



**PRIME MINISTER**

TRANSCRIPT OF HOWARD SATTLER, 6PR

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SATTLER: How are you going?

PM: Good.

SATTLER: You are looking well.

PM: You have got to look well in Western Australia. This beautiful weather you have got, Howard.

SATTLER: You have just got the job with our tourist bureau. Today we are going to look particularly at the issues where the State and Federal Governments cross paths because that is why you are here. We have got a state election on on February 8th. And there are a number of areas which I am sure have been talked about previously. Interest rates is not a bad one to kick off with. And they were thought to be a big factor in the last state election.

But it seems that Brian Burke has successfully hived off, if you like, the blame, if there is any, on your Government. How do you feel about that?

PM: I don't know that that is what Brian has done.

He has recognised the factual situation and has taken very effective steps to contain the impact of the upward move in interest rates. And those moves that he *has* undertaken I support entirely. The Australian people, including the people of Western Australia, understand when you are talking about interest rates you just don't pick that out. You look at what is happening to the control of the economy as a whole, in which interest rate policy is but one element. And they see the fact, recognised again today, that Australia's economic performance is at the top of the world scale. That has again today been acknowledged in the United States. We have got higher growth, higher employment rates than anywhere else. We have got the highest employment growth rates in our country's history. When in that total mix of policies you have to do something in one area to protect what is happening elsewhere the people of Australia understand that.

SATTLER: Brian Burke is so confident he has said that the lid is now on interest rates from here on in he believes it is going to go downhill. But you have stepped

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SATTLER cont: back a little bit from that. YOU are not as confident as him?

PM: It is not a question of being confident. I am not getting into the area of making definitive statements about what is happening in the interest rate area. We can see the moves that have taken place recently.

Brian has referred to the assessments that have been made by independent economists in that way. They say that interest rates have peaked and it is perfectly legitimate for him to point to that.

SATTLER: Are they people to be believed? Well, if you had one person saying it, then I guess you wouldn't place much emphasis on it. But what Brian Burke has said is that if you look <sup>at a range</sup> of comments that is what they are all saying. And if you get the range of comments I think that is something to be taken into account.

SATTLER: Let's talk about a couple of other areas. Interest rates was one. But the fertiliser bounty - and you made him very happy about that - but I am not so sure that you don't regret having given it to the Western Australian people.

PM: I am fascinated as Prime Minister the way that you and other analysts after the event say didn't he do it wrong or I wonder now doesn't he think *he wish he'd done* it differently. I just don't know the basis for this analysis that you undertake. Let's just look at what the facts were. This issue arose in a period when the Cabinet was in recess. We weren't due to meet

until the 20th of January. I had resumed the Prime Ministership.

I had had a fortnight off in which I had handed over to Lionel Bowen. I had resumed the Prime Ministership. I was operating from Sydney. Brian Burke came to see me in that interregnum before the Cabinet met and said look I have got a particular problem in this election situation. This is a big issue, is there something you can do about it because the anti-dumping duties *was* having this very serious impact. I said I will meet you. And I met him with Senator Button and Mr Kerin - the two relevant ministers. And I undertook to talk about it with him because he, from Western Australia, was putting it up there. And it was done on the basis - all right I will give you a decision which is relevant to you, the whole matter affecting Australian farmers generally will be considered *in Cabinet*.

That was a perfectly logical way to do it. It was the proper way to do it.

A particular issue Mr Burke was confronted with it, we gave him an answer. We then considered it in Cabinet. We will be making a decision which will be giving the benefit of this protection to all Australians. So I just don't quite understand what you are on about.

SATTLER: Well, it is just the fact that he had it happen for Western Australia ...

PM: He was there and he quite properly in that situation, I have got an immediate issue - can you do something. Yes I will but I tell you I am doing this in the context that *we will look at* the whole thing when Cabinet meets. That *is what happened*.

SATTLER: On land rights. You seem to have kept your options open there on legislation. Although he says look if someone tries to impose land rights on me I will quit. Could you afford to lose him under those circumstances?

PM: We won't be losing Mr Burke. I dealt with this issue yesterday, Howard. I simply said that I have a full understanding of Mr Burke's position. We have made it quite clear that we would hope that these matters can be handled at the state level. It is what we want to see happen if we can. Nothing will be done in regard to Western Australia that doesn't take full account, as Mr Burke has said needs to be taken account, of Western Australia's rights and interests in this matter.

SATTLER: So there could be land rights legislation at a federal level which will have different application in different states.

PM: You don't put it exactly correctly. What we have said in the Parliament and outside, the Minister Mr Holding has said, that we would prefer a situation where the actual states, by their legislation, covered this area of interest with generally broad principles being observed. Now what Mr Holding is doing is having discussions with all the states and with interested parties. That sort of thing is going <sup>on</sup>. And in regard to Western Australia where this issue has been in the public arena, and a question of possible legislation was in question last year, we have said all right we understand Mr Burke's position. And nothing that we will be doing will be done without full consultation and cooperation with him. Now there it is. It is quite clear in South Australia you have a situation where the state will make its decisions. Discussions are going on with Queensland, New South Wales, Victoria. Despite the frantic efforts of a bereft Mr Hassell and a Liberal Party which is internally divided here and divided federally where Mr Hassell and Mr Howard are in totally different positions on fundamental things like interest rates. They are desperately trying to whip this issue up.

SATTLER: Will we definitely have federal <sup>aboriginal</sup> land rights legislation this year?

PM: There is no definiteness about that. And I repeat that the Minister has said on behalf of the Government, we prefer a situation where this issue could be covered by states. Now he has said that, and I have said it and I say it again.

CALLER: Welcome to WA. The subject I would like to speak to you about today is interest rates. I note recently that the Finance Ministers of the large Western economies have held discussions to devise means of reducing interest rates in the international market place. How successful do you think these discussions will be in finding a solution to the interest rates problem given the complex state of the world and its money market. And if these talks do produce positive results, when can we in Australia expect interest rates to drop?

PM: Thanks very much for that question. It is probably one of the most profound questions I have received on talkback radio. It is very important because what happens in the areas that you are talking about will have its effect, to some extent, on the economic fortunes in this country. You have got to go back a few months and recall that these ministers met in the latter part of last year in Tokyo and decided then that they were going to take action because of the way in which the United States dollar impact was adversely affecting them.

And money was going into the United States, High interest rates and of course as far as they were concerned they believed that not enough was being done internally in the United States to create an exchange rate and interest rate environment which was going to help them. As a result of their very significant operations, they did have the impact that they set out to do. They have recently met again and have, as I read it, refrained from taking the level of intervention in the exchange markets that they did then in regard to the dollar. But I think the important thing from our point of view is that they are prepared, they have indicated a preparedness now, to act in a way which will bring about a more appropriate relationship in interest and exchange rates to facilitate better trade and capital flows between the major countries of the world.

Now from our point of view, the fact that they are prepared to take this action, they have demonstrated last year that they would, it seems to me is useful. But then coming to the final point of your question, what sort of timetable of impact does that have on Australia, neither I nor anyone else can answer it because the fact that Ministers see the problem, they then have to be prepared to obtain within their own constituencies *in each*

country the determination of the governmental and financial authorities to take the series of steps that are necessary.

As I say, at the end of last year, the latter part of last year, action was taken. And I just draw the conclusion from that that if during 1986 developments in the United States are adverse in a way which they will make the judgement that requires further action, they will take it. And that is, from Australia's point of view, a plus. Having said that, that still leaves the situation where we in Australia have to make our sets of decisions, which, within the whole framework of economic policy, to get the sort of right outcomes here as far as we can determine it ourself. And I simply want to conclude by making the point that since we have been in Government, it is nearly three years, we have consistently made the related sets of decisions which have brought about the position, recognised again this morning - it's happening consistently - where the international judgement has been that the Australian economic performance is at the top of the international table. So we will continue to make the decisions here which will give us high rates of economic growth, high rates of employment growth and with sustainable levels of inflation. To the extent that there is a greater preparedness internationally to make the right sort of decisions between the major economies and the United States that will be a plus for us as well.

CALLER: Mr Hawke, welcome to the West. Over here we have had a lot of talk about privatisation from Mr Hassell and the Liberals. I wonder if we could have your views on what you think about privatisation.

PM: The first thing I have got to say is that you need a radar set to track Mr Hassell on this. Back in October, just relatively a few weeks ago, Mr Hassell was embracing this word with the greatest enthusiasm seen for very, very many years. He was so in love with the word that he said he was going to keep using it all the time because it sent shivers down Mr Burke's spine. That is how important, how central to his strategy privatisation was going to be. Of course, Mr Hassell and the conservatives here have found out that it certainly sends shivers down people's spine. But not Mr Burke. It sends shivers down the spines of the electorate.

And so having found out that the electorate doesn't like privatisation, Mr Hassell is now saying he doesn't, and it is not an important part of the campaign. It was going to be the centrepiece, now it has been cast aside. Now, that may be all right in one sense for him to say that but I don't think people are going to really believe him very much. Particularly, as Mr Howard, his Federal Leader, is still in love with the concept. Let me say this - it is a load of hogwash. And everyone who knows anything about running the affairs of the community understands this. You have got the position where, if the Conservatives were ever given the chance and remember they haven't won a mainland election - the Liberals - since 1980, so they are not going to get the chance, but if they were it would mean they would be thinking about getting rid of operations like Telecom, Australia Post and the Commonwealth Bank. And in many of these areas, in the nature of things, there is already monopoly position so they would be handing over a monopoly of ...

to their friends in the private sector who would then make a decision whether they would provide services or not. And their criteria as to whether they would provide services ... to the public would be in terms of whether they could make a profit. So you look in the area of Telecom for instance.

The people who would suffer would be the people in rural Australia. At the moment, and it is fair, it is absolutely fair, we people in the major metropolitan areas, because of the density of operations really provide a subsidy through the public utility of Telecom, to people in country Australia.

Now if Mr Hassell and Mr Howard have their way, and they sold off Telecom to their private friends then the people in country Western Australia would either not be getting a service or would be paying infinitely more for it because no longer would there be the cross subsidisation. And David, it is because the electors have seen that - in South Australia they spoke very clearly on it - that Mr Hassell is running away from what just a short time ago he said was the central piece of his philosophy. Now, I simply don't believe that in his mind he has run away from it. Just through the term of the campaign he is going to say it is not important. But if the electors of Western Australia were to do what of course they won't, and that was to give him the opportunity he would be in collusion then with Mr Howard to try and impose upon the people of Western Australia, this stupid policy. And let me say to rural Western Australia it would be the people in the country areas of Western Australia who would pay most dearly if the Hassells of this world were ever given the chance to play around with this dreadful concept in practice.

SATTLER: Prime Minister, I wonder what you might think about

SATTLER cont: the concept or the prospect of privatisation in reverse story in the weekend papers here that TAA looks like it might buy East West Airlines.

PM: I saw that. I don't know whether there is any substance in that. Let me simply say in regard to airline policy which I understand is very important for Western Australia, that as you know we have got Mr May conducting the enquiry at the moment. We will be looking forward with very much interest to Mr May's report and we will examine that. And in that context the review which has to be undertaken later down the line, in terms of decision on the two airline policy will be taken.

SATTLER: The next caller wants to talk about airlines. Good morning Sam.

CALLER: Good morning Howard, good morning Mr Hawke.

PM: Good morning Sam.

CALLER: My problem, Mr Hawke, nothing to do with politics or elections. Regulation of international airfares. It seems that we have cartel with a benchmark set by Qantas, they set the fare, then all the other major international airlines have got to follow. Now when Mr Beazley was the Minister for Aviation I asked him the same question. He said the Government or the Transport Department do not set the airfares. But on getting in touch with the international airlines they inform me that the benchmark is set by Qantas and all the other airlines must follow. Now, is any idea of deregulation of international air fares? That is the first question. I will give you the next one quick so you can get cracking. Our international debt Mr Hawke - 75 billion. It costs a lot of lolly for interest on that isn't it.

PM: Let me deal with them in that order. As far as the international air fares are concerned - it is not right to say that Qantas sets the benchmark and then everyone else follows. It is a pretty competitive area. What you may have been seeing is just recently Qantas did, as I read, make some changes, some competitive changes. And they were then followed in that area by others. But at other times the initiative has been taken by other airlines, other than Qantas. And Qantas with the others have tended to then react because none of the airlines in this very, very competitive business can allow one to establish an air passenger or freight schedule which is way out of line with our own. Otherwise they go fairly quickly out of business. Now in regard to international debt - the second part of your question. The two or three points that need to be made about that. Firstly, most of that debt to which you refer is the private sector debt. In other words, the private sector has undertaken borrowing against investment projects here in Australia which in their commercial judgement are going to produce a cash flow which is both able to service the debt and provide them with a profit. That is the simple criteria under which the private sector operates, and properly operates. So they are covered by their investment

PM cont: and the cash flow expectations out of investments they have made with that borrowing. As far as Australia's government borrowing is concerned, we are more than covered by our own reserve position. Having said that thirdly, however, we don't believe that one can go on accumulating a foreign debt forever at an increasing rate. And our policies have been directed towards ensuring a turnaround in our current account deficits. And we believe that that is in the process of succeeding. By the end of this financial year that the current account deficit will have been reduced down to about 4 per cent from the level of about 5 that it has been earlier.

And we are not talking boastfully about this, but we are quietly confident that set if related decisions that we've taken in this area will as far as Government can make the appropriate decisions be having it moving in the right direction. But I go back on the first point. I must emphasise to you that predominantly the level of that debt is as a result of commercial decisions by the private sector.

SATTLER: Okay let's take a call which is probably most appropriate today bringing Australia together. Hello Alf.

CALLER: Good morning Mr Hawke and welcome to West Australia. I would like to thank you very very much for the job you're doing for this country and to bring all us together. And we are talking to each other as Liberals, Democrats, Country Parties and so on. So now we are really a united nation and I hope you keep doing the job for a long time to come. Thank you.

PRIME MINISTER: Thank you very much Alf. Well what might one say after that except to say very seriously I hope that this time Australians will this Australia Day weekend just take a little time to think back what's happened in Australia in the last three years. I think we are a very, very much better, more optimistic country now in 1986 than we were in 1983 and that's because the policies we've been able to pursue as you say, up to a very large extent been based upon trying to bring Australians together, to get them to work together and I think they've responded magnificently and I want to thank them and particularly, while I'm here the people of Western Australia because in the very significant growth that's taken place in Australia in this latter three year period Western Australia's contribution has been outstanding. So, thank you for thanking me and I reciprocate and thank you and the people of Australia for their cooperation.

SATTLER: Last call for the Prime Minister today. Good morning Thomas.

CALLER: Good morning Mr Hawke.

PM: Good morning. That doesn't sound like Thomas.

CALLER: It is.

PM: How old are you Tom?

CALLER: I'm thirteen.

PM: I see, what's your comment or question Tom?

CALLER: Well, I'd like to ask you why fuel prices differ and how long is petrol going to stay down?

PM: I see. Well, why they differ through time and in various places I guess you mean Thomas. Well, if you look at it through time, there are a number of factors that will determine it. At the Government level we periodically, every couple of months now, review the price and that takes account of really two things. What's happened to movements in the international level of fuel prices, the crude that is involved because our policy is called the import parity pricing policy because we want to conserve our own resources by pricing them in relation to what's happening in the world market. So that's one factor, that what's happening to those international crude prices and what's happening to the price of our dollar, our exchange rate. And our decision therefore, each couple of months, will tend to reflect those elements. So that through time will have an impact. Then, secondly, both through time and between places the actual discounting policies of the major oil companies will affect it and they might be making different decisions in different places and in different times. So those are the two different sets of elements Thomas that have an impact upon the price of the petrol pump.

SATTLER: Prime Minister, thank you for coming in today. You talk about Australians and wanting to meet more Western Australians. Well, I understand that you're going to be at the Subiaco Australia Day Picnic at Lake Monger today and at Fry Park, Kelmscott at 6 o'clock tonight. Plenty of fresh air, hey?

PM: I am. Monger Lake is going to bring back some memories, 'cause that was just at the back of the hill where I lived. I used to go down there as a kid and swim and play around.

SATTLER: Alright, thanks for joining us. I know there's some bad news coming up in the cricket shortly which will upset you. I think we had 2 for about 130 or 40 or something like that.

PM: Oh, dear, oh dear. Well, we're sitting pretty comfortably to get in the final though I think Howard.

SATTLER: Thanks for joining us.

PM: My pleasure. Thank you very much indeed.