



PRIME MINISTER

TRANSCRIPT OF JOINT NEWS CONFERENCE WITH JOHN KERIN,
MINISTER FOR PRIMARY INDUSTRIES AND ENERGY, PARLIAMENT
HOUSE, 10 APRIL 1989

E & O E - PROOF ONLY

PM: Well, I want to just make a few general observations by way of introduction to the important announcement that my colleague, John Kerin, has got to make in regard to the deregulation of the wheat industry.

The basic point I'd make is that, of course, from the very beginning of our time in Government in 1983, this Government has embarked not only on rescuing the Australian economy and of pursuing appropriate macroeconomic policies, but putting in place consistent microeconomic reform which is calculated to make the Australian economy increasingly efficient and competitive.

My press release sets out those decisions that we've taken and which are quite well known. I point out in the statement that during the last election campaign, on 6 July 1987 in Ballarat, I set out there twelve areas of microeconomic reform which would characterise the third period of the Hawke Government.

In the attachment I indicate the way in which a slight majority of those areas have been addressed and those that are left will be dealt with in the next two months in a series of statements to be made from here through to the end of May. That will, by that stage, mean that we have totally covered all those areas which I promised that we would do in July of 1987.

So this period of Government generally from '83 and in particular from 1987, has seen a greater period and intensity of microeconomic reform than at any other period in Australian history.

I invite anyone who is interested in this area to make the comparison between the performance of this Government in the area of microeconomic reform and the previous seven years of conservatives. As in virtually every area of relevance to the welfare of this Australian economy, they were barren and inept.

(PM cont): Our period in Government stands in marked contrast to that. I say that by way of introduction to the important decision that John Kerin is going to announce.

The background of that of course is that we recognise the great importance of the wheat industry, it provides the best part of \$2 billion of exports to this country. It was almost \$2 billion in 1987/88 and while it's shown its basic efficiency, there are further things that can be done, we believe, to increase that efficiency and the profitability therefore of the industry to the producers in it.

We established the Royal Commission in cooperation with the States, the Royal Commission into Grain Storage, Handling and Transport. We've taken the action that we can in that area, but there are limits to what we can do.

We have, as a Cabinet, made decisions that more now needs to be done. John Kerin will go into the details of that.

KERIN: Thank you very much Prime Minister. It's very difficult to know where to start, but the last IAC Reports have said that on balance it would be very sensible to deregulate the domestic wheat market.

The reason they've been saying that is mainly to get efficiency gains right across the cropping sector.

The Balderstone Committee also examined this whole question of domestic market deregulation and said that cost savings could be achieved in this manner. We put in place the Royal Commission into Grain Transport, Handling and Storage and they said that there's potential gain to cost savings off farm of \$10 per tonne.

If you look at that for wheat and barley alone, that's about \$170 million for the industry off farms. It varies for about \$6 per tonne in South Australia to \$13 per tonne in Queensland.

Now in the negotiations with the Grains Council who have been vehemently opposed to any deregulation, mainly because they've been taking the National Party view - or more accurately the National Party's been taking their view, which is really a status quo view - they have pointed out that we also need to make sure that we get these changes in the transport and handling and they're in the arms of the States.

We did what we could at the Commonwealth level. We removed the road provision in South Australia, but more importantly we gave the Wheat Board additional powers by saying that they no longer need to deal with only one grain handler in each State.

(Kerin cont): Through that they've been able to get some savings for the wheat industry in this year.

Now what we are announcing today following Cabinet consideration, is that we will be giving the Wheat Board a transport override power.

We've been advised that Constitutionally we can do that with the export power and we believe that that will give the Wheat Board even more power to negotiate with the States where those States aren't passing on savings, where those States are simply extracting a rent from the grains industry.

Now there will be a lot of opposition to this from quite a few people, mainly I guess from the National Party, from the Grains Council, from the States in some instances. But the simple proposition is for this country, if you are going to impose an additional \$170 million or \$200 million worth of cost on yourself, that is less production, it is less exports and it is less additional need for the facilities. The situation the way it's all just grown up like topsy, does mean that we have storage in this country today for about 43 million tonnes of grains and the biggest wheat crop ever was about 22 million tonnes.

Now, putting this into political terms, John Howard now has no reason to weazel out of what he said last week in the press release with Bruce Lloyd from the National Party. He laid down four conditions and of course there had been a lot of discussion about the word reasonable progress.

Today's announcement shows how far we're going to go. Mr Sinclair of course, even a couple of weeks ago, trying to find impossible conditions to put upon us pointed out that we really need to get deregulation of the world's wheat markets, if not the world itself, before the National Party would agree to it.

Well, I'd also point out with the breakthrough in Geneva over the weekend, we can even go quite a way in agricultural trade reform, but we haven't quite fixed up the world yet. But it was really a churlish attitude to say that you've got to do everything at once rather in seriatum and I think what the Prime Minister points out is, where we have the opportunity, where we can take action, where we can really effect real change, we will do it.

I repeat, Mr Howard has no choice now but to go along with the Government's legislation. If he doesn't he will be weezelling out of it and have absolutely no credibility in terms of microeconomic reform or sensible non idealogical deregulation.

JOURNALIST: Can you deliver though in terms of the rail union -

KERIN: It's not a question of delivering with the rail unions. If the Board has the power to negotiate with the State Rail Authorities, it is my view that the wheat will travel by rail. The question of jobs being at risk because of this doesn't come up.

JOURNALIST: Would you anticipate there will be a Constitutional challenge to this move?

KERIN: Given the stupidity of the National Party in Queensland, I would think so.

PM: I think the basis of the Constitutional power is very clear though. Clearly within Section 51.1 of the Constitution, the Commonwealth has power to legislate in regard to trade and commerce with other countries and among the States. Very clear, unequivocal power and while, in their desperation, some may seek to make a Constitutional challenge, we believe and are advised that we have very sound Constitutional basis for the decision we've taken.

JOURNALIST: Have you had any talks with the Victorian Government about this?

KERIN: No, the focus is centred on Victoria rather than Queensland mainly because of the Grain Council's views in that State. They don't choose to select out Queensland where the most expensive system is in place. But the short answer is -

JOURNALIST: ... any discussion with the Victorian Government about this matter?

KERIN: The Prime Minister wrote to the Victorian Government after the McColl Grains Commission, Royal Commission on Grains and we are still waiting for a response. We have indicated quite clearly that we are going to try to put in place the recommendation of McColl and so far really only the NSW government has responded.

JOURNALIST: The statement says you're going to override restrictive state regulations but for some curious reason it doesn't say what they are. Is it a secret or are you prepared to tell us?

KERIN: The restrictive regulations are manifold in the whole freight transport and handling system. They involve many practices by the States but the main one of course is the extraction of rent from the grains industry.

JOURNALIST: Mr Kerin ... poor position, does that mean that you are also proceeding with the 95% underwriting ...?

KERIN: The reality of that is that that is a figure plucked out of the air because there was a 95% net underwriting at one stage. I'm informed in terms of discussions by the Opposition they're not going to die in a ditch over 95 or 90.

JOURNALIST: So you've had discussions with the Opposition?

KERIN: No, but I know what goes on.

JOURNALIST: How do you know what goes on?

PM: You're not the only one that has contacts.

KERIN: My people talk to their people.

JOURNALIST: Would the Commonwealth be prepared to negotiate at the Premiers' Conference to offset any losses to the States through -

PM: There needn't be any.

JOURNALIST: - ...

KERIN: There need not be any losses. We are trying to get more efficiencies. If you get more efficiencies and you get greater product, you will get greater turnover and you will probably get a more efficient use of the system.

JOURNALIST: Would you like to do something similar with coal, which is also the subject of ...

KERIN: I'd like to but I'm not so sure this path would work. I'd have to get more legal advice on that but basically I think we can quarantine this because we're using the Wheat Board. But this could flow on into some of those areas.

JOURNALIST: Is overriding a state legislation the trump card you've been holding until the Coalition position came out or ... only just come in?

KERIN: I guess it's truthful to say a bit of both. We're aware generally of the powers, we're used to being lectured by the States about what Constitutional powers are. We decided to investigate this fully during our discussion on the whole question of wheat deregulation when the debate intensified so much to see what additional options were available to us.

JOURNALIST: Prime Minister, your statement foreshadows announcements of coastal shipping waterfront and the waterfront. The ACTU -

PM: Only the waterfront once, not twice.

JOURNALIST: I'm sorry, I repeated myself.

PM: Once is going to be hard enough I can assure you.

JOURNALIST: Exactly. Mr Kelty seems to have set himself against it.

PM: Why do you misrepresent Mr Kelty setting himself against waterfront reform? You've got not one piece of evidence to support that proposition.

JOURNALIST: Well I have camera tape ...

PM: No, what you can report - I'll tell you now, I haven't seen your tape but I'll tell you what's on it and that is that Mr Kelty did not embrace all the recommendations that were brought down by the IAC. That is not the same proposition that he set himself against reform on the waterfront and the opposite is true because I've had detailed conversations with Mr Kelty and I know that he supports reform. So please get it right.

JOURNALIST: Mr Hawke, is the big hangup the question of the coverage of the WWF ... is that where Mr Kelty sees real difficulties ...

PM: That's one of the areas because quite clearly you've got a situation where the waterfront, Waterside Workers Federation is a body which has had its membership drastically reduced in the last generation, basically as you know as a result of the fundamental move towards containerisation. They are now relatively a very small union and they are naturally enough going to be concerned about any suggestions which ... regard to outlying ports or in other aspects of the report would involve a significant further reduction in their membership. That's understandable. The important point to understand is that the core elements of the IAC report in regard to reform don't turn on those issues. So I believe that it is going to be possible to achieve through negotiation some significant reforms in a way which will not meet the understandable opposition of the Waterside Workers Federation in regard to issues which from their point of view are quite understandable, which I repeat are not central to the thrust of reform.

JOURNALIST: Do you think there can be effective reform on the waterfront as long as the ... labour system continues?

PM: Let me put it this way, that one of the central elements of the IAC report is the concept of single employment. I believe that there is a basis for getting towards that position. I don't think that is necessarily something which is ...

JOURNALIST: Why are you flagging these reforms in this statement today? Is it good political timing to go with the tax cuts, or what's the reason for putting this out today?

PM: To give - I think there are a number of reasons Heather. There's been a fair amount of extraordinarily loose and ill-based talk about this Government having lost its impetus, never one basis of foundation for that loose sort of talk. So we thought, one reason, it's not a bad idea therefore to get out clearly the range of very significant action which has been consistently going on under this Government during our third term - that's point one. Point two, I have made the point recently that the April Statement that Paul was bringing down is not of itself one which is going to contain significant micro-economic reform proposals and I have said that there would be however a series of decisions in this area around this time. So what I've decided is that I would take this opportunity of setting down the sort of timetable and program for those further areas of reform which will complete the Ballarat process, if I can put it that way. Thirdly, I wanted to have the opportunity of putting this very significant reform that John Kerin is announcing into the wider program of reform. It is important in its own right obviously for the reasons that I and the Minister have outlined. But it's properly to be seen as part of a total program of micro-economic reform.

KERIN: To quote John Howard, the timing has suited me.

JOURNALIST: Mr Hawke, in your statement you note that you needed to make change, a precondition of that change ... responsive financial sector freeing up the banks. Well they certainly are freed up. One of them, Citibank, is talking about home loan rates going to 18% now. Is that kind of talk helpful?

PM: I've got nothing to add to the rather concise answer that the Treasurer gave on that matter in the House today.

JOURNALIST: Mr Kerin, in your statement you speak of exempting the AWB and other grain trading corporations etc. What are the other corporations that you have in mind?

KERIN: In terms of the route we're going down this could apply to the State Barley Board and virtually other corporations.

JOURNALIST: Mr Hawke do you concede there has been a large rise in housing affordability and do you concede the possibility that interest rates could reach 18% under this term of your Government?

PM: I'm not conceding that possibility. I've said that I don't speculate about immediate short term possible movements in interest rates because the very fact the Prime Minister or the Treasurer speculate about possible short term movements can of itself be a factor in what happens to those movements. So both Paul and myself don't do that. That's different from what I said at the beginning of the year, when I talked about, when I was asked ... what would be the situation at the end of the year, I was quite prepared to make that statement but I'm not going to speculate about short term movements.

JOURNALIST: And you still believe that will be the case, that by the end of the year the rates will come down ...?

PM: I have no reason to change the observation I made in January.

JOURNALIST: Mr Hawke speaking about the ... will Wednesday's statement see the Government ... child poverty?

PM: Well I think it really is fair to wait until then. I mean I'm not going to pre-empt the statements that will be made then. But I think you'll find not only in that area but in other areas of social welfare that it will be a very well received statement.

JOURNALIST: Do you still stand by your comment Mr Hawke that the top marginal tax rate won't be reduced unless -

PM: I'm not going to be making announcements that will be properly made by the Treasurer on Wednesday night. I mean you don't really expect me to -

JOURNALIST: ... announcement, you actually said previously -

PM: Anything I said on that would be a pre-emption of what the Treasurer will announce. He'll make the announcements for and on behalf of the Government on Wednesday evening.

JOURNALIST: Would you agree that someone seems to have pre-empted it?

PM: Well let me put it this way Laurie. We haven't yet reached the "Oakesian" deluge of our conservative predecessors. But there does seem to have been some sort of hints about what may be coming out. I will not add to those but I simply add I'm pleased that we haven't seen the proportions of deluge that were associated with your coup.

JOURNALIST: ... blaming the unions for that?

PM: I'm not blaming anyone. I mean it would be a little bit unfair wouldn't it because I mean even when unions haven't been associated with discussions, when it's just been a matter of Ministers and Departments, they haven't been leak-proof in the past.

JOURNALIST: Does this mean Mr Hawke that the ... tax pledges are now back in the melting pot? For example what does this mean that all your -

PM: It means it's nothing more complex, sophisticated, esoteric or difficult to understand than this; that the announcements will be made on Wednesday night by the Treasurer and not on Monday by me.

JOURNALIST: Mr Hawke in your list of microeconomic reforms you've got reference to the change in defence industries. Could you give us a bit of an idea what that means?

PM: I'm sorry?

JOURNALIST: In your list of microeconomic reform statements in May, amongst them you've got ... defence industries. I just wondered if you could be -

PM: That further announcements will be made? ... waiting for the Ministers to make those.

JOURNALIST: But if you can just give us some idea of what this microeconomic reform in that area will mean?

PM: Well it will be to do with the increasing commercial nature of the operations of industries in that area. But all I've done there is to indicate the areas where announcements are going to be made. I mean that's not an invitation from me to you to be asking what those announcements will be.

JOURNALIST: Mr Hawke one of the things you were saying ... continue to encourage the elimination of outdated work practices. We've had the ... in the second tier agreement. Now none of these things show up in the statistics ... having substantially boosted productivity. Do you think that we've got any reason to believe that the award restructuring will be any different?

PM: It's not fair of you Milton to say that those initiatives have petered out. The initiative that I began in Melbourne some three years ago moved logically into the second tier and now it's been tuned into the processes of award restructuring. I don't think you need to rely on my assessment, Paul Keating's assessment or Bill Kelty's assessment, I mean you turn to the employers themselves. I suggest that the enthusiasm of the Metal Trades' Employers where the initial detailed negotiations have taken place confirms our belief and assertions the implications of this

PM (cont): restructuring process. The Metal Trades' Employers who talked to Mr Evans on behalf of the trades industry association, they are excited and understandably excited about the implications of the restructuring process, and so they should be because I mean I don't know why people as they are have any scepticism about this. It seems to me to be beyond argument that if you take the metal trades, which is the major award in the manufacturing sector, if you are going to take that award - 350 classifications - wipe that out and get down to 8 classifications which is going to create a career structure and a remuneration basis related to that career structure so that the classifications are relevant to the modern processes of production and give you a firm and sensible and relevant basis for training and retraining programs, you have to have a degree of scepticism which is even beyond what we tend to find around this place at times, to argue that that's not going to have significant impact in industry, it will. That's why, let me say, the employers concerned have entered into this process with enthusiasm as well as the trade unions. It's the most revolutionary thing that's happened in industrial relations in this country in this century. Because it's not just a question of what's happened in the past where if the employers have had the power they've been able to impose it and cut wages or where the unions have had power they've imposed there's or have had wage increases which are beyond the economic capacity of the country. Uniquely now what you've got is a joint commitment of employers and unions to tackle a whole process of wage fixation and industrial classification in terms of what's going to meet the interests of the industry - unique.

JOURNALIST: Mr Hawke are you concerned that very large pay increases for lower paid workers may impact on their employment?

PM: If it were handled rationally - yes that could occur. But I think you'll find that the processes of phasing which we spelt out in more detail - are such that they will be able to be accommodated in a way which you're not going to have adverse employment effects. I mean in the end I mean the unions concerned in these areas are not going to act against their own interests. I mean if you are looking at this concept of supplementary payments and say we're going to whack it all in in one go, then I think you would run that risk. I think you avoid it by the process of phasing over a considerable period of time.

KERIN: The fruit pickers award in Queensland is \$231 a week. It would be a terrible thing to do anything about that, wouldn't it?

JOURNALIST: Prime Minister do you have any information on why the Belconnen branch of the Labor Party is suddenly being mentioned in connection with the Winchester case?