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PRIME MINISTER

TRANSCRIPT OF PRESS CONFERENCE, BURSWOOD ISLAND RESORT,
PERTH - 27 JANUARY 1989

E & O E - PROOF ONLY

JOURNALIST: Inaudible

PM: It is proceeding at a glacial pace, only one wicket down, it was one for twenty nine when I left I spoke to Allan Border last night and congratulated him and it would be a fair understatement to say he was somewhat elated.

JOURNALIST: PM you predicted last night that interest rates would fall by the end of the year. Would you elaborate on that today, would you tell us do you mean housing rates?

PM: elaborate on it in the sense that I was asked a simple question, did I think housing rates, interest rates would fall this year. It's January. The answer is obvious, housing rates included I believe, within the interest rate structure will fall sometime this year. It was not something that I proffered. I mean I was asked the question. I think it's obvious to say that at some stage this year they will fall, but the important point to make is this. That this Government has the responsibility to conduct overall economic policy in a way which is in the best interests of this country. The economic situation, problem, if you like to put it that way, that we have at this time and over recent months is not a weak economy but a strong economy. One which is operating somewhat too strongly in the light of our external account problem. Therefore to ensure that we don't have an unsustainable level of imports, we've had to tighten monetary policy for that purpose. That policy that we have implemented will, we believe, in the weeks ahead have the affect of somewhat lowering the level of activity. That will occur in the context of a lowering of the inflation rate. Now when those things occur, as I believe they will, it's those sorts of circumstances which will produce the environment within which interest rates can fall. It would be quite improper for me and I don't purport to do it, certainly not for political reasons here where we have a State election just to say to the people of Western Australia, 'yes interest rates are going to fall'. I haven't come and said that, I haven't offered that observation as some sort of election bribe or bait but I honestly give that exposition as what I believe will be the situation in Australia this year.

JOURNALIST: Is there a chance the rates might rise before they fall?

PM: No I don't believe so. I think that the level of rates now and the stance of monetary policy I believe it's appropriate for the purposes I've just expressed.

JOURNALIST: Inaudible

PM: No, I simply say what I said before and it may be useful to expound it here in the context of the considerations of the State election. What is certain is that the tax cuts for the lower and middle incomes will come in from 1 July as promised. And may I just say there as I said earlier today, these people in Australia, the people in those categories have in my judgement responded magnificently and responsibly to the requirements of the national economic policy over the last two or three years where the loss in our national income has demanded restraint. I am very conscious of the contribution that has been made and I've made the promise that as soon as we believe that responsibly we could give relief by way of tax cuts we would. That is why we have the stance of policy that we have now, to ensure that we will, with responsibility be able to bring the tax cuts in for those people from 1 July. So lower and middle income earners, here in Western Australia as in the rest of Australia, are going to get that benefit. Now as far as the top rates concerned, I don't give that unequivocal promise. We will have to consider whether in the overall framework of policy and in terms of equity considerations as well as economic considerations it is more appropriate for those of us in the highest rate to wait some time. We will have to, through time, bring that top rate down. You cannot responsibly maintain a gap between the - or any significant gap - between the corporate rate of 39 cents in the dollar and the top personal rate because if for any significant period of time, you maintain a large gap there is unquestionably an incentive to incorporate and to engage in tax minimisation or avoidance schemes. So the judgement will be, and I couldn't be more frank with the people of Australia on this, the judgement will be, will you need to make some adjustment at the same time on 1 July of the top rate and perhaps a later one, or can you delay it for some time and bring in the reductions later on. So those are the considerations, I couldn't put them more directly and more frankly. So our overwhelming responsibility and concern for is those lower and middle income ranges and they will be adjusted, as promised, from 1 July.

JOURNALIST: Can you put a figure on the maximum weekly wage which will be given the tax cuts?

PM: No I can't responsibly do that at this stage. You've got to understand that in these times when you talk about lower and middle income figures you go quite a way up the scale, you are talking over \$30,000.

JOURNALIST: Mr Hawke is the decision to delay the top rate reductions a unanimous position of Cabinet ... due to Senator Walsh ... not come down at all?

PM: Now be fair to Senator Walsh. I think you may be putting words in his mouth. I don't accept that of Senator Walsh's position, in the light of all considerations, that we will undertake, that there should be no reduction in the top rate. If you want to characterise my Government's approach to economic policy may I say in a moment by way of contrast to our opponents it's this. That we have demonstrated over our period of Government that when we come to a consideration of economic issues, people may go in there with some particular position. But there is an enormous responsibility and sense of responsibility in that Cabinet. They come in, they might have different prima facie positions, but they listen to the arguments and to the discussions and overwhelmingly we emerge from economic debate in the ERC and in the Cabinet with a unified position and that's one of the reasons why we've had such successful economic policy making under my Government. I think it is appropriate, without trying to make great political capital out of it, but it is the fact. That if you look at political and economic management in this country today, it's that which distinguishes Labor from our conservative opponents. They have an intrinsic incapacity to arrive at relevant policy decisions. They are wracked in Opposition by internal division and if you look at this State election campaign we're in now, you have the position where at the Federal level they are saying you shouldn't have tax cuts or if you should do something about tax cuts what you should do is to give tax deductions to those who are earning interest. That's what they've said federally. Now what's happened over here, Mr McKinnon has been faced with questions about that and one's not sure whether he's in favour of tax cuts or not, but you'd have to draw the conclusion that he'd a very considerable doubts about whether he would support tax cuts. But they have no doubts that they'd support tax cuts for those earning interest, which is another example of the way in which intrinsically the conservative parties in this country are still the same as they always were on the question of tax. For the conservative parties at a State and Federal levels, tax has never been an instrument of economics and equity. It's been a question of privilege for the most advantaged in this country. It's what characterised them in office. Remember this, that when they walked out of Government in March of 1983 they walked out of office with just about the most inefficient and inequitable tax system in the history of this country. Top rate of 60 cents in the dollar, a great burden on the lower and middle income people because they had a tax system which ensured that those in this country with the greatest capacity to make a contribution to the public revenue were given the opportunity of avoiding that obligation. So everyone else had to pay more. Now that's where they've been, that's where they are now and the electors of Western Australia should remember that on this fundamental issue of standards, of welfare and of equity, that the Libs and the National

(PM cont): Party, tax is about propping up the privileged and putting more burden on the lower and middle income people. That's what distinguishes them from us.

JOURNALIST: Prime Minister, on the family allowance raucous, will you act to ensure that no-one is suffering as a result of the operating of payments system?

PM: Let me say this raucous that is referred to is more properly described as an unmitigated beat-up by those who've written it. There is no substance in it at all and in fact the changes have meant a net cost to revenue to the Government. I have been so assured.

JOURNALIST: Prime Minister, do you share the concerns of some of your backbenchers about the Japanese investing in property -

PM: I do not make any racialist or nationalist discrimination in any area of policy. So you asked the question in regard to Japanese investment. The concept of discrimination against any race in any area of policy is anathema to me. Whether it be in immigration or investment, anathema to me on moral grounds, but it's also anathema I may say on economic grounds. If you wanted to think of something which would be profoundly against the interests of the Australian people it would be to say 'ho ho Mr Japan, Mrs Japan, now we like having you as our major trading partner, we do dearly want you to come and bring your most modern technology to assist us in developing our manufacturing and service industries, but Mr & Mrs Japan we're going to distinguish against you'. Now if you really want to work out something that's against the interests of this, and the future generations of Australians, that's it. Now there may be a separate question as to whether in regard to foreign investment as a whole, you want to have certain capacities to monitor and that's why we have the Foreign Investment Review Board. That's why, in regard to residential acquisitions, we have previously bought in limitations there. But that has been on general macro-economic and investment grounds but while you have this Government you will never have discrimination on the basis of race or nationalism, in any area of our policies.

JOURNALIST: Do you need to look at the tightening of guidelines

PM: I don't believe at this stage it is necessary.

JOURNALIST: Mr Hawke, Peter Morris, Industrial Relations Minister, spoke about wage breakout are you worried about the possibility of a wages explosion and have you had special meetings with your Cabinet Ministers on this subject?

PM: special meeting, I mean I called a few of the Ministers in and the reason I did this is was because I was going overseas. It's quite clear with the National Wages Conference coming up in early February, I wanted to put in the minds of my relevant Ministers what I believed was the appropriate sort of considerations which shape our policy. I wasn't going to go overseas for a fortnight and leave them unaware of my thinking on this matter and they wanted to know exactly what I thought. I made it clear what I thought should happen and I of course won't go into the details of those discussions. It wasn't in any sense a secret meeting it was just what a Prime Minister essentially should do when he is going away for about a fortnight to pursue our international interests. I wanted to make sure that the increment of my thinking was on what was happening in the economic and the wages sphere and I have done that. Essentially, what it is about is what I've publicly expressed. We've got to have a situation in the wages area where the sorts of principles that have been enunciated are in fact given effect to. What are those principles? They are these. That we are about to engage in one of the most exciting and important changes in wage fixation in this country's history where wage increases will not simply be judged in terms of the financial benefit to employees as important and continually relevant to criterion that that is, but for the first time in a considered and structured way, wage movements are going to be related to the restructuring of the awards in this country. It's impossible to overstate in my judgement the importance of this development because what we are going to have now is a process whereby the awards of this country which represent an historical mishmash of development in outdated considerations, where, as you know in the metal trade, 360 classifications reflecting outdated process of destruction are going to be swept aside and you are going to have reduced classifications which will facilitate the use of labour according to modern technologies and processes which is going to relate it to relevant training programs and which is going to lead to more appropriate remuneration and more satisfying jobs. Now that's nothing less than that's what we're about so what I have been saying to my Ministers and what I want to say to the trade union and to the employers. Go into these wage processes now knowing that there must be wage increases, but that they must be associated with those objectives of award restructuring and that the aggregate outcome must be consistent with responsible economic policy. Now, that's what my Ministers, they share my views and so I know that in the discussions which will start to occur with the trade unions while I'm away, there may even also in that period be some discussions with employers, that those principles will be uppermost in what they do. It was nothing more or less than that, that's what it was about. We must avoid, just to pick up one part of your question Amanda, we must avoid a wages explosion. I don't think it's going to happen, but it would be the height of futility for the trade union and indeed for the nation as a whole after the magnificent restraint that has been exercised which has produced, let me remind you, a rate of job creation four times higher than under our

(PM cont): conservative predecessors, more than twice as fast as the rest of the world. It would be the height of futility to throw that away now and I believe that they will have enough sense to see that that doesn't happen.

JOURNALIST: Inaudible

PM: Well I see it as a reference to a shop steward's meeting. I had the opportunity of talking with some leaders of the trade union movement, including leaders of the Metal Trades. I'm confident the sort of considerations that I've talked about will be the ones that operate.

JOURNALIST: Inaudible

PM: No, but the other day when I was in Sydney, the metal trades leaders were there, there was a general discussion about the wages policy. You heard me in their presence addressing this issue and congratulating them on the way they'd approached in the past. There was no dissent from the general propositions I was putting. I've been in the trade union movement a fair while myself and I know you have claims and you have outcomes.

JOURNALIST: And ambit claims?

PM: Well I don't want to say just ambit claims, but I repeat you have claims and you have outcomes.

JOURNALIST: Inaudible

PM: Well I don't want to sound overly complacent or overly proud, but I simply say that my six years as Prime Minister leading this Labor Government has been characterised by a responsible and intimate relationship with both business and the trade union movement. In that respect we have a record which is envied around the world. I don't know whether over here you would have caught up with it, but the most impressive, and I don't say that in any derogatory way, because the gentleman in question wasn't here, he didn't come to Western Australia, that's the only reason that I say it, but the Executive Director of the International Monetary Fund, Mr Michael Camdessus, who was in Australia last year. I had discussions with him and he had a press conference and was talking at various meetings and so on and he made the point that my Government's model of economic management including the question of relationships with business and the trade unions should serve as a model for the rest of the world. So I go to that in response to your question as to whether I need to learn lessons from anyone. All I'm saying is that what's been said about the way I conduct with my Ministers, relations with business and with the trade union movement has been put up as a model for the rest of the world. So I don't think I have to learn lessons from anyone.

JOURNALIST: Do you think it's unwise for the WA Government to get so closely involved with business people?

PM: I think in retrospect you could say that perhaps some things that might have been done differently.

JOURNALIST: Such as?

PM: Well, in regard to your general question about the relationship between Government and business here, but having said that, and don't go getting excited, Hawke says perhaps some things could have been done differently Let me make the point, in the end what Government is about as far as the citizens under whom that Government operate and for whom that Government is relevant, the important thing is what is the impact of the relationships which Government has with business and the trade union movement upon the outcomes which affect their daily lives. I remind you of this fact. That under Labor in this State you have an outstanding economic achievement in terms of the interests of the citizens of this State. Let me remind you employment, unemployment, that's about the best employment record in Australia, of any State, the best record in the reduction of youth unemployment in regard to Government charges in the last twelve months, zero, and consistently below the rate of inflation, highest rate of economic growth. Now all these sorts of things that have occurred in this State, in the one and a quarter million jobs that have been created and a few would have been in Government, about 158,000 of those occurred in this State, of its population, an enormous achievement. So when you look at all those things that this State Government has achieved, that in part has been a function of its capacity to relate to the business community and the trade union movement. So if you look at the totality of what this Government has been about, it has a record and an outcome which is virtually second to none in this country.

JOURNALIST: Prime Minister, has this Government made mistakes?

PM: There is no Government, no Government anywhere in the democratic world that hasn't made mistakes, even mine.

JOURNALIST: In this particular context?

PM: Wait a minute. I would think that Mr Dowding has by his actions, I mean he's not a man whose said 'oh well a mistake has been made', he's gone about ensuring that in this area the proper processes in light of anything that's emerged will now be followed and that's a credit to Mr Dowding and to his Government -

JOURNALIST: Inaudible

PM: Just a minute, I'm answering a question here, you want to have a debate do you? Do you think it's reasonable that I should finish answering this question? Now, what I'm saying is that there have been steps taken to create a new situation and I believe that they will be effective. While still retaining the capacity of this Government to deal with

(PM cont): properly with the business community and the trade unions. I don't think that one has to come unduly critical, I mean has a new Premier faced up to the situation and taken the appropriate steps. I get down to the point, let me say that as a Government has made mistakes, if you want to get to the question in terms of any suggestion of finality or corruption, no suggestion in regard to Labor in this State. There is only one side of politics in this country where that occurs. That is where you have a Liberal National Party coalition, Queensland and now the emerging scene in New South Wales.

JOURNALIST: I'm just wondering whether you thought the critical of the Government, taxpayers money into the Teachers Society bailout, which comes under Government jurisdiction and also the \$135m investment in the Petrochemicals Plant which wasn't an objective sufficient on its own. It was done to extricate the original guarantee Rothwells

PM: What I have said on this issue, apart from a question about it, I don't pretend from the position of my Government to be able to be across all the details, considerations, that were involved in the rescue of teachers credit union. It is well known that there were valid considerations in terms of equity that were involved in protecting interests of small people that motivated the Government then. I wasn't and can't be across all these details and considerations that were involved there, but there were certainly valid considerations involved and as far as the Petro Chemical industry is concerned, it is quite clear that there is a distinct possibility for State of the establishment of a significant industry, both in terms of output and this employment. So it would be wrong, all I can say, it would be wrong to analyse those two considerations in terms only of some suggestion of a relationship with the business community that you mightn't like. There were certain valid considerations in both cases. I think the Premier, Mr Dowding, has been open about those issues and the whole question of the relationship between Government and business. He is proceeding along lines which are appropriate and which are open and which overall, as I go back to a previous answer I have given, are dominated by one consideration and one consideration only. What's going to be in the best interests of this State and let me say of Premier Dowding, I've been around in Australian politics for a long, long time now and I find it difficult to recall a Premier who in such a short time has imprinted such a significant personal and responsible stamp of authority on Government as is Peter Dowding.

JOURNALIST: Mr Hawke, Alan Bond said of Dowding, said he is the same mould as leaders like Greiner, Bush, Thatcher. Do you agree with that?

PM: It's not quite how I would have expressed it. Let me say this, at least about Thatcher and Reagan because I don't think anyone would be holding Mr Greiner up as a model at the moment. But I have had my differences with Margaret Thatcher and President Reagan but there are elements in their leadership, which are to be admired. Indeed, in the case of President Reagan, I say as I've said publicly in the United States and here, I think that when the history books are written President Reagan will go down as one of the great Presidents of the United States.

JOURNALIST: What is your summation of Barry McKinnon?

PM: Well, as you know I'm one of the more charitable characters in Australian politics and I don't know Mr McKinnon very well. I think I've met him once, but I would have to say, I think the fairest thing I can say is that I would share the apparent judgement of the West Australian people who know him much better. By a margin of two or three to one, they prefer Peter Dowding as Premier and I reckon they are right.

JOURNALIST: Mr Hawke, how will history judge Brian Burkes's
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PM: That's a good question, I think you have to say this about history. History has a changing perspective. I would think if the historian were writing the book now it would be a little bit jaundiced because the highlight, the focus would be on aspects of the Premiership, about relationships with business, which certainly at the moment are not heavily coloured in Brian Burke's favour, but if you are going to do a full assessment of Brian Burke's Premiership I think you would emerge well because these sorts of achievements that I have talked about, of the Western Australian Labor Government in the period since '83 mark it down as an outstandingly successful Government in Perth of the interests of the people of this State. Economic growth, just about the best employment record, about the best record in regard to Government services and charges, reduction of youth unemployment. Now all those are the things which determine on a day to day sense the welfare of the citizens of Western Australia and Brian Burke was very much associated with all of that.

JOURNALIST: comments on Brian Burke meaning that you would still welcome him in Canberra working if he decided to go there after his stint in Dublin?

PM: Well that's a real hypothetical one isn't it? A real hypothetical one. I have made it clear that I think Brian Burke had outstanding political attributes, but the question you ask is quite hypothetical. It's not fair to him or to anyone else to answer it I don't think.

JOURNALIST: Mr Hawke, have you discussed with Mr Dowding the reports of funding requests for the Party from South African Airways?

PM: South African Airways? No I've had no discussions with him about that.

JOURNALIST: Inaudible

PM: I would think it was probably a slip. I can't imagine seriously I think I saw a report, the Secretary of the Party, Stephen Smith said that if any donation were to be forthcoming it would be sent back. I think I saw that report. Certainly it would be my position.

JOURNALIST: Mr Hawke, is Alan Bond a big financial backer of Labor Party?

PM: I don't know whether he's a big financial -

JOURNALIST: Has he made any campaign contributions

PM: I don't know. I mean, there are people here you could ask. Whether they'd answer you or not I don't know.

JOURNALIST: Do you expect to see Simon Crean in Federal Parliament after the next election and if you do, and, you're in a position to.....

PM: That's a double hypothetical, that's a beauty. As far as I know, what Simon Crean is saying is that he has at this point no intention of making that move. There are precedents for this, for people in that position to move. Whether he will or not, Simon will make the decision. He's certainly an excellent President of the ACTU though we'd miss him if he did make the move. But that's the answer so therefore I've got no thinking in my mind of, if he were to do it, what his role would be.

JOURNALIST: Mr Hawke, have you made any assessment of what the likely outcome of the West Australian election will be?

PM: I've talked to people, I've seen research, I've seen today's poll in the West Australian which has Labor winning, I saw the Morgan poll on Wednesday which had Labor winning, and I've done my own poll talking to people I meet in shops and drivers and things like that. They seem to think Labor's going to win. But I'm never complacent about elections. I think the best way of saying it is it's going to be a fairly tight election and I'm certain that Labor deserves to win and I think it will.

JOURNALIST: Is it also true that your own Party polling is still showing Labor behind?

PM: I don't go into any details of what our polling shows.

JOURNALIST: Including deny.

PM: I neither confirm nor deny ... appropriate policy at certain times.

JOURNALIST: Mr Hawke it is a fact that it will be a close election fallout in WA Inc and the goings on here?

PM: I don't think there's any doubt that all the publicity around that issue has been adverse to the Party. I've said that.

JOURNALIST: ... what do you think of the argument that interest rate rises we've had recently will cancel out the tax cuts?

PM: Well, it's invalid because the calculation will in fact show that in overall terms, taking into account movements in the cost of living into which interest rates are factors - I mean, it's not as though you have ... calculations which ignore interest rates. That's taken into cost of living calculations and it's combination of movements in the cost of living, wages and tax cuts will involve an improvement in the standards of living and the people of Western Australia can be certain of that.

JOURNALIST: Mr Hawke, an ALP poll indicates that the independent and minor party candidates are attracting 12-15% of votes in marginal seats.

PM: ... know more about ALP polling than I do. Is that right?

JOURNALIST: That's what Mr Cameron is saying.

PM: I see.

JOURNALIST: Does that worry you ... Labor Party on Federal indicators and also does it indicate a dissatisfaction with the two major parties in this State?

PM: No, I think if you look at politics around the western world, not just in Australia, that you are seeing as a feature of the western political scene ... in the most recent period ... present, that you are seeing the emergence of more minor parties. It's not just something that is exclusive to Australia. In the end the Australian people may move some of their votes away from the major parties but under our system of voting there's got to be a final allocation of preferences and I have no doubt that when the people, either directly or indirectly by a vote for a minor party, have to make a decision between Labor with its magnificent achievements and the coalition, they'll come our way. Let's be particular about this State. You've got a Government, a Labor Government here in this State led by an outstanding Premier which has produced just about the best results on the economic and social front of any government in Australia. You've got that on one hand and on the other what have you got? You've got the Liberals and the National Party. If there's one feature about the West Australian political scene which stands out more than anything else, it's the disarray, the disaffection, the bitterness, the lack of correlation of policies between the Libs and the National Party. They can't govern themselves, they can't govern the State.

JOURNALIST: But Mr Hawke, the Labor Government could have done a lot better if it hadn't put money into TCS, Rothwells and Petrochemicals.

PM: I've answered all those questions and I've put it in aggregate as achievements. And the aggregate of achievement is that the record of Labor in this State is one of the outstanding records of achievement of any government in Australia over this period. Whether you look at the issue of employment, unemployment, prices, economic growth, government charges, they stand out as the best in Australia. You journalists sitting around here might want to say - and I'm not saying that critically - you might want to write your story about WA Inc and if I was in your position I'd probably do some writing about it too. But don't delude yourselves that as far as Mr and Mrs voter are concerned

PM (cont): that they disregard the question of achievement in the areas of employment, unemployment, prices, housing - the lowest housing cost of any Australian state. Now all these things are the achievements of Labor and when Mr and Mrs and Miss Western Australia have to go into that ballot box on 4 February they are going to be making a decision as to whether a Labor government which has produced the best result of any government in Australia is going to be or whether you're going to put in the Libs and the National Party who can't agree on anything, who detest one another and who contradict one another on everything, who, as I say, can't govern themselves but yet ask to govern the state. And in the end that's the sharp, hard decision that the electors of Western Australia have to take. I believe that in their own self interest it's clear that those interests will be significantly better served by voting for Labor.

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