



## PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH WARWICK TEECE, RADIO 2HD,  
NEWCASTLE, 15 AUGUST 1989

E & O E - PROOF ONLY

TEECE: Mr Hawke, good morning.

PM: Good morning, Warwick.

TEECE: OK. The first thing as everybody has been asking me this morning on the air, why? Why didn't we get it?

PM: The answer, unfortunately, is very simple and straight forward. Let me preface it by saying it's done on the basis of what was told to me as being the proper basis when I had in the Cabinet room here in Canberra a delegation headed by Premier Nick Greiner and with Bob Carr there and with representatives from Newcastle. I put to them that obviously we would have to take economic considerations into account and they agreed with that. They said well there were some other sorts of things that I shouldn't leave out like regional considerations about Newcastle. I said yes well I'd take that into account. I said directly to Premier Nick Greiner well what's the sort of differential that ... discount for both factors in price. In other words, if it was 5%, 10%, more expensive to go there, what do you think? His answer was 2%. In other words you could go to Newcastle, you could go to Newcastle if it was 2% more expensive. Now in fact, in fact 10%, \$350m more for the AWS tender. Now let me make it clear to you that this process has been a long, thorough and objective evaluation of the two tenders. We've had these sorts of people involved, there's a Defence Source Definition Committee of some 15 or more people, from Navy, the other Defence elements as well as the civilian elements of Defence, representatives from other relevant departments and New Zealand - more than 15 people on that. There's some 6 people on the Chief of Naval Staff Advisory Committee and they are making recommendations up to the Defence Force Development Committee with 5 people on it. In other words, about 30 people involved in the recommendation and final selection decision.

TEECE: Alright, well -

PM: Now look, I'm making the point. They were unanimous, they were unanimous that the decision had to be for AMECON.

TEECE: Well, we .... political decision, it wasn't, right? It was done on a price differential, but as Bob Carr just said to me, and he said you could ask the Prime Minister, if we had a look, looking at say the spread over 15 years and what value did the Cabinet put on the benefits Through-Life Support which was given or would be given by the Dutch Navy towards Newcastle?

PM: But these considerations are also taken into account in regard to both of them and this was raised in the Cabinet. In the discussion we had the Chief of Staff and their Naval Chief of Staff in there and in respect of this question of Through-Life Support, no difference. In other words, on the question of which one they went for it wasn't simply a matter of price, although that was overwhelmingly overwhelming. In regard to the differences between the two ships, the AWS M Class design and the AMECON MEKO design, the Navy said in regard to the actual ship design and performance, a marginal preference for the AWS one, but they said that that was more than offset by the preference they had in the areas of management, financial arrangements, logistic support and the industry package. All of those outweighed that and they were all unanimous, unanimous, some 30 people unanimous in saying this is what the decision had to be. Now do you really believe that I'd be entitled to respect around Australia, including in Newcastle, if being confronted with that position, I for political reasons because I was frightened of a bit of backlash, no well I'll ignore the unanimous advice of the experts, 30 of them, I'll ignore that and go for Newcastle. I remind you it's the same Premier Greiner who is now being so damned hypocritical about this, who said to me when I had to make another tough political decision about Badgery's Creek or the third runway at Kingsford Smith, he said don't make the political decision that you were frightened about some seats around the airport. You've got to make the economically responsible decision. Now he changes his tune, but he's the same Premier Greiner who said to me in front of everyone in the Cabinet room that a 2% differential was a maximum that could be tolerated on economic differential grounds. It's 10%.

TEECE: .... I mean you're talking about recommendations of management or whatever, we get reports about the .... Victoria, we hear they've had industrial problems. We have the combined efforts of the unions here as you know, you're fully aware and then we, what I'm getting on the air and how I feel is .... feeling that we're always second best up here.

PM: Well, it's not a right decision. If you're second best, how do you explain that under the decision that we've taken there's going to be \$700m invested in Newcastle on the project and 1,200 jobs created and that those jobs are going to be in the area, not just of traditional steel fabrication work, but also in engineering, electrical, electronic, pipe work, mechanical assembly, outfitting, commissioning and

testing. That under the proposal if we get to the 12 ship build, that under that 12 ship build, that 58 hull sections will be assembled in Newcastle and that 5 of the 12 ships if it's a 12 ship build will be launched at Newcastle. I mean, once you know those facts how can you say what you do, that Newcastle is second best?

TEECE: Well because we feel we should have won it.  
I mean -

PM: Why do you feel you should have won it if in fact the Government is told unanimously by some 30 experts that the interests of Australia demand that the AMECON bid be - I mean, how do you run a country? On that basis then, I should have, in regard to the decision in Sydney on the Kingsford Smith, I should have shied away from the third runway there because it was the politically tough thing to do. I should have said no, there's three or four seats at risk here, but I'll run this country on the basis of not taking any political risks. Now -

TEECE: Why we ask the question is whether that \$350m over 15 years really is going to be, you know, will that happen? Will there be a saving, that's the question?

PM: Well, what you're saying is that you know better, you know better, than all the experts. You're saying that the Chief of the Naval Staff, that Admiral Hudson and all the people under him are a bunch of crooks. They're either crooks or incompetents and that you know better.

TEECE: Well what we're really saying is that, you know, we feel that behind this whole area that the \$350m over the 15 years, it's a question which was asked by several people on the line and I've got to ask the question of you for them too, is that is this going to really happen? Will there be a saving of \$350m and if there wasn't would -

PM: Of course there will be. I mean the question is a foolish question unless, unless you are saying that Admiral Hudson, all the people in our Defence Forces concerned with this, are a bunch of incompetents or crooks. I mean what you're saying really is that we shouldn't have had the evaluation process with all these experts on it. We shouldn't have had it, we just simply said well, obviously going to be better to have it at Newcastle, it'll be politically more convenient, we won't have an evaluation program, we won't have a costing, we won't do any of those things. We'll just work out where it's politically more convenient. Now you can't run a Government like that. You've got to have the evaluation program and when they come up with their detailed figuring, and it's not their figuring, let me say, I mean the actual - the figures that were put up, the costs, are the figure that was tendered by

AWS and the figure that was tendered by AMECON. I mean, Admiral Hudson and his people didn't create the figures. This is the tender price. They tendered \$350m more. Now do they mean their figure or don't they?

TEECE: Right, now look on this 40% that comes to New South Wales, how much of that comes to Newcastle ....

PM: Well, what we can say, what we know definitely as a minimum at this stage is \$700m of investment and 1,200 jobs. But what I have done is to say now I, because I do have a feeling for that region, I mean, when we came to office I was faced with a situation where Newcastle and Wollongong, I might say, were going to be wiped out because, under the Conservatives, they allowed the steel industry to run down. Now you know we brought in the steel industry plan to save Newcastle and Wollongong. I've proved my bona fides in regard to the region. Now, in the same sense, I said yesterday, well now look I want to ensure that now having made this decision we're going to, consistent with the contracts, we're going to get every possible piece of work that we can for Newcastle because I want that to be done. Now just having said that I've set up a Cabinet Sub Committee which will have Peter Morris from the Newcastle area, Peter Morris, Kim Beazley and John Button. I want the Newcastle people to set up a panel up there of industry and unions and so on so that we can just monitor this and see that we can get as much of the work as possible up there consistent with the decision that's been taken.

TEECE: Do the Germans use the MEKO frigate in their own Navy?

PM: No, I was asked that earlier, there seems to be some uncertainty. They are not using it at this stage, I'm told. But, you know, so what? I mean, you know, what is the point of that? Here is a vessel which has been analysed and tested by the experts, it's in fact used by four NATO nations. It's used by four NATO nations. I don't know whether I'm allowed to use the opposition .... but Mickie de Stoop asked me this just a while ago up there and at that stage I didn't have that information definitely. I thought it was either used or going to be used. The fact is it's being used by four NATO nations. Now, the Navy, our naval experts here, in making the judgement, were able therefore to take into account that this was an operational vessel, as was the other one. I mean, the thing is that they're both good vessels, but when you're making a decision about vessels you've got to take account, not merely the vessel itself but, as I say, of the considerations of how is the project going to be managed, what are the financial arrangements about it, the question of logistic support and

the total industry package. The fact is that while the difference is \$350m it is a minimum of \$350m difference because if the options on sensors and logistic support are taken up in the contract, the difference will be even more than \$350m.

TEECE: The thing that's coming through all the time, and I feel it because I'm right here in the Hunter Valley is the feeling that there's going to be a backlash. Bob Carr said to me this morning, he thinks there will be.

PM: Well, thank you Bob Carr. Thank you very much Bob Carr. Bob Carr was here in the Cabinet room and if Bob Carr's going to say that let's have it right on the table. Bob Carr was there in the Cabinet room and did not dissociate himself from Premier Greiner who said that the maximum differential that you can allow in price in favour of Newcastle was 2%. In other words, only could you go that far of accepting a more expensive, by 2%, contract for Newcastle. Now that's what Premier Greiner said. Bob Carr was sitting there and did not disagree. Now it's all very well for these politicians, after the event, to sing another tune. It's a damn pity that they couldn't take out of the Cabinet room the honesty and integrity which they showed there, because they were honest there. I put the question to them, I said look don't you accept that as Prime Minister and as a Government I have to be economically responsible about this? Yes, they all said it, Carr, Greiner, and all the representatives. They all said it, yes you have to be economically responsible. So I put the question to them. This is not after the event, Warwick, this was beforehand. I said to them, OK what margin do you think I should have to favour Newcastle? How much more expensive? 2% was the figure used by Premier Greiner and Bob Carr did not disagree.

TEECE: But do you think there will be a backlash?

PM: Well, I think there might be at this stage but, look, I just happen to have more faith in the people of Newcastle than some others seem to have. I don't think the people of Newcastle are going to say, particularly when Carr and Greiner have said what they have about the differential, I don't think they're going to say, well Bob Hawke should have ignored and overridden the advice of some 30 experts who were unanimous in saying that Australia, I mean, after all the people from Newcastle and the Hunter region are Australians, they're not just Novacastrians and Hunter region people, they are Australians. I don't think that in the end they would say we want our Australian Prime Minister to overrule and override the unanimous recommendations of the Navy, of everyone concerned with this, some 30 people. I don't think they'd respect me if that's what I did.

TEECE: Out of the Cabinet vote, do we know, I mean can we know the numbers which way it went, was it unanimous?

PM: Well, we don't have votes in Cabinet. That's the way I run it. We have the discussions and it goes on and, in the end, there was an acceptance of the decision.

TEECE: In March this year when you were up here, we were talking about the decision and .... a local independent I remember putting a question to you, who was arguing the decision had already been made, there'd been a sweetheart deal and you said there'd be no way in the world. That's coming up again -

PM: Well all I can say is that if he says that, I'd like him to say it publicly in respect of the people involved in this because they would take him to the cleaners for defamation. I mean, what you are simply saying is that Admiral Hudson, the Chief of the Naval Staff, all these senior people in our Defence forces, the men dedicated, have given their life to the defence of this country that they are crooks. All I can say is that that reflects upon the people who make those accusations. This has been as clean as a whistle. I mean the fact that there's a \$350m difference in the contract is proof positive of that fact.

TEECE: .... we've put everything into this particular campaign -

PM: And you're going to get a lot out of it. I mean I pay credit to the people of the region for the intensity of their campaign. I mean, as a result, what are you getting? You're arguing as though you've lost all. The fact is that Newcastle is going to get a minimum of \$700m new investment, 1,200 new jobs.

TEECE: What if Newcastle .... tender for the work .... tenders are again too high? Will we get the work, because we've obviously got to tender back again?

PM: No, but already as a result of the contracts of the tenders that have been submitted they have been submitted on the basis of work that's been done by the consortium in terms of making their decisions about who's going to do the work for them. They already know, they already know what tender prices there would be in a broad sense to be able to make, in broad terms, the tender price that they've offered. On the basis of what they've already put up we know these figures of \$700m investment and 1,200 new jobs. Let me make the point that if in fact New Zealand were to not go ahead, then as a result of that the work that would have been done in New Zealand, much more of that will go to Newcastle. You have the situation that you would get then in New South Wales, some 50% of the work. If it's a 12 ship launch, that is 8 here and 4 from New Zealand, then remember that 58 hull

sections will be built and assembled, 58 hull sections will be built in Newcastle and there'd be an assembly and launch of 5 of the 12 ships out of Newcastle.

TEECE: The other question that's been asked of me this morning is that the next Federal election hinges on Victoria compared to 4 seats here.

PM: No, well - look that gets down, in the end, to a .... attack upon Admiral Hudson and the integrity of Defence forces. I mean, Newcastle people are better than that. I don't think that they really believe that Admiral Hudson and all these dedicated people in our Defence services whose life is committed to the defence and integrity of Australia that they are going to be party to some sleazy political trick, because in the end that's what it means. Remember all these people were unanimous in their recommendation. Now if you want to say that Admiral Hudson and these people are a bunch of political crooks, then say it, but you know who that reflects upon. It doesn't reflect upon Hudson and the rest of them, it reflects upon any person who's low enough to make that accusation.

TEECE: Mr Hawke, thank you very much.

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