



## PRIME MINISTER

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TRANSCRIPT OF INTERVIEW WITH JOHN HEWITT, 2MMM - 12 JUNE 1986

JOURNALIST: How are you this morning after waking up and receiving quite a lot of criticism from all sides of the fence, it seems?

PM: I'm durable, John. Obviously I would be less than honest if I said I wouldn't have liked a more fulsome reaction. I must say that this morning I've been on a lot of radio programs around Australia, as has Paul Keating, I must say the reaction has been very, very much better on the sound media. It has been much more positive.

JOURNALIST: Mr Hawke, it has been said that you were prepared, and I noted in the newspapers, to gamble with the unions on wage discounting. Do you see it as being, or having been a gamble, particularly with the union reaction, the ACTU reaction to wage discounting.

PM: No I'm not engaged in gambling John. I don't mind a small punt on the weekend, but I don't gamble with the Australian economy. The fact is that the world, by its reduced prices for our exports, has cut our national income by 3 per cent. I can't wave that fact away. It is a fact and we've got to take account of it. We can't just keep on trying to maintain existing standards by borrowing more overseas. That will quickly reduce this economy to nothing. So what we've got to do is adjust our standards, work harder so that we can lift our growth further and improve our standards in that way. The necessary part of that reducing of standards at this stage must come to some extent through the wages and salaries area. So it is not a gamble, it is something that has got to happen.

JOURNALIST: Of course there hasn't been any wage rise this year and at this stage the unions have appeared to be wanting to do as much as they can, but do you think perhaps employers are being too greedy in their criticism this morning?

PM:--Well they are certainly, the spokesmen who are being quoted, being less than fair and less than accurate in their reading. Let me make these points, you're right in saying there has been restraint by the trade union movement. Let me give you a couple of statistics. Under my Government the average rate of earnings increase in the Australian community has been 6 per cent per annum. Under our predecessors 11 per cent. In this period of strong economic growth in the last three years if we hadn't had the centralised wage system and if people had been out there

using their muscle and trying to get more they could have got it, and everyone knows that, and the business community knows it. There has been restraint and it should be recognised. I certainly recognise it. Unfortunately, as I say, the rest of the world is paying us less. Our national income is down and there has to be further adjustment. It gives me no pleasure to say to wage and salary earners in this country that there has got to be a further adjustment for the time being, but it would give me less pleasure if that wasn't done because I know that the alternative would be a massive decline in our exchange rate, rising interest rates and growing unemployment. That is the alternative. That is the way the economy would adjust if we don't do it sensibly and constructively and co-operatively in the way we are. Now you rightly go, John, to the responsibility of the business community. We don't have the same mechanisms as we do in the Arbitration Commission for wages and salaries to get the business community to do the right thing. They have to exercise their responsibility on three fronts. They are firstly, in regard to their own remuneration, directors and executives have to exercise exactly the same restraint in real terms as we expect of wage and salary earners. Secondly, they have to exercise restraint in their pricing policy. Price increases must be kept to a minimum. Thirdly, they have got to exercise responsibility in investment. Their profitability has been returned under the policies of this Government to the levels of the late 60s and early 70s, better than anything under the previous government. They've got the capacity and the opportunity to invest and invest in an environment where there will be an appropriate wages outcome. They've got to do that.

JOURNALIST: Mr Hawke, I noted in the speech last night that you called on Australians to tighten the belt and, in not as many words, said basically the honeymoon is over and the world situation means that we've all got to tone it down a little bit. We experience in getting to our audience that a lot of the listeners don't understand a number of economic terms, how big a problem, firstly, is that for you in putting across your message that people maybe don't have as good a grasp as you would like of the world situation? And secondly, is there a general feeling in Australia that we should have it easy?

PM: Well let me go to both those points. Your first one is a very, very good point John, if I may say so. I understand that where we talk about a drop in our terms of trade that may be a bit difficult to understand that is why I tried to say last night, in simple terms, the world is paying us less for what we sell them and that has reduced our national capacity by 3 per cent. Let me just give you an indication of what that has meant. These massive drops in the prices for our major exports, if I could put it this way and I think this is in pretty simple terms, three years ago if we were talking about importing a medium sized car to do that we had to export 240 tons of iron ore, to import a medium sized car. Today as a result of the reduced prices we would have to export 309 tons of iron ore, or 28 per cent more iron ore we'd have to expect to get that product. If you take alumina, three years ago we'd have to export 30 tons of alumina, now we have to export 49 tons or 64 per cent more. We'd have to export 25 per cent more wool. We'd have to export 40 per cent

more wheat to get the car. Now that is a pretty simple and straight forward way of explaining it I think. Now that is why we've got to try and diversify our export base so that we've got more exports, absolutely and relatively in the areas of manufacture and services, which won't be so subject to the dramatic price reductions as has occurred in our rural and mineral products. In regard to the second question, do you think Australians are complacent and take it too easy? Well I think that the right answer is that in that whole period since the war there has been a sense in which we have been the lucky country. There has for a long period been a gradual decline in the terms of trade and the relative prices for our exports compared to what we pay for imports, but so often something has turned up which has got us out of the problem. Straight after the war the world was devastated and they wanted all our food products and our wool and so on, paid massive prices. We had the Korean War, the same sort of thing. We had the first mineral boom, then the second mineral boom. But a country can't keep on thinking that luck is going to come to its aid. It is not. So therefore together we have to address this problem and together try and make sure that we work harder and that business is more imaginative in expanding its base. I wonder if just on that last point, so that your listeners can understand that this is not just theoretical words from a Prime Minister, just let me briefly read to you a letter which I received just a few days ago, 6th June, from a company in Victoria. Just two or three bits from it - "Dear Prime Minister, thanks to the Government's support in investing through our export and research and development grants, we are now in a position to build a \$70 million plant late in 1986. Due to this support 250 new jobs will be created immediately and when the plant is completed this will increase a total of 500 jobs within four years". He says this - "we have created now a new technology which is being sold worldwide for millions of dollars and this technology is now a market leader overseas". Now that is one relatively small company in Victoria. My point to the nation last night, in referring to the achievements of people like Deek and Joan Sutherland and Ben Lexcen and Bertrand, was to say the sort of things that brought them to the top can be done in manufacturing industry and service industry. And we can beat the rest of the world in those areas. And this letter which I just quoted from to you is a clear and classic example of what I mean.

JOURNALIST: Mr Hawke, I agree with you and I think obviously there is a need for us to be able to compete with overseas markets and countries and simply to get people here buying Australian made hi-tech equipment, rather than imported gear, but is the Government going to get behind that in any big way as far as research, development that sort of thing?

PM: We have already and we're going to do it more. The taxation concession of 150 per cent for new technology developments is amongst the most generous in the world. We're going to give further incentives, particularly to firms in the technology area. We're going to provide them with assistance in export drive, export education. These things are going to be done, are already being done as you can see from this letter. We're going to do even more in that area. The point I want to make is that if

business will respond in the way that this particular company has and we multiply that hundreds of times, as I believe we can, then we are well on the way to meeting the fundamental problem we've got. While we've got, as it is now, the best part of 40 per cent of our exports being rural products, another substantial proportion of them being mineral products, then we're always going to be at the mercy of a world which will cut those prices. Therefore, while we've got to support our rural industries and our mineral industries, we've got to get a bigger, stronger Australian manufacturing and services base because I know, not just from this letter but from my experience within Australia and overseas, I get just as much pride and I want the rest of Australia to get just as much pride when they see an Australian company tackling the rest of the world and beating them. We can do it. And that is the sort of thing we've got to do.

JOURNALIST: We've got to support them as well.

PM: John you couldn't be more correct. And one way in which ordinary Australians can do it is to buy Australian more than they do. Another program I did earlier this morning John, I said you look at it, Australia has got a population of 16 million people. Now if for every man, woman and child in one year we spent \$100, each of us, on buying Australian rather than where we bought overseas products, that's \$1.6 billion that we turn around, that we're not paying out overseas, that we're paying here to support further Australian industry. That's putting it very low. It wouldn't take very much for each one of us to substitute our purchasing to the tune of \$100 per person per year. Now that would have a very big effect. If you double that and say \$200 you're talking about over \$3 billion. And you're starting in that way to have quite a significant impact on this basic problem we've got.

JOURNALIST: Exactly. Mr Hawke, just finally, I've had a cable dropped in front of me that Mr Howard has challenged you to a television debate on the economy. Now I realise it may be something you'd want to think more about, but would you be prepared to do that?

PM: Of course I'm not going on with these gimmicks. Let me make this point. A very simple one. Mr Howard and his Opposition have had every opportunity in the Parliament to raise and debate economic matters. It is the unanimous judgment of the gallery and everyone who has watched this Parliament that they have failed dismally to address themselves to these issues. If they can't do it over the course of the weeks and months that are available to them in this Parliament, then we're not going to provide this opportunity to engage in such a gimmick. I'll go about the business of doing what we've done, of running this economy. We had to rescue this economy from the disastrous mismanagement of John Howard. He handed over to me and to Paul Keating an economy in its worst state of crisis for 50 years - the worst. The highest levels of unemployment and inflation together - 50 years. In the last 12 months before I came to office another quarter of a million out of work. Now for this man, who in Government was the worst failure in the history of

this country, who has been an even worse and more unprincipled failure in Opposition, to talk now about him having some right to be regarded seriously in this area is a joke.

JOURNALIST: Mr Hawke I certainly hope that what you are doing does work and I think perhaps at this time criticism is not going to help the situation, so I hope the Government overcomes that and every single Australian can get the place working again. And thank you very much for talking to us.

PM: John, I wonder if you could just allow me one minute?

JOURNALIST: Certainly.

PM: Firstly, I want to thank you and say of the sound media, the radios generally today, how very positive and responsive they have been. You are a very good indication of that and I thank you for it. The second thing, I'd just like to make one point because I know that you have a very large proportion of the younger age group amongst your listening audience. If I could just address myself very briefly to this question of what I'm saying about wanting to get the opportunity for the unemployed, particularly the younger unemployed, to get involved in some area of community work.

JOURNALIST: Certainly I in fact had that in front of me and I put a bit of paper in front of it. Certainly, go right ahead.

PM: John, the point here is that this is not something of the Government trying to impose something that I believe the community and young themselves don't want. During my work on Priority One in which your station was so helpful, may I say, I had the opportunity, which I think no other Prime Minister has created for himself, of getting around the country and listening to and talking to the young people, including the young unemployed. And one thing that came through more overwhelming than anything else was this: that if there are not jobs available, and of course that's what they want, but if there are not they wanted the opportunity of doing something in the community. They didn't want to be isolated from the community and have the only relationship with the community is when they picked up the dole cheque. They want to be able to do something. So what I'm about is to try in co-operation with voluntary organisations and the State governments and local governments and trade unions, I'm about trying to create a bank, if you like, of community work which will be available so that young people can for a couple of days a week do something for and within the community. That's what they want. It is what the community wants. We're not trying to impose something that neither the community nor they want. I believe that there will be a better relationship between the Australian society and its young unemployed in particular if there is a greater association between them than just the sterile relationship of the dole cheque. That's what we're about and I think that is good for the young people themselves and it's good for the community. It doesn't mean, in any sense, that we're cutting down on our attempts to create more jobs for them. We've well surpassed my promise of half a million new jobs in the first three years.

We're going to go on trying to create more jobs. We're going to try and create more education places. We're going to create more traineeships. We're going to create more training programs in other areas. But we've got to be honest and recognise that even while we create more jobs, while we create more traineeship opportunities there are still going to be a number of young people particularly, and I don't exclude the elder people entirely either, but there are going to be still a substantial number of people who are not going to be able to be picked up in those areas. So it is there that I want to give them some greater sense of hope and purpose and association with our society. That's what it is about.

JOURNALIST: Prime Minister, thank you very much.

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