Can you see the price of petrol dropping soon?

PRIME MINISTER HAWKE:

Well, the next adjustment is to be made on the 1st March, Mike, and on the way in which international price has been moving that's what would be required.

You rightly say that that's a good thing in itself. We have to look at the revenue implications. The relevant statistics roughly are, Mike, that the price of oil per barrel has to fall by about \$8-10 and be maintained at that, which is the sort of drop that's happened, as you know.

That could cost us up to about \$1.6 billion in revenue and if you lose that revenue and you want to provide and the people want the same level of services, well then you've got the difficulty that that creates.

So we'll be looking at the situation in time for that March adjustment.

But you're absolutely spot-on in your analysis. It's a mixture of good news and bad news.

CARLTON:

But you do believe the price will come down?

PRIME MINISTER HAWKE:

I think so, to some extent, yes.

CARLTON:

Can you put a figure on it, roughly?

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PRIME MINISTER HAWKE:

I can't at this stage for two reasons. We don't know what will have happened to oil prices by the time we come to make the adjustment for the 1st March, and also as you appreciate, the Australian dollar is a combination of two things. The price which is made up of 80% of the spot price and 20% of the official price which is \$28 US a barrel, and what happens to the exchange rate.

So it would be misleading to say at this stage, Mike, what the drop would be.

CARLTON:

On the plus side, the good side, that I guess would be good news for farmers particularly, also for small business, anyone who I guess freights goods about.

PRIME MINISTER HAWKE:

Yes, sure.

CARLTON:

And the inflation rate - could you see it easing that off?

PRIME MINISTER HAWKE:

Obviously if you have the sort of drop in petrol prices that have been talked about that would go with that which is of the order of 6 cents, something like 6 cents a litre. at that figure I mentioned before, that can mean about a half a per cent in the CPI.

So yes, that can be quite significant if we're in a position to be able to do that sort of thing.

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CARLTON:

On the down side if you wind up losing a billion plus dollars in revenue that means a very, very tight budget this year, doesn't it?

PRIME MINISTER HAWKE:

It does mean a tight budget and we're approaching a tight budgetary situation anyway, because we've got the commitments that you know of in regard to the deficit and the levels of government expenditures, so yes, it means a tough budget and we're going to have to make, as we have in the previous three years, the right mix of decisions which is going to maximise growth at sustainable levels of inflation.

CARLTON:

Can you still keep to the trilogy though?

PRIME MINISTER HAWKE:

Yes.

CARLTON:

Without a doubt?

PRIME MINISTER HAWKE:

We'll keep to the trilogy.

CARLTON:

It's going to make it very hard to deliver on those tax cuts though, isn't it? You're going to have to count every cent.

PRIME MINISTER HAWKE:

Well, this is the nature of economics though, Mike. I repeat, you were on the ball in your first comments that in this complex world in which we live there's hardly any significant economic variable which is simply good or bad. It has its pluses and its minuses and the success of this government has been in this three years in adjusting the

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range of economic policy variables to meet those changes in economic circumstances in a way which keeps the economy going, and I think we're going to be able to continue to do that.

CARLTON:

Is it too early to put any sort of figure on a budget deficit next time around?

PRIME MINISTER HAWKE:

Yes.

CARLTON:

All right. I thought it might be. Again on the brighter side, the Australian dollar is rising again now. It closed at about 71.4 cents US New York. Do you expect that trend to continue?

PRIME MINISTER HAWKE:

Again, just let me make this first point, Mike. You say, "on the good side". Yes, there are obviously good features of that. You were talking about the farmers before. The farmers will say it's not good news.

As that rises that means a lowering in the Australian dollar result they get, so on balance we think that it's good that the dollar is coming up to what we think is about getting towards its right level.

CARLTON:

Which would be about what?

PRIME MINISTER HAWKE:

Well, you ask six economists you'll probably get six different answers. But I guess the range of opinion, Mike, is of the order of 72 to 75 cents.

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I think that would be the sort of order that the majority of economists would say is perhaps the appropriate level.

In other words they're saying that when it went down to the 65 and 66 there'd been an over adjustment.

But you'll get different answers, as I say, to just precisely what it should be.

But you're right, in balance it's a good thing but I can't give you an answer as to how much that will keep going. I think the answer I've just given you about the general range of opinion probably is relevant to your question.

CARLTON:

But the signs are better than they were, say, even a month ago?

PRIME MINISTER HAWKE:

Yes, but you'll remember that I've expressed confidence about what would happen because I have said consistently, as you'll recall, that the basic elements of Australia's economic policy have been found.

I've kept saying that during the latter part of last year. I said because the economy was basically sound, doing better than most other western economies, I thought these other things would come into place and that's what's happening.

CARLTON:

The next, I suppose, variable if you like - here we go again - is the exchange rate. Sorry, not

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exchange rate - interest rates. Can you see those maybe easing off in due course?

PRIME MINISTER HAWKE:

Well, I must be careful in answering this, as you know, because a prime minister's statement or a treasurer's statement about their expectations in regard to interest rates can of themselves have impacts - you don't want to be trying to push markets.

But let me say this, Mike - I think it's the fair answer - that with the increasing strength of the Australian dollar this was an essential element of the change in the pressures here and internationally on interest rates.

So the condition for a downward movement in interest rates has emerged.

CARLTON:

That may help get the farmers off your back again.

PRIME MINISTER HAWKE:

Let me just quickly say this about the farmers. I don't have any feeling of upset about the expressions of concern by farmers because many of them are going through a very tough time, basically because of the corruption of international markets by the Europeans and now to some extent by our friends, the Americans.

CARLTON:

Just on another related topic, do you regret the shemozzle over the fertilizer business, the West Australian thing?

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PRIME MINISTER HAWKE:

No. Let me make it quite clear, there's no shemozzle except in the minds of what passes for an Opposition in this country.

The position is quite clear. At the beginning of this year the Cabinet processes weren't in operation and we weren't going to meet until the 20th January.

I was approached by the Premier of Western Australia who had an election on - and I've made no secret about the fact that within an election context he came, he said, "Look, we've got a problem as a result of the imposition of that anti dumping duty".

Cabinet was not going to be meeting till the 20th so I got the two relevant ministers together and said, "There is a problem here, it's wider than Western Australia. We can deal with the whole problem when we get to Cabinet but we've got a real problem now in regards to Western Australia. Something ought to be done".

We agreed to take a course of action there at the request of the West Australian Premier and on the clear understanding that the full issue would be looked at by the Cabinet at the first opportunity.

CARLTON:

But it was a wrong decision, wasn't it?

PRIME MINISTER HAWKE:

It was not a wrong decision. Indeed it's quite clear that what was being done was to give



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effect to anti dumping legislation which had been in there under our predecessors and which they'd administered in exactly the same way.

You can't have a system whereby this country does not have protection against having goods dumped here at uncompetitive prices. You would destroy Australian industry.

So the decision was not wrong, but what we had to do and would have done when the Cabinet met was to see what next step in action had to be taken, Mike, to protect farmers particularly in this situation.

So the steps were entirely logical to deal with the problem that was put to us in regard to Western Australia at the first full Cabinet meeting to deal with the situation as a whole.

That's what's been done and the decisions have been right.

CARLTON:

Last question if I may, Prime Minister, and this is pretty general, I guess, but it is Australia Day coming up this weekend, a new year along with it.

Is it going to be a good one? Do you feel a good year coming on in your bones, if you like?

PRIME MINISTER HAWKE:

I feel a good year coming up, Mike, and basically for the reasons I put to you before.

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I don't want to repeat them at length, but I say that the fundamentals of economic policy are sound. We are well ahead of our job creation programme, more than a half a million new jobs and the surge in employment is increasing.

We give our commitment to the people of Australia on this Australia Day weekend that we'll keep sound economic policy in place so that we can create more and more jobs for Australians.

CARLTON:

Prime Minister, thanks very much.

PRIME MINISTER HAWKE:

Thank you, Mike.

CARLTON:

Bob Hawke there on the line. I said there from Canberra. He wasn't, he was from Tasmania. A small slip of the tongue there.

On balance a healthy economic outlook, but some fine tuning to be done and a tight budget coming up. There'll be not a cent to play with for the Treasurer Paul Keating and the Finance Minister, Peter Walsh.

But it could be a hell of a lot worse.