



PRIME MINISTER

**TRANSCRIPT OF NEWS CONFERENCE, PARLIAMENT HOUSE
13 MARCH 1989**

E & O E - PROOF ONLY

PM: Before I make myself available for questions I wanted to refer to the unfolding yet again of the chaos in the Opposition when it comes to the question of unfolding policy. You would've seen the program on Sunday where the Shadow Minister for Finance referred to the idea of giving taxing powers back to the States. That provoked this quite remarkable statement by the Leader of the Opposition this morning repudiating the Shadow Minister for Finance. He said we don't have any policy proposal of that kind on our agenda, in fact I had a lengthy talk about the whole range of economic policy on Thursday and I can tell you that that subject wasn't mentioned. Well he says it's not on their agenda. I've indicated that I've taken a very considerable interest in their policy document 'Future Directions' which is increasingly and properly being tagged around this place as 'Futile Diversions'. That's what the agenda is he says for the future. What does it have to say about this issue? Page 91 - 'In principle the Government with which the power resides should have the responsibility for raising the revenue required to exercise that power so that it's fully accountable. In other words, in 'Future Directions', the agenda document according to the Leader of the Opposition, what Professor Hewson, the Shadow Minister for Finance said on Sunday, directly, squarely in line with the agenda. Then when the Shadow Minister comes out and talks according to the agenda he is then repudiated by the Leader of the Opposition which is just further indication of the absolute hopelessness of the Opposition. They cannot get to a position of policy at all. It's very interesting also I suggest to note what Professor Hewson had to say on the question of fiscal policy. He says, he accuses us in the last budget of increasing expenditures. As we know, we've had three years in a row of real cuts. We've had three successive years up to and including this one, 0.3, 3.1, 1.8 cuts in real terms. But he says we've had expenditures. Now I want you to understand the implications of that. What Professor Hewson therefore is talking about is cuts. There has to be actual nominal cuts, nominal cuts, because where there've been nominal increases in expenditure you tax us for that although they have been such a low order that it means real reductions, which is the only concept that one can talk about. He's saying there's been real increases and that's not what would be the case under them. So that means in terms of the sort of inflation outlook that he's talking

PM (cont): about that they are talking therefore about expenditure cuts to get a reduction in nominal terms. That will be real reductions of the order of 7%, real reductions in government expenditure of the order of 7%, or over \$6 billion. Now Professor Hewson undertook as you know on Sunday, after we had brought in our April statement, under persistent questioning he said they will in fact detail the cuts they're going to make. Now on his own statement therefore where you're talking about nominal cuts, not just real cuts, they're going to have to nominate the cuts in government expenditure of the order of \$6 billion. That's something that not only will we in Government be looking forward to with very great eager anticipation to see their detail in the \$6 billion of expenditure cuts, but even more importantly so will the Australian public.

JOURNALIST: What's exceptional about the State Government having responsibility for ... their own taxes ...?

PM: Well we take the view that the conduct of economic policy in the federation is difficult given the breakup of constitutional powers that does in fact exist and one of the features that's made it in that constitutional context easier to conduct overall ... macroeconomic policy is the fact that the Federal Government has a monopoly of power in the important areas of taxation. It would obviously make the conduct of economic policy more difficult.

JOURNALIST: Why have you waited six years to fix it?

PM: The situation is quite obvious. The States have not taken up the opportunity that was there under that legislation. Our opponents are now saying, some part of them are saying, and their agenda is saying that ... well, let's put it on the table and they can make up their mind as to whether they will, in the Parliament, take a specific position which will be consistent with what they say in their document. They've put it on the agenda, we'll accommodate them.

JOURNALIST: Another point which Dr Hewson made at the weekend was he said that they would put greater priority on privatisation and the contracting out of services. What's your response to that?

PM: As you know the question of the future of public assets is being considered within the Party. Those processes will continue and we'll have further discussions about it. It's a subject that's on the agenda, we've put it on the agenda.

JOURNALIST: What will you say in the next election campaign about your attitude to getting private equity into the airlines given that you won't have a final Party policy position by that time?

PM: I noticed your piece which said we won't. I don't accept that you're right.

JOURNALIST: How can you have that if there's not an ALP Conference before the election?

PM: I'm simply saying to you I don't accept that your analysis is correct. That -

JOURNALIST: You're saying there may be a Conference?

PM: There could be.

JOURNALIST: After the 1988 Labor Conference, you said then on the last day that you thought there was still a real possibility the policy on privatisation could be changed before the next election. Are you still standing by that position?

PM: It's a possibility. It follows from the answer I've just given.

JOURNALIST: How confident are you -

PM: I'm not putting degrees of confidence on it, I'm simply saying that the processes are underway in the Party, ... considering it.

JOURNALIST: Do you think you can persuade the Party on this issue?

PM: I've not involved myself in a process of persuasion. We've established a committee process and it's appropriate that that should be done because after all this is a matter of long term policy and there are considerations validly to be put on both sides of the argument. It's not a black and white case. It should be analysed. I'm quite content with the way those processes are going.

JOURNALIST: But hasn't this committee met only once or twice since the Conference?

PM: I think that is the case but that doesn't mean it can't meet more frequently in the future.

JOURNALIST: ... Conference not a postal ballot you're talking about?

PM: I don't intend to go any further than saying that I believe that it is possible that before the next election the processes could be followed through which would enable the opportunity to be given for a change of policy. I'm not adding to that.

JOURNALIST: Won't it cause problems for you in the next campaign if you haven't got that policy on privatisation or on capitalisation of the airlines complete?

PM: I'm confident that when the, by the time the next election comes, we'll be in a position to have the appropriate answer with which to go to the electorate. I've said these issues are not black and white and you can't apply, as I've said right from the very beginning of this discussion, you can't apply the same arguments to each of the enterprises. I mean I notice in today's Press that John Moore has got a list as long as your arm now as to things that would be disposed. I have a quite different concept than that. In other words, there will be, whatever decision that we take, there will be a clear dividing line between us and the conservative Opposition on this question.

JOURNALIST: You don't feel under some sort of heat from the Liberal Party on this issue do you?

PM: No, I don't think that I look as though I feel under heat. I can assure I don't feel under it and I hope I don't convey the impression of being under heat Paul.

JOURNALIST: Is it also possible Mr Hawke that the processes now under way will permit you to go to the next election with a revised uranium policy?

PM: There are the two committees, one on the public assets, one is on the question of uranium policy. I have thought more about the public assets one, I haven't directed my attention so much to the other. I guess the answer to your question is it's conceivable.

JOURNALIST: I take it Prime Minister you would prefer a State Government to meet its expenditure commitments by increasing tax and charges CPI rather than, for example, by an income tax surcharge?

PM: Well, it's not a question of me expressing preferences what they do, I made the general point Milton about the difficulties that are created for conduct of macroeconomic policy if you have income tax powers back and being exercised by the States. We've operated, in our six years of Government, in our relations with the States in what I think has overall been a fairly effective way. We are exercising the central taxing power and we have been able, in discussion with them, to arrange the levels of the direct grants that we make to them in the processes of the Premiers Conference, the Loan Council in the arrangements in regard to borrowing powers in a way which overall has been conducive to sensible macroeconomic policy. So I would see a continuation of that sort of situation as being compatible with the sort of macroeconomic outcomes that we want to effect.

JOURNALIST: Prime Minister, an economic commentator who's had some credibility with the Government in the past, namely Max Walsh, today suggests that we're in danger of becoming the white trash of Asia, that we can't afford the tax cuts and that your Government has become paralysed when it comes to policy.

PM: I read the article, I think one of Max's more exaggerated comments. I always read him with interest and I think it does considerably less than justice to the considerable micro reform that we have conducted and which will go on during the life of this Parliament. Very considerable changes in the area of airline deregulation and the Government business enterprises being made more competitive. The work that is being done on the waterfront at the maritime industries and in which we'll see progress this year. All these things are significant and unmatched, let me say, by anything ever done before by any conservative Government. I mean if you're talking about Australia today and the development in the region that he's talking about, what you've got to remember is that for, out of the 40 years now since '49, we've had 31 of those 40 years have been conservative Government. In other words the basic structures and attitudes in this country overwhelmingly are the product of that period. We in six years now have done more in that six years than has been done in the whole of the rest of the period before in microeconomic reform, as well as in the macro area with the deregulation of the financial sector, the introduction of the foreign banks, the floating of the dollar. All that we've done in six years, more than in the whole of the rest of the period combined, and we're continuing to do it. As I say there will be achievements on the waterfront, in the maritime industry as well as the areas that I've already talked about. I think it's fair to say that a reading of Max's article doesn't really give due credit to those facts.

JOURNALIST: concern to you that America is to have a Defense Secretary who regards Australia under your Government as an unreliable defence partner?

PM: Yes I read that with some interest this morning. I would be certain from my knowledge of the President with whom I have a very, very, very close relationship, that whatever outbursts there may have been before from Mr Cheney in those circumstances will not be reflected in the attitude which this administration will continue to have towards this Government. That is now a matter of public record as expressed by the previous President, by the previous Secretary for Defense and as a matter of record by this President. That is that the overall relationship, including the defence relationship between our two countries has never been better. That is the position.

JOURNALIST: sense meeting with Mr Cheney to try and convince him he's wrong?

PM: I doubt if he has that view now because all the evidence of the period up to the present would confirm the basis upon which the previous President, this President and the previous Secretaries for Defense have spoken in glowing terms on the nature of the relationship. That's not something that was said four years ago. That's the position of all relevant people as of now.

JOURNALIST: Doesn't it worry you that the President has appointed a man with such publicly expressed hostile views of Australia?

PM: Well it was said at a particular time. I don't think it reflects in any sense the current thinking or current realities. I doesn't worry me one iota, not one iota.

JOURNALIST: Are you going to send Mr Beazley to find out or try and square off?

PM: No I wouldn't be sending Mr Beazley to find out or square off. I would regard that as a waste of public money. When Mr Beazley sees Mr Chaney in the normal course of events I would - you know I'm a punting man as you know Laurie - I would bet you pounds for peanuts now I'd give you any sorts of odds you like, one that the relationship, personal relationship will be good, will work and (b) that there would be a continuation under Mr Chaney of the attitude towards the relationship that I've expressed. That is the attitude expressed by the previous President, this President and by the previous Secretarys' of Defense.

JOURNALIST: Do you know Mr Chaney?

PM: I'm not aware of having met him.

JOURNALIST: Mr Hawke you told the Housing Industry Conference this morning that there would be some scope for lower interest rates as activity eased off over the year. A new survey out today shows that there was a slow down in activity in the December quarter and that activity could be falling off a lot quicker than people have previously anticipated. Do you think there is some scope for lower interest rates to prevent another ... in the economy?

PM: No I am not predicting that in the immediate future. You're right in saying that there are some signs of easing in the level of activity and I've been through those various indicia. But we've got to say at this stage a little mixed. I mean if we look at the latest employment figures which came out last week which showed further growth in employment, which now takes the jobs created to 1,318,300 since April of 1983, it's been with an increased participation rate. Further reduction however is still in

(PM Cont) the unemployment rate - down to 6.7%. You ought to take that into account. So the indications are mixed. We hope and indeed believe that the level of activity is starting to climb as we want but I'm not going to say therefore now we've got an immediate future reduction in interest rates in sight. What is happening however is that the policies that we've been applying I think on the whole do seem to be working, I think we can be looking as we go through this year in a reduction in the level of activity. As I've said this is a fine line we're walking between reducing the over-heating which brings in too many imports but not getting down that low that we can't sustain employment growth. I think the policies are working and within that framework what I've said this morning to the Housing Industry Association Conference is the appropriate way of putting it I believe.

JOURNALIST: One of the banks is making noises about increasing the home loan rate, dealing with some trepidation the balance of payment figures out on Thursday. Are they jumping the gun a bit?

PM: Well they seem to be. I mean let me say this is a figure that we have - I kind of guess I don't need to say this as it's quite clear - that we have no prior knowledge of the figures. I think that's probably a good thing ... We have no prior knowledge of this figure and I assume, and I certainly hope it's true, that the bank doesn't either.

JOURNALIST: Prime Minister in your speech this morning on interest rates you say, "as soon as it's economically responsible to reduce interest rates it will be done". Does that mean that the Government rather than the market sets the rates?

PM: Well as we are copying the odium in some quarters for the combined operation, the market and Government monetary policy, and it is a combination of both, we're entitled when it comes down - as I've said it will before the end of the year - to get the credit. Of course it's a combination of official Government monetary policy operating through the market.

JOURANLIST: Mr Hawke you said a few minutes ago that privatisation's still on the agenda. Are you talking about the agenda for the April statement or do you mean the agenda for later on in the year?

PM: I wasn't talking about the April statement.

JOURNALIST: Sydney Airport Prime Minister, when can we expect a decision?

PM: We'll be going to it tomorrow. I hope we may be able to get a decision tomorrow. But as I've said I'm not going to rush this decision. It's quite clear. I've indicated that all the options are on the table as distinct from the impression of some commentators that that's not the case, they are. All the options are on the table and I'm not being defensive about this. It is an extraordinary, complex issue. I mean a whole lot of assumptions have to be made, worked out about patterns of growth and so on and I want to make sure that we get it right. We are going to get it right. If I can be satisfied that we've got it right by tomorrow, then it'll be tomorrow, if not it will be later.

JOURNALIST: Does it worry you that your Cabinet is split on it Mr Hawke?

PM: Split? I wouldn't talk about a Cabinet split in any sense. I mean if you're talking about splits ... this sort of nonsense from the Opposition, the Shadow Finance Minister getting up on Sunday and being disowned within 24 hours by the Leader of the Opposition, that's where the splits are. There is a situation where there are differences of opinion. A difference of opinion on an issue is not a split. We have no split.

JOURNALIST: Will the Wesley Vale decision be made tomorrow?

PM: Again I hope so. I've not had the opportunity of talking with my Ministers since the Tasmanian position has been translated. I know that they have in discussions - some of the Ministers are having discussions tomorrow with the joint venturers - and I haven't seen the results of the study requested of the CSIRO. So I'm not in a position and both of them - those discussions not having taken place yet and not having seen the CSIRO report. I couldn't honestly say to you yes an answer will be given tomorrow. But again this is an issue in which we want extradition consistent with a proper consideration of the facts. It'll be done quite quickly but not necessarily tomorrow.

JOURNALIST: Mr Hawke can home owners expect any relief from the April statement?

PM: It's not only home owners. I think the general community in Australia will be entitled to expect - and they will receive from the Government - a considered statement which will be consistent with the previous 6 years. That is of the conduct of economic policy in a way which is relevant to the circumstances and the challenges confronting this community. We are entitled now to ... "look, look what we've done in changing external-imposed circumstances we've adjusted economic policy which has maintained the level of economic activity consistently in a way which has produced this massive employment growth". Without a return I remind you to the interest rate levels, we haven't reached the peak of interest rates under our predecessors and as far as unemployment is concerned we've reduced successively

(PM cont) unemployment with this rate of employment growth 4 times theirs and twice the rate of the rest of the world. Now these are the things that have come from successive May statements and successive Budgets. We've got the runs on the board. What home owners and the rest of Australia will see in April and then in the Budget is a continuation of relevant and successful policies.

JOURNALIST: Mr Hawke would it be acceptable for your Government that it could take two months before the results of the ACT's first election are ...?

PM: Of course it's acceptable in the sense that we can't do anything about it.

JOURNALIST: You introduced the system.

PM: It is true that with the support of the Liberal Party we introduced it. This is something that was passed by the Government with the support of our political opponents. Both of us must accept the outcome of what together we've done.

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