



PRIME MINISTER

PRIME MINISTER ON RADIO 4BC (HAYDN SARGENT SHOW) 12/6/86

- H.S. Mr Hawke seems to have copped flak from both sides of the fence from the unions and from the employers. Good morning Mr Prime Minister -
- PM: Good morning Haydn, how are you?
- HS: You've copped flak from both sides of the fence this morning after last night's speech. The unions weren't happy, the employers weren't happy. Were you expecting that sort of reaction?
- PM I think in politics in the broad sense, and that includes industrial politics, people have constituencies and I've got to take account of those. I was a little bit surprised by sections of the business community who in discussions with me indicated a view about the productivity/superannuation case in line with the government and then they make public statements to the contrary. They have their constituencies to look after. As far as the ACTU is concerned - and I think this is the important point Haydn, they are in a vacuum at the moment. They've got a case which they've argued and there's no decision yet. I believe that if the Commission comes down, and obviously they are an independent body and I can't say what they will do, but I believe that if they come down with a decision which grants the 2.3, which itself involved a 2 percent discount, if they come down with that decision and an indication that superannuation will be available spread over a longer period, it means there is a wages situation, wages system, there within which the trade union movement can make clear decisions. I think it will work out on

that side.

HS I was talking to Brett Davis today from the Chamber of Commerce, he's a senior economist and you probably know him, and he said the Chamber of Commerce felt that wage increases should be based on productivity. Do you support that idea?

PM: Productivity is obviously relevant and has to be taken into account. But if you have a situation where you only took account of productivity and no movement in prices, you would have a continually declining situation as far as the capacity of people to purchase goods and services. So you've got to balance the two. But there is a case that there has to be a reduction in real standards in the foreseeable future. The world has cut our national income by by 3 percent. We can't waive that fact away, we have to accommodate to it.

HS A lot of people feel that the wage earner of Australia is being asked to carry the can, but that the manufacturers and the retailers and the wholesalers are not prepared to enter into some sort of even voluntary agreements to peg prices.

PM Yes, and that's a fair feeling. Just let me make two or three comments about that, Haydn. The fact is that wage and salary earners constitute the great majority of the nation's income and expenditure so there has to be restraint in that area. The point is that under our constitutional and institutional position in this country there are mechanisms, including the Arbitration Commission, for dealing with wages freeze. Under the same constitution there are no mechanisms for exercising the same sort of restraint in regard to the business sector. So we've got to rely, basically, and substantially, on the decency if you like and the good sense of the business community, and that is why in the area of the three things that they can do and should do we have There are three areas in which the

business community has a responsibility - firstly in regard to their own salaries, the executives and directors and so on, they've got to exercise the same restraint and have a real reduction in their standards by not allowing their remuneration to go at a faster rate than wages and salaries - and I believe we'll get that restraint. They certainly have a moral responsibility to exercise it.

Secondly, in the area of prices, they should embrace the voluntary guidelines of the Prices Surveillance Authority, they should keep price increases to a minimum and we're going to do our best to see that they do.

Thirdly, in the positive environment that has been created with profitability back to the levels of the late 60s and early 70s, they have responsibility to invest in this country and we are providing them with the best sort of environment to do that. They should be positive in each of those three areas.

HS

I notice this morning that The Australian published a poll that suggested 64 percent of Australians felt we are in deep financial trouble. I wonder sometimes though whether the constant talk about our deep financial trouble and the constant media attention to it, doesn't end up becoming a very negative factor and people then start to think negatively and behave negatively instead of rallying and fighting the common enemy. We just all tend to sort of flop around and say we're beaten.

PM:

That's a fair point and it's precisely that sort of consideration that was my major concern last night. I wanted to tell the Australian community - ordinary men and women of this country, workers and businessmen - that we do not have cause for despair. I reminded them of what we did together at the beginning of 1983, that was the worse economic crisis this country had had for 50 years. Now by realising that by working together we'd do better, we then moved into a position of economic growth far and away beyond the average of overseas, we got the highest rate of employment growth in this country's history and we brought inflation down to - it was down by 5 percent

there at the end of 1984 before we got hit by this depreciation. So we have demonstrated to one another that we can face a crisis. Now we don't want to despair. We've got to recognise, however, the reality that there has been this 3 percent cut in our national economic capacity and we're getting less for what we sell overseas than what we did before. So we've got to adjust to that. But if together we work harder, if business invests and we diversify our export base, we can lick this. We're Australians and Australia can set a place in regard to fundamentals solution is in our hands and if we recognise that fact we can come out on top.

HS You said Australia had a severe crisis in 1983 - is this crisis as big or bigger?

PM What we've got now the challenge is only daunting - if we can control what the world pays us for our products - let's go to a few of the prices so people can understand what has happened to these prices, in the last year take aluminium the prices we get have fallen 13 percent, 4 percent for coal, 10 percent for wheat, 5 percent wool, beef and veal, 13 percent for sugar - now these are very very substantial declines in what we get for what we sell. We can't control those overseas prices. So what we've got to try and do is diversify our export base, try and increase in absolute and terms what we do in the manufacturing and services areas, so we're not so adversely impacted upon by these movements in prices for rural and mineral products. I used the example in one discussion I had last night of Canada they have produced a situation where they have increased the proportion of manufactured services relative to agricultural and mineral products. They were relatively fortunate in living next door to the United States and having that great big market there into which it could sell, but we've got to try and do the same sort of thing. And, my point of referring to Deek and to Sutherland and to Ben Lexcen and Bertrand was to say the sort of thing which made those people great the determination the dedication the preparedness to

use the best advice and technology, the preparedness to forego immediate satisfaction for the longer rewards, those sort of principles can be used in our manufacturing and services sector, and we can do great things.

I'll just quote to you from a letter I had just a few days ago from a company in Victoria - 'thanks to the government's support we are now in a position to build a \$70 million plant late in 1986 due to government support, 250 jobs will be created immediately the plant is completed and will increase to a total of 500 jobs within four years.' And they talk about developing a whole new range of products for here and overseas and thank us for what we've done. Now here's a company which said 'all right, here's help and assistance the government is providing, let's use our own imagination and drive and this is what we can do'. I've had other letters like this and it seems to me that's an indication of the sort of thing we've got to do.

HS

Mr Prime Minister you and I both know that the amount of money spent on former Prime Ministers is piddling compared with the National Budget. You and I also know that the amount of money spent on wages to parliamentarians is petty compared to the National Budget. But out in the marketplace out in the village where people are, there is enormous resentment about the amount of money spent on former Prime Ministers and there is enormous resentment about comments like the one made by Mick Young that politicians should get a better deal. And when the Prime Minister is talking to the nation of wage earners about restraint, I think people look with a degree of resentment at those two areas and they're waiting for the rank and file parliamentarian to set the example.

PM

Let me say two things about parliamentarians. I say without any possibility of contradiction that if you

look at what's happened to parliamentarians salaries over recent years, they have relatively to wage and salary earners done worse. They haven't had the sorts of adjustments that generally have occurred. But having said that let me say the second thing - that the Remuneration Tribunal which deals with these things, will be making report to me I believe before very long and to the government. I obviously have to receive that report but I indicate that as far as parliamentarians are concerned they are going to have to exercise the same sort of restraint that I'm talking about. I think further down the track there's got to be a looking at this because the quality the electors will get in the Parliament is going to be related to the remuneration. If you allow that remuneration to go down too far relative to other ostensibly comparable positions in the community, that will ultimately reflect in a lesser quality of people who will make themselves available. But having said that I believe in these current circumstances when we are asking for restraint from the rest of the community, parliamentarians from myself down are going to have to exercise similar restraints.

HS

Prime Minister I guess it's a matter of time isn't it? We seem to be a fairly fragmented society at the moment, the unions wanting the employers to carry the bag and the employers wanting to carry the unions and the work force to do the sacrificing. It seems to me we've got a common enemy and all three - the politicians, the employers and the employees - must get together and then we've got a chance.

PM

You're absolutely right. I repeat we did that in 1983 and we got out of the worst economic crisis, as I said, for years and we should as a nation be proud of what we did there is no reason why we can't do it again - I have total confidence that we will.

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