



~~186/56~~
41

PRIME MINISTER

E & O E - PROOF ONLY

TRANSCRIPT OF PRESS CONFERENCE, PARLIAMENT HOUSE - 2 JUNE 1986

PM:let me make a brief statement to the effect that it is quite clear in the light of the national accounts that have been available in this last week that the Australian economy has had inflicted upon it, as a result of a massive decline in the terms of trade, a reduction in its economic capacity to sustain standards. I have accepted, in those circumstances, this Government has accepted, that it was necessary for the Government to move to make those decisions to adopt modifications of approach necessary to meet the challenge confronting us, as an Australian community, as a result of the change of the terms of trade. We are proceeding to do that. In the discussions we have been having it has become also apparent now that to give the ACPI meeting the best chance of taking advantage of those consultative processes it would be better for it to meet in a framework where the decision of the Conciliation and Arbitration Commission were known and where the decisions of the Government were also known. In those circumstances I didn't unilaterally inform the participants, but rather approached them and suggested this was the appropriate course of action and was pleased to say that it was the unanimous view of the representatives of business and the ACTU that that was the appropriate course. I will be making an Address to the Nation next week in which I will be outlining to the people of Australia the facts of the economic situation confronting us and the approach and the decisions of the Government which we regard as not only appropriate, but necessary to deal with these circumstances.

JOURNALIST: At whose suggestion was the meeting postponed?

PM: We discussed this last night at the Ministers, meeting and it was agreed that this was the appropriate course of action. I raised the matter. It was agreed and I had the discussions this morning with the BCA, the CAI and the ACTU and as I say they were of the same view.

GRATTAN: Had you had earlier representations from the ACTU?

PM: No I had not had earlier representations from the ACTU.

BARNETT: This means that the decision the Arbitration Commission makes will be on the basis of earlier submissions from the Government before the seriousness of this present situation was recognised?

PM: That's a fair comment David, but this point is relevant, given the normal time table of the Arbitration Commission is between the end of submissions and the making of decisions clearly the Government position as to what needs to be done would be known to the Commission as a result of my statement to the nation before they would be making their decision so they would have an appreciation of the Government's view of the situation out in front of them.

EWART: When do you see the meeting being held now then?

PM: I don't want to put an exact date upon it, but the determining points Heather are that it will be necessarily after the decision of the Commission. Now I don't know what date that will be but one would think that the decision will come down in the latter part of June. I would think you're looking at an ACPI meeting probably some time early July. I can't be more definite than that for those reasons.

LOGUE: Prime Minister, were there formal economic decisions taken last night or are we still facing a serious of options?

PM: What we did last night was to have before us a number of proposals which are regarded as relevant to a total approach to this set of decisions we have to take. Some of the proposals were discarded. That was a minority of them. Others need more work to be done. That is proceeding now and I will have a meeting of the Ministers as soon as that additional work is done. May I say that we will have bilateral discussions with the business community and the ACTU during this week. It is scheduled that we will meet with business community on Wednesday and with the ACTU on Thursday, so I would hope that we would be in a position, without necessarily going into all the details, to be able to put some of our thinking to the business community and the ACTU this week.

HYWOOD: In your Address to the Nation can a clear outline of the Government's position on discounting, deferral of tax cuts, superannuation?

PM: We will go to those matters.

CASSIDY: Prime Minister to what extent will your Address to the Nation set policy direction, economic policy directions and therefore to what extent will it pre-empt any input from the business community and the trade unions?

PM: Well there are two points to make about which first what I've already said. We will have some bilateral discussions with the business community and the ACTU during this week. In terms of the approach that I've adopted since we came to Government, we will listen to what they have to say and discuss with them, and it may be our thinking could be influenced by things that are said by things that are said by the business community and the trade unions. But what I want the people of Australia to understand is that we do face a new economic situation and this Government is going to make the decisions. And we are going to do it the same way that we have in the past - following the

process of consultation this Government will then make the decisions. I hope and expect that we may be able to be assisted as we do that. The second point that needs to be made is that if you take the wages and conditions of employment area that has been raised by Greg, in his previous question, in the end the actual decisions as to wages and conditions of employment are made by the Arbitration Commission. We will be indicating the sorts of things that we believe ought to happen. Now in the period between us making those clear statements and adopting the position as to what we think ought to happen, there would be the opportunity of further discussions with the business community and the trade unions, in the period leading up to the next case. The Government will have a clear position and we would hope that both as a result of what we say and perhaps strengthened to some extent by the discussions that we have with both sides of industry, that we may be able to reach a position where there is a greater degree of understanding there, where the decisions have to be made.

STEKETEE: Why didn't you realise originally that it would make more sense to have the ACPI meeting after the National Wage Case?

PM: As you know I've said that I believe that both Paul and Ralph were perfectly correct in responding in the circumstances that arose. There was some expression of feeling, particularly from the business community, that they didn't have the same degree of involvement with the Government in economic decision-making as the ACTU and in that context a suggestion of a further meeting was made and my two Ministers properly responded positively to that. But as the circumstances developed in this last week with more information becoming available and the realisation that there is a necessity in those circumstances to move fairly quickly to make decisions, that in those circumstances, combined with the desirability of having the National Wage Case decision available, not to abandon the meeting but to postpone it, so participants would have all that information before them, both the Government's decision and approach and the National Wage Case decision, made more sense. And I'm very pleased to say that I thought that would be the attitude of the participants - it is.

COSTIGAN: The States are the other arm of ACPI. Do you also plan to have bilateral talks with the Premiers this week and is your Address to the Nation, will that be before the Premiers' Conference?

PM: It will be before the Premiers' Conference. Mr Willis, the Chairman of ACPI, will be communicating with States and the other participants to indicate this decision and I thought it appropriate that in the immediate sense I should talk to the major

EWART: Shouldn't Mr Willis and Mr Keating have realised at the time that it would make more sense?

PM: No. You're not going to illicit from any criticism of Paul or Ralph. They reacted, as I've said from the beginning, correctly. The circumstances were that the business community

expressed this view and the Minister said, sure if you want a further meeting with further opportunity to discuss this, well and good and we agree with that. Now as everyone agrees, we've had a fairly quick development of the situation with the emergence of the national accounts, there are many important features of those national accounts, none more important than the figuring by the statistician which showed that in the 12 months to the March quarter of 1986 the effect of the decline in the terms of trade is equivalent to about a 3 per cent loss on the national GDP. In those circumstances you've just got to move in relation to them and say all right, we are going to accelerate the processes of decision-making to get to a position of refinement of the strategy and that we are doing. The decision of Paul and Ralph was quite appropriate at the time.

JOURNALIST: The States have been saying that if they are being called on to cutback in their expenditure the Commonwealth has got to show they will do the same. Will your statement next week States at the Premier's Conference?

PM: We'll be in a position by the time we meet with the Premiers to give a clear indication of the extent to which the Government has moved in its decision-making in regard to its own expenditures. We will not, in other words, be putting positions to them from a position of weakness with not already having moved significantly in our own area.

SHORT: Does this mean you will set out in your statement a target for spending cuts and a deficit for next year?

PM: I don't think I will in the statement itself, to the nation, go to that detail. Let me make this point, there will, as we are thinking about it now, in addition to my actual Address to the Nation there will probably be an associated more lengthy statement released which will go in greater details than is possible or appropriate in an Address to the Nation dealing with some of the issues there. But you will appreciate that as to the actual fine detail of budget formulation there is still more work to be done by us and in our discussion to with the States.

JONES: Will your Address to the national also go to the question of industry policy and particularly to investment? You said earlier that you had discarded a couple of options. Are you able to say what they were?

PM: I'm able to but I'm not going to. And the answer is yes, I will be going to the question of industry policy.

BARNETT: And what about fringe benefits tax Prime Minister. Is that one of the options you have discarded or might that be revised?

PM: My decision is quite clear about that. It is another matter entirely, of course we are going ahead with that.

OAKES: Prime Minister why are you thumbing your nose at the Parliament? You announcing this statement outside Parliament. You announced that you were going to make it on a radio program.

Why won't you do these things in Parliament?

PM: I'm not thumbing my nose at the Parliament. I have the greatest respect for the institution of Parliament, if not for some of its inhabitants. We are engaging in a process now, in the light of the most recent information, of looking at a range of possible decisions which would be relevant to reaching the most appropriate position for government to, as I say, protect and advance the interests of the people of Australia. I'm not going to be rushed and the Government is not going to be rushed in reaching the best decision by some artificial constraint in the time table of the Parliament. The people of Australia will be told by me of the decision and the approach of the Government. We'll do that as soon as possible and that will follow both the work that needs to be done, and there's a lot of detailed work that needs to be done at the official level, and it will also follow the consultation that I will have with Paul, with Ralph and the other other Ministers in the Committee. We will meet with the business community and the trade unions. Now those processes of the work that we have to do to inform our mind of the right decision and the consultations we have have got to be allowed to have the time that is appropriate to them.

OAKES: But Parliament is sitting next week isn't it?

PM: I understood the Reps were rising this week.

GRATTAN: Mr Hawke, wouldn't have made sense to ask the Arbitration Commission to reopen the wage case to argue this in detail rather than Secondly, what is left after all this for the ACPI meeting to discuss.

PM: Well taking your first point, no we don't believe it would be appropriate to reopen the case. We've put our position in regard to the current proceedings in the light, as you will know, of the last three quarters of last year, what the CPI figures relate to. We've put our position on what we regard the amount of discounting is appropriate. The Commission, as I've said in answer to a previous question, will not be unaware of our thinking before it comes to a conclusion. I don't see any need for a reopening of the case.

JOURNALIST: How can the Commission make a on something it will read in the newspapers Prime Minister?

PM: Well, let me say this, I will do more than taking the risk, if I may say so without incurring any general wrath, I will do more than taking the risk that they will have to rely on a newspaper interpretation of what I say. Both the statement I make to the nation and the more detailed report that will be associated with it will be sent to the Commission and to the parties.

JOURNALIST: Prime Minister, to take up Michelle's point though, that by some date in July the Government processes have been gone through, the ACPI meeting will be meaningless?

PM: No, that is obviously not true, with respect. We will make our decisions as a Government but in terms of well, for instance, you take the area of wages and conditions, we will be making our position clear. But I repeat the Government doesn't make the decisions as to wages outcome. That is something that is decided in the Arbitration Commission. So in that area there will be still room for some discussion between Government and the parties in the light of an indication of the Government's position. In the area of - let's take industry policy which is also raised. We will be giving some indications of decisions we are taking in that area. Now the actual implementation of those decisions for their full effectiveness will depend upon on the attitudes of both employers and the trade unions. And far from them not having anything to discuss in the industry policy area for instance, they will be in a much better position to make those discussions meaningful if they have specific proposals before them and they can say well, look in terms of giving effect to that we think this would be useful, that would be useful.

JOURNALIST: Can you foresee a need for a second Address to the Nation after the ACPI meeting if the ACPI is still important?

PM: No.

JOURNALIST: Mr Hawke, how will the Government afford an investment program without blowing out its August Budget?

PM: Well, let me say this, we clearly in looking at the investment area Greg, two things seem to me to be appropriate in answer to your question. Firstly, we will not be embarking upon some program which is going to involve a massive demand upon the Budget resources. Secondly, you would appreciate that in regard to investment decisions anything that we do would be unlikely to have a major effect in 86-87 because there is a time-lag to some extent in investments as we would hope that it would have some impact. But it is the sort of thing that would be spread by nature over a longer period than just one year.

JOURNALIST: Mr Hawke, following up David Barnett's question on fringe benefits tax, will impact very heavily on the exports

PM: Will it?

JOURNALIST: Yes, it will.

PM: Well how?

JOURNALIST: Well how ... the economists tell me that

PM: Which economist told you how it would impact heavily on the export sector?

JOURNALIST: Well, from the National Farmers Federation.

PM: Oh, I see, yes.

JOURNALIST: And exports are pretty important part of this

PM: They are indeed and to a large extent what it is all about.

JOURNALIST: So this won't be part of the consideration.

PM: No, we have dealt with the question of fringe benefits tax. I will make the obvious point that Paul has made so eloquently and consistently that you can't just talk about the fringe benefits tax as though that is the only thing we have done. It is part of a package, it is part of an effective package which will for instance include a very significant reduction in personal tax rates. It will involve as far as company areas are concerned the benefits of imputation that has been sought for some time by the business sector. It is an exercise in stupidity if I may put it as kindly as I am capable of doing. It is an exercise in stupidity to talk about the fringe benefits tax in isolation.

JOURNALIST: It is a transfer of a billion dollars from investors to consumers isn't it, Prime Minister?

PM: I don't interpret it that way. What I do is to say that we have had imposed upon this country as a result of what is really something like 34 years out of a total 37 years since 1949 a tax structure, tariff structure which is the result of a mish-mash of unprincipled ad hocery of the conservative forces of this country. The Labor Government - my Government has approached this with courage and with principle and has said we have got to get a more sensible tax system. We have reached a position which is endorsed, I believe, by the overwhelming majority of the people of Australia that they are not going to any longer tolerate a situation whereby an artificial management of remuneration a small sector of Australian people are allowed to be remunerated in a way which avoids them making a fair and appropriate contribution to the revenue. Now the people of Australia by clear majority approve of that change. We are not going to be diverted from rectifying not only an anomaly but something which is unsustainable in equity terms. We are not going to be diverted from our intention to rectify that by the understandable complaints of particular interest groups. I don't complain about them putting a case but this Government is going to hear and balance their propositions in the light of the generality of our approach which is correct.

JOURNALIST: In terms of promoting business investment do you see the recent heavy engineering tactics as a blueprint in that area and also do you see any scope for increased protection in imports as a way of one, promoting business investments and two,

PM: two parts of your question first. I don't see it necessarily as a blueprint. It is something that we will take into account but I think different industries may require different approaches but it is something we will take into account. B, the position of this Government is as you know not one of being an increased protectionist Government. I and the Government have said since we have been in that the realities of the international environment of which we are part require us gradually through time to reduce the level of protection. But I say that in the context that all times that we have said that, we have said that it is appropriate that the community take into account the impact of such changes to reduce protection upon those who are at the face of the impact of protection. In other words as I have said many times before I came into this place and since I have been in here, it is something that should be in the minds of everyone. If it is in the interests of the community gradually to have reduced protection then logic and equity demands that the community should help those who are at the face of the impact of that change to meet the burden of it.

JOURNALIST: Is the Government looking for a further delay in the productivity increase and might you consider excluding the?

PM: I am not going to go into the details here of what my Ministers and I will be considering this week and what I put to the people next week.

JOURNALIST: I was just going to ask you what sort of investment incentives does the Government have in mind?

PM: Well the same answer there Greg. I am not going into the details and really we had some initial briefing papers put before us last night. We are looking for more work to be done.

JOURNALIST: Mr Hawke, you talk about community attitudes and community interests, to what extent can the Government persuade the relevant interest groups and to what extent does it have to?

PM: Well, I can't answer the first question because that is a matter for the future. It will depend in part upon I suppose, and not in this order of importance necessarily, my eloquence, the understanding of opinion makers and so on. There is a range of facts which will determine how the community can be persuaded of the realities of the new situation confronting them. I believe and if you want an opinion, and that is all it can be, I say this that my experience as Prime Minister has been that if you talk to the people directly and frankly about the facts, they respond. That is the experience I have had to this point. I have no reason to believe that they are going to change now. And to the second part of your question, it is necessary that they do understand.

JOURNALIST: Prime Minister, will you chair the postponed, extended meeting of the ACPI and how now do you characterise that

meeting as to its significance?

PM: Well, I wouldn't think I would chair it and I think it will be another important meeting. I mean it is going to occur in the context of the Government statement of new policy positions which will be directed towards adjusting to the new circumstances. It will be useful for the ACPI participants to meet in that context and in the context of what, Peter, will be an important national wage case decision. So I think the circumstances within which they will meet of those two new factors give it a considerable importance.

JOURNALIST: Will you be putting firm Government preferences in terms of options to these next bilateral meetings later in the week?

PM: We will be making our position fairly clear as to the basic directions in which we believe changes have to be made.

JOURNALIST: Prime Minister, you said the postponed ACPI meeting would be held early in July..

PM: Well, I think that is right. Let me make it clear we are not trying to impose a date. What we are doing is to create the context in which the participants can make the decision as to when they want to have it. I merely indicated that I thought that that would be the outcome. If you get a wages decision in the latter part of June I would have thought they would probably want to meet sometime relatively early in July.

JOURNALIST: I was just wondering though in terms of the ALP National Conference, an ACPI meeting at that time might create difficulties.

PM: You can see just how single-mindedly I am concentrating on matters economic. I can honestly tell you that the thought of the correlation between when it met and the ALP Federal Conference had not entered my mind.

JOURNALIST: Mr Hawke, would you be organising a meeting between Mr Keating and your minders so they can sort out their differences?

PM: I have said all I need to say about that subject.

JOURNALIST: Prime Minister, following up from my earlier question, if this matter is important which presumably you think it is and if you don't want to thumb your nose at the Parliament, what is the problem about bringing the Reps back next week?

PM: I don't think it would be necessary to do that. The members of the Representatives no doubt have made their plans to which they attach considerable importance. The people of Australia will be told directly as to what we are doing.

JOURNALIST: Should the Opposition be given equal time

PM: That is a matter as you know historically for those in the

media to make their decisions about that.

JOURNALIST: That suggests, sir, that you don't think Parliament is very important.

PM: No, it doesn't suggest that at all. There is no logic in that imputation at all.

JOURNALIST: Prime Minister, do you see the question of accelerated depreciation or further accelerated depreciation playing a role

PM: I am not going into the details. I have said before that we have a number of papers before on which more work has been done. It would not be fair or appropriate to go to the details of that at this stage.

JOURNALIST: Prime Minister, just before you go, about South Africa, what is your position there, the state of play, have you spoken to Mr Fraser?

PM: Yes I have.

JOURNALIST: And can you report to us what the discussion was about

PM: I won't go into details but I did have a talk with Mr Fraser last week. He brought me up-to-date. He is off to London I think today, certainly at the beginning of this week, for a further meeting of the Eminent Persons Group and they will be considering a reply which has been received from the Government of South Africa and will then be, as I understand, finalising their report for us to consider. I would simply make the point that I shared views with Mr Fraser on the implications of the most recent developments, thanked him for the work that he has been doing which I say unequivocally I think his co-chairmanship has been outstanding. I hope that there will still be some chance of processes of dialogue, meaningful dialogue emerging out of the initiative. But one would have to say obviously that recent and may I say continuing events in South Africa significantly reduce ones optimism in that regard.

JOURNALIST: Sir, has Cabinet yet made decisions on the Australia Card and phone tapping?

PM: No. When I left the Cabinet to come and share my thoughts with you my colleagues were then at the point of considering the Australia Card submission and it might not be a bad idea if I got back and joined them.

ENDS