



PRIME MINISTER

E & O E - PROOF ONLY

TRANSCRIPT OF PRESS CONFERENCE AT IMPERIAL HOTEL - TOKYO
16 MAY 1986

JOURNALIST: Sir, can you give a guarantee to ordinary wage earners tonight that the tax cuts as promised will be introduced from September?

PM: I understand that in the discussions that took place today it was agreed that there would be a special meeting held under the auspices the advisory committee on prices and income and that it was accepted all those represented that anything which went to this question of the current account problem would be on the table for discussion. Now I have had discussions both the Treasurer and Mr Willis who were representing the Government at that meeting and it is my understanding from the Treasurer out of those discussions that it has been made clear and he has made it clear that there is no question but that the tax cuts will be delivered. It is understood that the question of timing can be a matter for discussion at this meeting. But there is no doubt that whatever that discussion as to timing that the cuts will be delivered in 1986.

JOURNALIST: So there could be delays by as much as what time?

PM: Let me say that out of the discussion I have had the question of the timing of the cuts is accepted as being a matter on the table for discussion as I understand it.

JOURNALIST: Is it your impression that the ACTU have suggested that they initiated the idea that they might be prepared to accept a delay?

PM: You mean in the meeting today?

JOURNALIST: No, I am now talking about the tax cuts either yesterday or before today?

PM: I don't know whether at the discussion today the suggestion of our possible delay of the implementation of the tax cuts was raised by the ACTU. I simply don't know I am not hiding anything from you. I haven't been informed as to whether they raised the question or not. Indeed, as I think you can appreciate, this matter has arisen apparently

spontaneously out of a discussion that arose at the meeting - a regular scheduled meeting of ACPI as I said to you today earlier in the press conference that apparently during the normal meeting the question of the current economic situation came up and particularly the question of balance of payments and the current account. And business representatives made the observation apparently that they weren't in the same position to be able to discuss these matters as was the ACTU. And my colleagues, Mr Keating and Mr Willis, said well feel free. I mean you should feel yourself free to be as involved. The ACTU apparently responded and said yes, we are quite happy about you being just as involved in those discussions. And it was out of that sort of spontaneous discussion apparently that there then came the agreement for this special meeting under the auspices of ACPI.

JOURNALIST: Mr Hawke, you have been telling us for two days that there is no need for drastic change of policy and yet it seems that your two ministers have launched a meeting at which everything is on the table without first getting your OK to that. Is that right?

PM: No, let me make it clear that I welcome this development. We had in our discussions in the Cabinet and there were discussions in the ERC the idea that some sorts of discussions may be desirable later, had been talked about. Now when this arose spontaneously at the ACPI meeting today it was perfectly appropriate that this suggestion should have been welcomed and been built upon by the Ministers representing the Government there because it was totally consistent with the discussions that we have had. And I welcome that. Let me in regard to that part of your question Michelle, which talks about drastic new directions. I don't believe that the fact that there is going to be a meeting of this kind of which I welcome should be seen as a drastic new change. I mean let me remind you that the characteristic of this Government since we have been in office is that we do talk with the constituents in the community. We have done it from the very first day we have been in office and if a suggestion is made, as it was at ACPI, that it would be appropriate to have such a meeting then naturally we have welcomed it and it is totally consistent with our whole approach in the conduct of economic policy.

JOURNALIST: What would the Government's position be at this point?

PM: Well, what we will be putting will be worked out between now and that time and I will stay in contact with my Ministers and I would hope and expect that the meeting will be able to be held soon after my return and by that stage, as a result of the discussion that will be taking place in Australia and my consultation with my colleagues, we will work out exactly what we think is the appropriate position to take at that level.

JOURNALIST: Do you believe the tax cuts ought to be deferred?

PM: I am not going to commit myself to that publicly now. I think clearly it is a matter as I have indicated to you that is said to be appropriately on the table. Now we will look at it in the light of the most up-to-date information that we have.

JOURNALIST: Wages is on the table as well?

PM: Well, I guess at least some of the people who will be represented there will wish to talk about it Mike. Let me make it clear, what I have been given to understand is that there has been no bar put upon what should go on the table out of the discussion which was held there at ACPI today.

JOURNALIST: Will the Government begin re-appraising the policy between now and that meeting so that it can go to that meeting with an idea of what it sees as the policy direction ahead?

PM: Yes, obviously we will continue to do what we have always done to look at the emerging circumstances, see what the appropriate mix of policy is and that is what we have done to this point and we'll continue to do it. And I would say again that I welcome the opportunity that there will now be within that ACPI framework to have a discussion in which the Government's own thinking can be enlarged and assisted by the views of those bodies represented. I mean the business organisations, the trade union movement and the States and the professional organisations.

JOURNALIST: What form will this meeting take? Will it be open, who will chair the meeting, where it would be held?

PM: Well, the ACPI meetings are not open and I wouldn't expect therefore that this would be. I mean don't let's get the idea that this is a new summit. It is deliberately as I understand it been expressed as a meeting under the auspices of ACPI so it would not be a public meeting. As to where it is held, I think that the ACPI meetings are normally held in Melbourne, this one was. I think they normally are held there. Now whether because there might be some enlarged representation of the constituents..... it may be held in Canberra or Sydney. I don't know whether they have addressed themselves to that. I don't think where it is held is a matter of importance.

JOURNALIST: Mr Hawke, you normally don't attend these meetings. Presumably you will chair this one?

PM: I guess that is possible. I would certainly be wanting to have an input in the preparation of the meeting and

JOURNALIST: Is it certain you will chair it?

PM: Well, I just haven't addressed myself to it. I have said that I believe that the meeting should held after I get back and I guess it is appropriate that I should be there.

JOURNALIST: Can you tell us please when you first heard about it this morning the preferred plan ...

PM: No not this morning. I didn't hear about it this morning. It was after lunch when I was informed that there had been contact made to our office from the Ministers as to the development and then I spoke first with Mr Willis because Paul was flying back to Sydney. I spoke first with Ralph and then I have been able to talk to Paul.

JOURNALIST: Was your specific approval sought?

PM: Of course it was^{not}. I mean he was - why would my approval be sought. You have a meeting in which you were represented by the Treasurer and the Minister. They are there in the knowledge that the Government has taken the view that some discussions may be desirable and out of this meeting the suggestion arises following this observation of the employers that they would like to be involved. The ACTU said yes that would be a good idea. If my Ministers, the Treasurer and Mr Willis, hadn't immediately grabbed hold of that and said yes we welcome it they would have been derelict in their duty. It is not a question of seeking my approval for that.

JOURNALIST: So there was a Cabinet decision to

PM: Well, in the discussion that we have had in the Cabinet and the ERC there have been a view that at some stage Geoff, it may be desirable to have some wider discussions about these problems. We haven't made view about timing. And so within that context was once the suggestion the was raised within ACPI it was a perfectly proper response.

JOURNALIST: To what purpose had this idea been proposed in Cabinet?

PM: It was just that we were having a discussion about the economy and we certainly did in ERC. We are always doing that there to watch the developing framework. And I mean I don't want to say that even if it said now look, there has got to be a meeting with the unions and perhaps with business by next week. But it had been indicated that it would be likely to be desirable to have such a meeting. No plans have been made about and I am simply saying that when in the ACPI environment the suggestion was made and there was this positive position of the employers and the trade unions about such a meeting then it's just a perfectly natural extension.

JOURNALIST: Prime Minister do you see all of the going straight to this meeting?

PM: Well, as I understand from the discussion it has been said that any matter that the people want to put on the table for discussion can be there. Now having said that I have no reasons to believe that the substance of the Accord is an issue. I have said before that there is provision in the Accord for a looking at its operation in the light of developing economic circumstances. Now there will be people who will want to talk about some matters which are relevant to that.

JOURNALIST:

PM: Of course I can, they are not inconsistent. I have said consistently that we have a position where the level of activity that has been going on in the past that has produced current account position which is not sustainable and our policies are of course directed towards creating a growth situation which is consistent with a reduction in our current account deficit while maintaining growth and employment. And if the sort of meeting that can now be held under the auspices of ACPI can be of assistance to the Government and the community in achieving such a policy situation then that is precisely the sensible thing to do. It is precisely consistent with everything that we have done in the conduct of policy since we have been in Government.

JOURNALIST: Mr Hawke, do you think that Mr Keating's alarmist statements the other day were meant to

PM: I don't know that it would Greg, I mean I can't put myself in minds of the employers but as I understand it Greg, at ACPI meetings as with ERC what happens is that there is some statement made about the current economic situation and that certainly happens at the EPAC and I believe it happens at ACPI. Now it seems that in that context - that part of the meeting of ACPI the observations were made by the employers to which I have referred. I wouldn't think they were prompted by anything that the Treasurer said before the meeting.

JOURNALIST: Sir, why is this being held under ACPI and not through EPAC? I mean EPAC the main body that ensures that you handles these sorts of things.

PM: Well EPAC has got a much wider representation and it just happened to be the case that this was the particular forum where it arose and where you do have relevant representation. I mean you have the business organisations, you have the trade unions, the have the States and you have professional associations with the Commonwealth Government. And it seems an appropriate sort of forum in which that should occur.

JOURNALIST: . But you don't have other people like, for example, people representing the under privileged, the social services area?

PM: Well, they are not directly represented but I don't accept that the State governments and the Commonwealth Government don't have the interests of those people very directly, I just don't accept that.

JOURNALIST: Why isn't this a summit if all these people are involved?

PM: Well, I don't think that a summit is appropriate. I mean we hadn't at any stage in our discussions contemplated that the circumstances with which we were dealing required a call for a summit and nor apparently did those represented at the meeting this morning. I mean I don't think that it is sensible to be talking about a summit situation.

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JOURNALIST: Would you allow the welfare sector

PM: Well, I don't accept that their interests are not represented by the Government's concern and I think given that there is desire to talk about the particular problem associated with the current account situation and balance of payments that the constituents that are represented at ACPI are appropriate.

JOURNALIST: Prime Minister, you said yesterday in response to a specific question on tax cuts this August

PM: Well, there is no decision been made tonight to put it back and I would like you to show me the part of the transcript which says there has been a decision to put it back. What I have said is that out of the discussion today the question of the tax cuts has been said to be on the table and the timing of it would be regarded as relevant in that discussion. The question of decision on this matter will be one for the Government in the light of the thinking of the Government itself and particularly in the light of this meeting.

JOURNALIST:

PM: Well, it certainly implies that it is a relevant consideration for making fiscal and budgetary decisions relevant to the current account problem which faces the Australian nation and whether in fact out of all that discussion a decision will be made remains to be seen. That is a decision to be made as to a deferral but I would see nothing within either my knowledge of the existing situation or what has been relayed to me from discussions with the Treasurer and the Minister for Employment and Industrial Relations which would lead to any conclusion that the tax cuts would not be operative within this year.

JOURNALIST: Mr Hawke, will this affect the current national wage case

PM: Well, it is a good question Geoff, the question was raised by Mr Willis and

JOURNALIST: With you?

PM: Yes, as to the relationship of the timing of the meeting and the national wage case and if in fact the actual hearing of the national wage case had been formally finished before the meeting was held it is a possibility, I want this in respect to the Commission. I mean am I am not seeking to suggest what may or may not happen. What Minister Willis was putting was that if something concrete came out of the meeting which could be considered of relevance to the determination by the bench then it may be possible to re-open simply for the process of making the outcome of that meeting known.

JOURNALIST: In those discussions you have had with Mr Willis today did the question of delaying superannuation

PM: No although I will take it from what Mr Willis said and what Mr Keating said that that would be a matter relevant to be considered. I mean I say this subject to correction. I don't recall in my conversation with Mr Willis that that was specifically mentioned although I must say that it would be not inappropriate for that matter to arise in terms of what they did say.

JOURNALIST: Could you clarify what you had in mind in the earlier meeting that came up in Cabinet? Do you think that that could devise some sort of solution to the current account deficit?

PM: Well, no it was simply that people were looking at the range of relevant considerations in the area of monetary policy we talked about, fiscal and budgetary policy we talked about, wages policy we talked about and within that context we simply said that at some stage it may be necessary to have discussions with the interest groups in the community that were affected.

Now, I don't want to say as I have made it quite clear before that there is no suggestion we are going to have to do that at point a, b or c. That was there and it was in that context, as I say, I think it was very useful that the matter arose at this meeting and that the opportunity has been taken to have such a discussion.

JOURNALIST: Was the deferral of tax cuts discussed in Cabinet?

PM: I think at one stage someone may have suggested it? I take it back. At one stage one suggestion was made may be a possibility but there was no concrete discussion or detailed discussion about it. When you are discussing a thing like the future direction of economic policy and the evidence of the problem in the current account area you are going to naturally in wide ranging discussion, every possibility comes up. You wouldn't be doing your job if you didn't look at all the elements of it.

JOURNALIST: Mr Hawke, a week ago you and Mr Keating were saying that things were travelling along in the right direction. Isn't this all rather an over-reaction to one month's balance of payments figures?

PM: Well, let me re-say these things Greg, there is some suggestion that the figures are exaggerated by the treatment of Easter in March which hadn't sufficiently been taken into account by people who had been making their predictions. Now I want to make it quite clear that I am not in a position to quantify that and I don't seek to. But I think you will have to say that even if you have got to breakdown the April figures of \$1.5 billion to take that into account and that is still, I think, disturbingly high figure. It would mean perhaps that you are looking to high figures lower than the 1.5 but still of a disturbing sort of picture. Now I hope and we believe that we have seen the worst of the situation. I repeat as I have said to you before I think that we have seen an increase in the volume of exports beyond the level that was anticipated at the time of the Budget.

We are looking at a decrease in the actual level of imports in the last couple of months so I think the evidence is there for a basis of optimism. But it would be foolish and irresponsible, I believe, of Government to say, oh well, we can simply explain these figures away, that we are certain we are going sufficiently quickly on the right course. I think it is an exercise in responsibility to pick up this opportunity of discussion and get the views of everyone involved.

JOURNALIST: Why didn't the Government then initiate it?

PM: Well, I have indicated that we had considered the possibility perhaps of having such a meeting.

JOURNALIST: But done nothing?

PM: Well, I don't really think that I was saying that we had considered the possibility and the relevance of such a meeting at some stage. We hadn't felt it imperative to have it now to make decisions to Once the people involved themselves at a relevant meeting made the suggestion that they thought it would be a good idea then it was a perfectly sensible thing to say, alright let's do it.

JOURNALIST: Given what you have been saying in the last couple of days about wage restraint, do you think the unions would wear any deferral of the current superannuation decision or any further cutbacks in wages?

PM: Well, I don't know Paul. I understand there were three representatives of the ACTU at the meeting. That was Mr Crean, Mr Kely and Mr MacBean. And I understand that there is a meeting of the ACTU Executive in the week after next. Now obviously any position and attitude of the ACTU would have to come out of the meetings of the ACTU Executive. But I think it is relevant that the leadership of the ACTU has said that such a meeting would be appropriate in that anything could be on the table. So that doesn't mean, I mean you can't draw a conclusion from that that they are signalling any agreement to specific courses of action. I think that it's a good scene that both the trade unions and the employers are going into a discussion with Government about this important issue

JOURNALIST: Prime Minister, in view of the serious nature of the discussions would you consider making it open so that

PM: No. I wouldn't I don't think it is appropriate an issue like this when I don't think that meetings of EPAC and ACPI be facilitated in the way only broad sort of discussion that needs at least to take place by to the public. But I can assure you Ken, that following the meeting we will endeavour to convey as much as we usefully can.

JOURNALIST: A large part of the economic problems are caused by Australia's farming crisis and yet the National Farmers' Federation are not represented in ACPI. They are already making a noise in Australia about not getting an invite. Do they warrant

PM: I don't think so. They will have the opportunity if they wish to to put their views to the existing business organisations. And if they want to put some new material the Government in writing which they regard as appropriate they can do that. But they have made detailed submissions about their views on economic policy. We are not unaware of them. But I repeat if they wish to make some new submissions to us then we would be prepared to hear from them as to what they have got to say.

ENDS