



## PRIME MINISTER

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TRANSCRIPT OF INTERVIEW ON THE SUNDAY PROGRAM - 15 JUNE 1986

OAKES: Prime Minister, welcome to Sunday.

PM: Thank you very much indeed.

OAKES: Sir, your Address to the Nation seemed to have been panned by everybody - business, unions, most commentators. Was it a flop?

PM: No it wasn't a flop Laurie, I am not simply saying that through pride of authorship. What I was about there was to alert the Australian people that we have to, for the time being, accept a reduction of standards. It was by definition not a Budget speech or a Premiers' Conference speech. I was indicating the hard things that had to be done. We delivered the first instalment on Friday. The other instalments will be coming.

OAKES: Just putting economics aside for a moment, an issue seems to be can Bob Hawke lead?

PM: The answer is obvious. He is, he can and he will.

RAMSAY: Prime Minister, the perception of a lot of commentators and a lot of politicians have is that it is Paul Keating who is doing the leading and Bob Hawke is doing the following. Do you resent that sort of interpretation?

PM: No, I don't any more than I resent your completely lopsided interpretation in the press today because we know that some people have a total incapacity for objectivity Alan. You learn to live with those things.

OAKES: Well Prime Minister, in Peking you seemed to think there was a need to put Paul Keating in his place. Why did you do that?

PM: Well, of course, that is not right. What I made clear and Paul quite clearly understands is that I thought the idea of a summit that was being built up, not by Paul and I read the transcript of the interview with him, but the concept of a summit was being built up as though at a summit some great decisions were going to be able to be taken. That had to be dissipated. I dissipated that but not Paul because I think it is quite clear, I don't think anyone that's gone through this week would have had

any doubt about it, the Hawke/Keating axis is as strong as it ever was.

OAKES: But you gave that briefing in Peking that Mr Keating blamed your minders for didn't you?

PM: Yes and I told Paul about that and I invited him to read the transcript. He is perfectly happy about that.

OAKES: You don't think he was humiliated?

PM: No, I didn't intent to and he didn't feel it.

RAMSAY: You don't think you are being disloyal to your Treasurer?

PM: No, I don't.

RAMSAY: That is the first background briefing that you have given and in the past you have in fact refused to give background briefings. Why, on this occasion, did you break your own rule?

PM: I don't have inflexible rules. If I think something needs to be done I will do it. And I told the Treasurer what I was doing and why I was doing it and the result has made it all worthwhile.

OAKES: Prime Minister, I think the question most people would want to ask you is exactly how much economic trouble are we in. A visitor from overseas reading the newspaper, listening to our politicians would almost certainly think we were on the verge of banana republicanism. Are we?

PM: No, certainly not. But what has been happening to this country for a long time is that we have had a gradual move against us in our terms of trade. Depending on your starting point it could be said to be half a per cent or one per cent per annum. What's happened in the most recent period say since December of 1984, you have had about a 14 per cent move against us in our terms of trade. In the last nine months a nine per cent move against you in your terms of trade. Now that is very dramatic. It has meant in the last 12 months a three per cent cut in our national economic capacity. So what I am trying to alert the people of Australia to Laurie, is that we have got to adjust to that. You can't, if you have had a three per cent cut in your national capacity because of the fall in world prices, then you can't go on living at that previous standard. So that means the sorts of things I am talking about - a further cut in the sort of wage expectations that there were there before, certainly the cuts in the State Governments that we have now imposed upon them. Those sorts of things have to be done--to make us, if you like, leaner and better equipped. Now that is the immediate sort of thing. The other part of what I was trying to say to the people in the Address was that it is also a longer term problem. We can't keep relying, in our export base, so much on agricultural products and mineral products which will always be subject to these adverse price fluctuations. We have got to have a wider manufacturing base and I was trying to tell the people of Australia we can do it. I wonder could I just briefly Laurie,

read a couple of paragraphs from a letter I had here which gives an indication of the sort of thing I was trying to say. This is a letter from a company in Victoria to me on 6th June this month. It said thanks for the Government support - certain incentives were given. We are now in a position to build \$70 million pharmaceutical plant in 1986 - increase in the number of jobs. They said we have created new technology which has been sold worldwide for millions of dollars and this technology is now a market leader overseas. They said we anticipate exporting a \$100 million worth of products manufactured in Australia. Now what I was trying to say is there is a small company that has done this.

OAKES: Why aren't more companies doing that?

PM: Well, I think there is a mixture of reasons and some of the things we can do something about. And so we have added to the incentives that this companies refers to here. We have added to those in the statement on Wednesday night. But ultimately then when Government has created the framework Laurie, it is matter of Australian businessmen, entrepreneurs realising that what this company has done, others can do. I mean you have been around the world and you get a pride I know when you see that Australians can take on the Americans, the Europeans, the Japanese in the most sophisticated areas and we can beat them. It is just a question Laurie, of people being prepared to get up and go. We will provide them with the framework, the trade union movement has got to provide the co-operation, we have got to get rid of work practices that are standing in the way of the highest levels of productivity. But Australians can do it and we have got to do it because if we just keep relying on wool, wheat, iron ore and coal and then when those prices go down that simply means that you are going to be, as a nation, reduced in standards. I mean if I could just give you an example. Just take in wheat, about three years ago if you were importing let's say a medium size car you needed to sell 33 tons of wheat. Today it is 46 tons and so on. You can just multiply it. Well you can't keep being in that position.

RAMSAY: Prime Minister, one of the positive aspects of your speech - Address to the Nation .....

PM: Oh there was one.

RAMSAY: Yes, I will concede this. It was your bash at the wage and salary earners in our community, your call for further discounting of wages in the next national wage case. John MacBean and Simon Crean said that is not on. Are you prepared to risk the Accord on this matter?

PM: I don't want to see the Accord go Alan. But I think one thing which you will appreciate Alan, if you are going to get the sort of environment within which the trade union movement can make announcements and decisions is that they are waiting on the outcome of this case. Now if the decision comes down and they get the 2.3 per cent which involves a 2 per cent discount and productivity staged in, as I would say, over a couple of years, then I think in that environment the position you have is that the Commission will say to unions if you are going to get these

things you have to sign on the line, give your commitment to no further claims outside the Commission's guidelines. I think that the trade unions will accept that and that will take us through then to the next case. As I have said quite unequivocally in that case, as we read the economy now, there will need to be further discounting. So what has been done by my statement more than has ever been done before is a clear statement by government of what needs to happen in the wages area.

RAMSAY: Then why is Simon Crean and John MacBean being so strong in their opposition to it now? Your confident that they are going to accept the Arbitration Commission's decisions.

PM: Well they have constituencies Alan, they can't just simply say yes, we accept what Mr Hawke says. I guess they have got to, as I say, they have firstly got to wait until the decision comes down so they know what sort of wages system framework they will be working within and then I think in that framework the trade union movement will see that it is not just a question of exercising restraint by men and women in employment. Those men and women in employment are parents, they have got kids and what we are about is trying to make sure that we have an economic environment in which we can retain the jobs for the people that are there and create more jobs for their kids. So they have got a responsibility not just to think immediately of themselves and saying I want to keep the standard that I had before even though national economic capacity has gone down. We have got together to make the decisions, hard decisions which are going to give their kids the greatest opportunity of getting gainful employment in the future.

RAMSAY: So you don't think that the Accord will be at risk whatever the decision will be?

PM: Alan, I don't want to mislead on this. I think that we are in a difficult period with the Accord. I think it will survive.

OAKES: Prime Minister, if the unions won't go along with you though, will you go it alone before the Arbitration Commission, argue for discounting even if the unions refuse?

PM: Well, you know I am not great one for hypothetical questions but I think that my speech made it quite clear. You'll remember the actual wording of it Laurie. I said the Government believes now that on the current economic circumstances, our examination of it, that a further discounting will be required. I said we will, under the processes of the Accord, we will convey that position to the ACTU. The Accord makes it quite clear that the Government has the right in the light of the economic circumstances to take a position which it believes is necessary in those economic circumstances. Let me in fairness if I may to the trade unions, I mean all that has been talked about now is the statements by some of their leaders which suggest that they mightn't be co-operative. Let's remember that under the plan that I am proposing the only national wage increase for 1986 will be 2.3 per cent. And in the last year the earnings in this country only went up by six per cent which was virtually the same as the 5.5 per cent of our major trading partners. There has been restraint and the restraint of the trade unions should be recognised but it is not enough for the future. There has got to be a bit more.

OAKES: You have said that all sections of the Australian community will have to make sacrifices and take a cut in living standards. What about Members of Parliament?

PM: Laurie, I believe I will be getting a report from the Remuneration Tribunal in the relatively near future. I think you will see by the way I deal with that that I am applying the standards generally.

OAKES: So there will be a cut in MPs' salaries?

PM: It is not right for me to make the statement until I receive the report from the Tribunal. But let me say this - that I don't think we can be asking the public generally to be exercising and then it not being exercised itself. Let me say this as far as remuneration of Parliamentarians is concerned - they have had more restraint imposed upon their salaries than workers generally over the recent period. And so at some stage in the future there will have to be an adjustment to meet that, but I don't think the time is now.

RAMSAY: Would that attitude also apply to judges and senior public servants who have been lining up before the Remuneration Tribunal for rather large increases?

PM: Let me get the report of the Tribunal, Alan, but I am making it quite clear that the restraint I am talking about should be exercised across the board.

OAKES: I know you hate hypothetical questions ...

PM: Have a go Laurie.

OAKES: ... but wouldn't you expect Members of Parliament to squeal pretty loudly if you cut their recommended pay rise?

PM: I don't think anyone would like, whether Members of Parliament or not, Laurie, but the Australian community has to face up to this simple fact. I can't wave the magic wand and wave away that 3 per cent cut in our national economic capacity. It has been imposed upon us from outside. And we have to live with it. If we don't live with and adjust to it, then the economy will adjust in another way. And that means by a falling exchange rate, rising interest rates, lowered activity, lowered employment levels. Now it will adjust that way, or it will adjust in the reasonable and constructive way that I am talking about. And I think everyone will come, and I think quite quickly, to the understanding that the way I am proposing is the best way to do it.

RAMSAY: Prime Minister, you can compel wage and salary earners through the Arbitration Commission, you can compel federal public servants and politicians, but you can't compel executive salaries to be restrained.

PM: That is right, Alan.

RAMSAY: Surely to goodness, would you like some more power in fact in that area?

PM: It is no good saying would you like more power. The process of getting more power would be so long and drawn out that the immediate would be passed by the time you got there. What you have got to try and do is to use, as I say, the exhortatory processes, urge them to comply. Let me say - in the first period after the Summit, the major period after that, they did comply as the Advisory Council on Prices and Incomes indicated. It is just in the more recent period that they haven't. Now they have given me the undertaking that they will comply in the future. I am going to be asking the States to watch them, as we will. If they don't, I think the community may well then be in the frame of mind where they would say, if you won't do it voluntarily then there may be a case for getting powers to government.

OAKES: Prime Minister, the Opposition Leader has challenged you to a televised debate on economic policy, will you be in that?

PM: Of course I won't. You know, because you are around in this Gallery, the Opposition, including the Leader of the Opposition, have had the chance for months to ask economic questions, to have economic debate. They have been a total abject failure which is the unanimous view of everyone of you in the Gallery. It is not just a Government view. They have been absolutely derelict in the responsibilities and their duty. And we are not going along with some gimmick along these lines of a debate. We will get on and make the decisions. They couldn't make the right decisions in government. They brought us to worst economic crisis for 50 years. And the only thing, as I have said before, which matches their incompetence in government is their totally unprincipled irrelevance in opposition. The people don't take them seriously. More than half his own people don't take Mr Howard seriously. Don't let him expect me to take him seriously.

RAMSAY: Prime Minister, you like to take your case to television. You took it outside the Parliament in making your Address to the Nation last week. Why not take on John Howard on national television?

PM: It is an irrelevance with an irrelevancy.

RAMSAY: Why is it an irrelevant?

PM: Because he has nothing to do with the formulation of either policy nor, more importantly, has he exercised to this point, the responsibility of drawing up alternative policies. You have seen them in the government, in the Parliament. You have seen them there, not dealing with matters of principle or issues of

economic policy - they have been with all the scuttlebutt irrelevancies around the place. We are not going to reduce the importance of relevant government decision making to an irrelevancy with a man who is not going to be Opposition Leader, I think, for very much longer at any rate.

OAKES: Prime Minister, the situation in South Africa is deteriorating rapidly. You have said Australia will push for tougher sanctions when the Commonwealth leaders meet in August. How are you going to swing Margaret Thatcher around?

PM: There are a number of factors that are relevant, Laurie. I think first of all the fact that Lord Barber, her representative on the Eminent Persons Group, signed the report, is relevant. Secondly, I know from the discussions I have had with others, including a long talk with Brian Mulroney during this week, what the view of my senior colleagues are. And thirdly, I would hope, Laurie, most importantly, this point - Britain has a very considerable investment in South Africa. Now I think self-interest should start to come through in this. It is quite clear that the leadership of the front-line states, the ANC, they don't want to see the economic infrastructure of South Africa destroyed. They want a transition to a democratic multi-racial state where people have the right to vote irrespective of race or colour. They don't want to see a repetition, Laurie, of what has happened in other African states where political freedom has become associated with economic disintegration. So what Mrs Thatcher and the British should understand is that the best chance of retaining their capacity to be involved in a developing South Africa is not to stand in the way of change but to be associated with it. Now if Mrs Thatcher can come to understand that then I think she should come to see that sanctions are going to be necessary to get the South African regime to talk. I repeat, and it was my initiative, I don't like the concept of sanctions for sanctions' sake, it is only a means to an end to get dialogue and discussion and decision.

RAMSAY: Is she risking a break-up of the Commonwealth by holding out against sanctions, do you think?

PM: She would be, Alan, she would be because there is no doubt that every other member of the Commonwealth believes that if we have failed in trying to get dialogue through the Eminent Persons Group process, then sanctions, unfortunately, will be necessary. So everyone else has that view. And I notice that Mrs Thatcher is reported in the papers this morning as saying well if she is right and she is the only one out then that doesn't matter. Well, we have all heard about everyone's out of step but my Johnny, there is no doubt what the facts are here.

OAKES: The Malaysian Prime Minister, Dr Mahathir, is on his way to Australia for a private visit, but we are told that he wants to talk to you about ways to put pressure on Mrs Thatcher. Will you go along with that?

PM: I wouldn't discuss publicly what I would say with Dr Mahathir, but what I would hope, Laurie, it is not just a question of putting pressure. The best way of getting positive and constructive outcomes is for a person to be persuaded, if you like intellectually, of the correctness of a course of action. And that is why I go back to the question of the self-interest of the British. It would be much better if Mrs Thatcher and the British themselves could see that their own self-interests are much better served this way. If the alternative is followed, of the bloodshed and confrontation which is the only other alternative to discussion and dialogue, then there will be a destruction of the British investment and the capacity for Britain ever to be involved there. Now, that is neither in their interests nor in my belief is it in the interests of the blacks of South Africa.

RAMSAY: Prime Minister, just on one point about these sanctions. Your Government still allows South African Airways to fly into this country. Why, if you are fair dinkum?

PM: Alan, you do display a bit of a lack of knowledge of the processes of Nassau. We had stages of action that were agreed in Nassau. And that function that you referred to is in the second trench. I can assure you that if we can't get the dialogue that I am talking about, that will be one of the several additional things that we will be doing.

OAKES: Prime Minister, we are just about out of time, but a final question. There has been a lot of speculation in the last few weeks that because the economy is going downhill you might call a early election. Are you prepared to repeat your commitment that this Parliament will go its full 3 three years?

PM: Yes, I am. And let me get the context right. The Australian economy is not going downhill. Let's get that quite straight. What has happened is that the external world is paying us much less for the things that we produce. And that has produced the loss of 3 per cent in our national economic capacity. It is quite clear that if Australians continue to work, but work even harder together than we can overcome this problem. That is the right context. And within that context, we will go our full term.

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