



## PRIME MINISTER

TRANSCRIPT OF MIKE WILLESEE - 11 JUNE 1986

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WILLESEE: ... Does this mean you have now taken a more direct responsibility for the economy?

PM: In one sense, but I want to say that I am deeply indebted to the assistance I have received from Paul Keating, who has been shoulder to shoulder with me in the preparation of this material. And I also thank my colleagues on the ministerial committee who have been involved with me. But it is the case Mike that as Prime Minister and particularly in a time of crisis I have to be up front, out there leading. That is what I am doing.

WILLESEE: You realise the purpose of the question of course, coming right after your clash with the Treasurer. Is his status as Treasurer diminished in any way by this?

PM: I believe not. Let me say, and I can say it with absolute sincerity, the personal relations between Paul Keating and myself are as close as they have ever been and my confidence in his capacity is undiminished.

WILLESEE: Did he collaborate and did he endorse the address?

PM: Entirely. I could not have had a greater degree of close collaboration and if I may say so in the best sense of the word, comradeship, in the preparation of this because Paul knew that it was going to be the Prime Minister up front in economic matters. I could not have received more assistance from him.

WILLESEE: Prime Minister, would you agree that this is more like a pep-talk from the national coach rather than a set of government decisions?

PM: On the contrary, while it's not lacking in a pep-talk, certainly that has got to be there. It is replete with specific hard decisions, not only in the statement I have made to the nation, but in the examination also of the fuller statement that has been released tonight. And may I say, as far as the economic future of the country is concerned, some very hard decisions in the area of wages policy, in the area of government expenditure - not only my government, but my indication of the hard line that

will be taken with the Premiers. We are about creating, within the area of our responsibility and opportunity, the appropriate economic environment to enable Australian industry to rise to this challenge.

WILLESEE: Well, you have talked about tough decisions. You said in your statement that you would rather risk electoral defeat than take soft options. But my guess is, with respect, that a lot of people will be asking where are the hard options - the specific decisions.

PM: Let's nominate them.

WILLESEE: I have got them chronologically, if you would like me to take you through them? Your call for wage restrictions. Now is that a tough decision by government, or a request.

PM: Let me say that under our institutional arrangements, the Arbitration Commission sets wages not the government. But what I have flagged very clearly is this - that the decision coming out of the current case should be the only national wage case this year. There shouldn't be another one before the 1st January 1987, Mike. And I have said that as we read the economic situation we will be going into that next case and arguing for a further discount.

WILLESEE: Has the ACTU indicated it will comply with your request?

PM: No, it has not. And that is in the nature of the Accord that there is the right to the parties to the Accord to take into account the economic circumstances. It is my responsibility on behalf of the people of Australia as a whole to analyse the economic situation and to say what we think is necessary. And we will be putting that to the Arbitration Commission. Under the Accord, there will be discussions with the ACTU but we will be putting that position to the Commission.

WILLESEE: Restraint on executive salaries of course is a request.

PM: Yes, we have no constitutional or institutional capacities to do more than make that request. Let me say this - that under the Advisory Council on Prices and Incomes, which was set up following the 1983 summit, that we wrote to the major organisations and the heads of major companies around Australia asking that such restraint should be exercised. And Mr Willis has said, both to me privately and he has said publicly that for a long period the business community responded positively in this regard. Unfortunately, in the later period there has been on the evidence a breakout in that area. I will be writing again to the business organisations and to individual businesses asking that they exercise the same restraint. And I want to make it clear, it is the case that wage and salary earners, by definition,

constitute the largest sector of the national income and therefore there has to be restraint in that area. But it is going to be much easier to expect such restraint from the ordinary workers of this country, who I believe, will respond if in fact they see that those who are not by law subject to the same institutional and constitutional restraints, voluntarily exercise that restraint. I hope and expect that that will be done.

WILLESEE: Price increases to be kept to a minimum, that is also a request?

PM: We have no constitutional power to control prices. We have set up the Prices Surveillance Authority. I have made it clear in my statement that I expect the business community of Australia to exercise great responsibility and restraint in this area. And it is in their own interests, as well as the interests of the Australian economy, that they should - I have made it clear - that whatever assistance the Prices Surveillance Authority requests from the Government to increase their efficacy will be forthcoming from the Government.

WILLESEE: Do you mean a bigger budget?

PM: For them?

WILLESEE: Yes.

PM: I don't know that they will be asking for more resources but if they were to make an increase for more resources, and in a context where we could see that that would produce more efficiency in the exercise of surveillance over prices then we would consider that sympathetically.

WILLESEE: But isn't that a bit vague?

PM: No, it is not vague. It is not vague beyond what the constitutional limitations upon us are. I don't believe in, and nor may I say is the trade union movement, asking for price control because we believe that that would be counter-productive. But we do want the business community to embrace the voluntary guidelines in regard to the operation of the Prices Surveillance Authority as have been outlined. I believe they should do that. And I think the Australian community is going to become very, very much more conscious of the pricing decisions of business because the ordinary Australian who understands, I believe, without knowing all the economic theory of it, but I think they understand that we do face a challenge. I believe that they will be prepared to co-operate. But they will expect the business community to co-operate. And I hope that the Australian community will themselves exercise surveillance over prices. And part of the thing that we can do with the Prices Surveillance Authority, I think, is to ensure that the mechanisms of the Authority are improved to enable the communication, the better

communication, between the Authority and the public. And we have now specifically designated a Minister, Mr Hurford, who is the Minister assisting Paul Keating, to accept specific responsibility in this area of prices.

WILLESEE: You say there will be tough decisions in the budget this year. And you say you have identified savings of \$1 billion, but you don't say that you will save it.

PM: I wasn't playing with words because we haven't completed the budget process. I can assure as the chairman of the Expenditure Review Committee that we have spent countless hours already going through the Government's own programs. And when I say we have identified, I am not saying well we have ticked them off and it is not going to happen. That is where we have got so far, there is more to be done. And the appropriate place basically for the revelation of the Government's approach in the budget area and the savings that it will have effected, of course, is in the budget. There was no cleverness, Mike, intended by using the word identified.

WILLESEE: But it is not hard decision?

PM: Yes, it is.

WILLESEE: To identify?

PM: I am saying that it was not appropriate to tick off what those items are at this stage because the budget process isn't completed. I can assure you and the people of Australia, Mike, that those savings will be made.

WILLESEE: Do you undertake to reduce the deficit this year?

PM: One thing that you have got to understand is that if the wages outcome that we are seeking eventuates, that of itself, will have the effect of significantly increasing the budget deficit because you see, if we reduce the wages outcome below what would have been anticipated before, that significantly reduces the Government collections under PAYE.

WILLESEE: That is right, but that is you requesting again. You are seeking the co-operation for the national good to do that. But are you going to take a tough decision - you keep talking about tough decisions - and say we will reduce the deficit.

PM: We are aiming to reduce to deficit. But I am simply saying that if you get an additional billion dollars on your deficit as a result of the beneficial result of reducing the wages outcome, that is an element which will make that task harder. That is all I am saying. We will operate within the Trilogy to further reduce the deficit as a proportion of the GDP. Since we have come into office we have halved the deficit as a proportion of GDP. We will continue to do that Mike.

WILLESEE: You talked about the opportunity for those on the dole to undertake community work. Now are you talking about something voluntary or compulsory?

PM: The framework that we've got in mind is that we believe, and I certainly know talking with young people, that they want to do something for the dole. I mean they would much prefer to have a job. They want to do something for the community. So what we'll be doing in consultation and co-operation with the relevant organisations in the community is to try and build up a bank of community work that can be done by the people who are in receipt of unemployment benefits. The question of compulsion is not relevant, I think, in a sense that because of the judgment that I make about the young people on unemployment benefits there will be more people wanting to do this than there will be jobs available.

WILLESEE: So you're not planning something compulsory?

PM: It's not compulsory in the sense that you will have the relationship between more jobs to be done and people to do them. If as time goes on you've got a situation where you developed a large number of community jobs and you were to get a position where people were saying - no we're not going to do them - then the Government would have to look at that position.

WILLESEE: That's not taking a tough decision saying you'll have to have a look at it. What do you intend?

PM: Look Mike, it is taking a very firm decision that what we're going to do is create a situation where the community is not just paying out very large sums of money for unemployment benefit and there is no nexus between society and the unemployed other than this quite sterile thing of handing over a dole cheque. When you talk about compulsion it involves the assumption that the people on the unemployment benefit, particularly the young, don't want to do something for the community, they do. I know that they do. Our problem, in my judgment will be, as a community, finding enough community jobs to satisfy the demand that there will be from the unemployed. Now if we reach the situation where we are able, as a community, to create that many jobs, these would be the number of people who are wanting to do them, and people were saying no we're not going to do it, then I think the community, in that circumstance, would want the Government to look at that next step you're talking about. But what the community rightly wants is not just to be in a situation where they're handing out money and that's the end of their relationship with the unemployed. And that's what we're going to do.

WILLESEE: Are you threatening compulsion?

PM: The very thing this Government is about is not threats. That's not the way you run a co-operative society, a society that's going to address itself to problems. If I thought that

what we face was a great number of unemployed, who simply don't want to do any work - and of course there are some of those - but overwhelmingly the unemployed in this community want to have a relationship with the community which is not simply a taking of money. They want to do something. The community wants them to do something. As a Government we're going to satisfy that nexus.

WILLESEE: So isn't this more a social matter than a cost saving matter?

PM: No I don't think it's just a social matter, although primarily I want to satisfy what the community wants and what the unemployed want. That is a productive relationship between the community and the unemployed. There will be economic implications to it in this way. I think to the extent that we can get the unemployed doing something in the community, other than just taking the unemployment benefit, that that will give them an experience, that will be of assistance to them. That is an economic advantage. It may be that as people see that this practice is going to develop of doing some community work, it may for some of them say I'd rather go, I'd rather try harder to go out and get a job in the market. If that is of significant dimensions it will have an economic impact. But what we've really got to do is, as far as we can as a society, to have a positive productive relationship between the society and those who at this stage can't get a job. That's what the community wants. It's what the unemployed wants. And that's what we're going try and bring about.

WILLESEE: So you're not saying at this stage whether it will cost money or save money?

PM: I don't think at this stage that you can make that final judgment for this reason, it's quite obvious that in creating these community sort of jobs that we're talking about there will be some cost element. Basically it will be supervision, not capital sums involved. So there'll be some money for supervision. I think the community will be saying, in net terms even if there were to be some cost they would much rather have a situation in which the unemployed are doing some things for the community. What I'm saying, particularly from the point of view of the unemployed, and I had a great deal of experience during that Priority One period, that the kids themselves are saying - Mr Hawke, we don't just want to get the dole, isn't there some things that we can do. If there's not a job, of course we'd like to get a job, but if there's not a job we'd like to be doing some things - and that's admirable and I think the attitude of the community is right.

WILLESEE: Prime Minister just briefly to wind up. Rip-offs in the welfare system are estimated variously between \$100 million and \$1 billion. Will you be making concerted efforts towards fixing that problem?

PM: Yes. And as Brian Howe, the Minister has said in the Parliament and elsewhere, this Government has done more than any other to tighten up the administration of the social security sector and Brian is currently working in this area, as well in the work test area, to try and ensure that as far as possible the resources of this community shall only go to those who are in need.

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