



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH MICKIE DE STOOP, ABC RADIO
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DE STOOP: Prime Minister, thanks for your time. I don't think you need to be told that you have some very unhappy and very disappointed people, a city of disappointment today up here. What have you got to say to them?

PM: I've simply got this to say. I believe that the people of Newcastle would be entitled to be crooked on me if they believed that I had made the wrong decision. It would've, unfortunately because I would've liked to have seen it gone to Newcastle, but undoubtedly it would've been the wrong decision. Let me make it clear that I've got a very soft spot for the Newcastle area and that's known. I was very much involved when we came to office in getting a steel plan off the ground because Newcastle and Wollongong looked like being wiped off the face of the map. We weren't going to let that happen. I've got a very, very, as I say, soft spot for that. I've also got overall a soft spot for Australia and I'm not going to make decisions on the basis of what might be politically suitable. The facts are these. We made it clear from day one that the decisions would be made at all points on the basis of price and industry participation. The processes were totally independent and were rigorous. The two competing tenders were considered by committees of the Defence Department and beyond the Defence Department. There were two basic committees. You had the Defence Sources Definition Committee which had the heads of the Defence arms plus the head of the Defence Department as well as other relevant departments and New Zealand. There were some 15 people on that committee. As well as that you had the Chief of Naval Staff Advisory Committee with some six people on that. In other words over 20 people putting their recommendations up to the Defence Force Development Committee of five. So in total you had the best part of 30 people. And what you must understand is that there was a unanimous recommendation from the best part of 30 people involved, unanimous that the best decision for Australia was the AMECON tender. Now why was that? It was for a basically very simple reason. Both the ships being tendered, that is the M type by the Newcastle-Sydney consortium, the AWS group, and the Meko one being tendered for by AMECON, were both ships that to the Navy were acceptable. It is the case that just marginally in respect of the Meko type destroyer they said there was a marginal preference on that. But there were considerable preferences

for the Meko design in terms of the areas of management, financial considerations and financial arrangements, logistic support and the industry package. The financial difference was a difference of \$350 million. That is ten per cent of the value of the contract.

DE STOOP: OK, well let's take a look at that figure if we could Mr Hawke. \$350 million certainly on the surface sounds like a lot of money but 15 years down the track really is a drop in the bucket isn't it? If you think of the unemployment that is going to have to be paid out now to the people who are not going to get work up here -

PM: But you talk about the people who are not going to get work. The fact is that Newcastle is going to have \$700 million invested, there's a minimum of \$700 million to be invested in Newcastle with 1200 jobs to be created there. The way you're talking about it Mickie is as though you have in fact had jobs taken away from you. This is one of the biggest contracts that will have ever come into Newcastle. \$700 million worth of investment and 1200 jobs at least. If in fact New Zealand doesn't come into the process the proportion of work that will be going to Newcastle and NSW will be greater than Victoria.

DE STOOP: We've been told that the percentage that's coming to Newcastle Mr Hawke is only 15% of the total 40% coming to NSW. Under the scheme of things if AWS had won the contract it would've meant many more jobs for many more people.

PM: It is the case if AWS had got it there would've been more work in Newcastle. But for you to say that \$350 million is a drop in the bucket is with respect a nonsense. It's a nonsense that was recognised - let me emphasise this to you and to all your listeners - it is a nonsense which was recognised in my Cabinet room by Premier Greiner and the representatives of Newcastle. I specifically put to Premier Greiner when he was here, when he was saying he wanted it to go to NSW and Newcastle, I said well Nick, what sort of price differential would you think it would be appropriate sort of to discount for? How much over would you say I could allow it to go to Newcastle? If it was how many per cent more expensive should I let it go there? His figure was what - two percent. In other words there was a two per cent differential that on non-economic grounds it would be appropriate to go to Newcastle. Greiner said that in front of everyone in that room and all the representatives from there, from NSW and from Newcastle, accepted that we had to make the economically correct decision. For Premier Greiner to be getting up last night and today and talking about this as an irresponsible decision just brands him as a hypocrit and as a man whose word can't be taken. What's the use of negotiating and discussing with Premier Greiner if I had him in the Cabinet room here, put it on the table and say alright Nick, what sort of differential, how much? He said well, two per cent. And in fact it's ten per cent. And yet he's saying I should've given it up there. I just ask you

to remember in respect of Greiner's position in this that when I had to make a decision about the third runway at Kingsford Smith or going out to Badgery's Creek, who was it that hammered me and properly hammered me? He said you musn't make a political decision on this. He said it might be politically suitable for you not to build a third runway because it might lose you some seats around the Kingsford Smith airport but he said that's the decision you've got to make. You've got to make it on economic grounds. But when it comes to this he's got a different story. He says you've got to make a political decision and not an economic one. But when I hammered him in the Cabinet room his word in front of everyone was it would be irresponsible if you made a decision where the differential was more than two per cent. Well it's more than two per cent. It's ten per cent. That \$350 million is ten per cent of the total value of the contract.

DE STOOP: We've spoken this morning with the Lord Mayor of Newcastle, John McNaughton, and he is still hoping that there will be a percentage of the 25% that's ... for the rest of NSW which includes very high tech industry that we have, in fact we're all set up and ready to go for here. Now I'm just wondering if there is any chance that we will get more than that 15% at this stage.

PM: Let me say that I think John McNaughton has been very responsible about this and he was part of that delegation that I've just talked about. I've invited John to come down here later this week and I've done that on the basis that I've given him, and I give through your station to the people of Newcastle, a guarantee that I will ensure that every possible piece of work that can go to Newcastle consistent with meeting the cross criteria, every piece of work that can go to Newcastle will go there. Let me remind you of this. The project is going to bring to Newcastle a full range of ship building skills. It's not only the traditional steel fabrication work but it'll also be engineering, electrical, electronic, pipe work, mechanical assembly, outfitting, commissioning and testing. Under the decision that we've taken, if we have the maximum build of 12 ships, which is what it will be if New Zealand comes in with four of them, I remind you that 58 hull sections will be assembled in Newcastle and five of the 12 ships will be launched from Newcastle under that maximum 12 ship build. Now those things are going to be done and what I have decided, I've already made the decision yesterday, that I'll set up a Cabinet sub committee with Peter Morris on it, and he's got the interests of Newcastle at heart. I'll have Morris and Beazley and Button. What I'm going to be suggesting, I've already suggested it to Morris and I'll be suggesting it to John McNaughton, that you set up a panel of people, relevant people from Newcastle so that we can monitor this process and see that we can extract for Newcastle the maximum amount of work that can be done. But I would be entitled to have my bum booted from here to Timbuktu and back if because I would see it as perhaps politically more advantageous to give it to Newcastle I cost

this country the best part of half a billion dollars. Now, I'm not going to do that. I wasn't prepared to do it in regard to Kingsford Smith. I was told I would lose seats around the Kingsford Smith airport, that I should take the politically soft decision. Greiner said don't you do that and I didn't. Not just because of Greiner but because I'm always going to take the decision which is the economically responsible one. But Greiner is a double standard Premier, preaches economic responsibility in regard to Kingsford Smith but economic irresponsibility in regard to the frigates.

DE STOOP: He almost should be smiling because there is going to be, there's no doubt about it Mr Hawke and you're aware of it, there's going to be a huge political backlash here. We're already getting a response from listeners now. The main thing they're saying is what in the hell does Newcastle have to do to win a contract through the Federal Government and -

PM: What it has to do is have a consortium -

DE STOOP: (inaudible)

PM: - it has to have a consortium who puts up a competitive tender. The people of Newcastle ought to be saying to the AWS tenders "how is it AWS, how is it that your tender was \$350 million more, \$350 million more than the other one?"

DE STOOP: They'd argue that it was the better vessel. But I tell you one question that -

PM: They would, but the Navy doesn't. The Navy says that taking everything into account and let me remind you that including if the price had been the same the Chief of the Naval Staff said the Navy's choice was for Meko.

DE STOOP: If the price had been exactly the same?

PM: Yes, that question was put yesterday. Because, as I said, there are other considerations than just the actual ship design and performance, which was marginal. There was only a marginal difference there. But they've got to take into account a whole lot of other considerations, like the question of management of the project, who can they have the most confidence in in terms of the management of the project? They went for the one that we chose.

DE STOOP: So the Navy didn't have as much confidence in AWS as it did in AMECON?

PM: That's obviously what's involved. Yes. They're saying that. That's not knocking AWS. It's simply saying that when you have two propositions before you they've got to make assessments as to which is the better of the two. On that score they came down in favour of AMECON. And in terms of financial arrangements, not just the price but in financial arrangements, in terms of logistic support and in

terms of the industry package, on all of these things which are of vital importance to the Navy, their preference was for the AMECON bid. Now are you saying to me - I just don't take this view that the people of Newcastle when they come to consider this are going to say that Bob Hawke should've said well there's about 30 people from the Navy, the Defence Forces, all the relevant people having to make a decision in the best interests of Australia, that they're going to say Bob Hawke should've said to these about 30 people who were unanimous in their view, 'Bob, you should've said just to look after Newcastle you'll knock over the unanimous recommendation of some 30 people'. I don't think in the end the people of Newcastle are going to say that.

DE STOOP: I'll tell you what they are saying though. They're saying why didn't the Government and the Navy and the Defence Forces all get together and select a vessel and then call for tenders? Why wasn't it done that way round?

PM: You can't do it that way.

DE STOOP: Why?

PM: Because Mickie, we don't have the capacity to say we are naval architects, we'll design the vessel. You've got to have a proposition saying these are your requirements, these are your basic requirements, now you tender to us on the basis of what you know our requirements are. Essentially what the Dutch did was to base theirs on the M type vessel which is in service with the Netherlands Navy and the ... was essentially based on the existing German one. Both of them, both of those ships are essentially, both of those are essentially acceptable to the Navy. Both are very good ships.

DE STOOP: Is the German vessel being used by the German Navy Mr Hawke?

PM: Yes, the German, the German, the AMECON one?

DE STOOP: Is it being used by the German Navy?

PM: Yes, it's being used by the German Navy. Being used and to be used and the Dutch one by the Netherlands Navy. But the point I'm just coming to is this. In terms of a decision about acquiring a ship and building a ship, it is not simply there is a ship, that's a nice ship and that's a relatively nice ship and looking at them. You've got to build the damn things. So when tenders are made there are decisions that have to be made, not only about the relative price - and here there was a ten per cent cost differential - but you also have to have decisions made about the management capacity. Who in terms of the proposals put forward are most likely to be able to deliver efficiently and on time? All these sorts of things, and financial arrangements and provisions. How much do you have to pay up front, how much later on. All those things are relevant and in respect if all those considerations -

DE STOOP: Obviously AWS didn't do as well or didn't score as well in those questions.

PM: You've got to ask yourself the question. Ask some 30 good Australian people in the Defence Forces, members of our Defence Forces. Are the people of Newcastle going to say that those people are crook, that they're irresponsible, that they're going to recommend the thing that's wrong for Australia? Are 30 people going to be wrong?

DE STOOP: The one thing that they may say is have they gone for political expediency?

PM: Now come on. I repudiate that. That is a slur upon the Chief of the Defence Staff, upon Admiral Hudson, it's a ... upon all the senior people in the Navy. If you're getting to the point where you are casting a slur upon the integrity of Admiral Hudson and our senior dedicated committed Defence Forces, then I think that's the bottom of the barrel.

DE STOOP: Well you know Mr Hawke that there have been so many leaks over the last two months, we've heard so many stories up here from various people, a lot of them leaking out of Canberra through, and I must admit, through the press. But at one stage it seemed that the Navy, if you got down to who was going to drive the bloody things, the Navy was saying we want the AWS ship.

PM: The Navy have said unanimously, through the selection processes, unanimously that they want the Meko ship. That's what they have said.

DE STOOP: Is that taking ... cost?

PM: Taking into account all those factors.

DE STOOP: ... given the two vessels side by side which one would they prefer to drive away?

PM: It's hardly the point. They've got to say let's look at all the considerations in terms of not - you don't only drive it away. It has to be delivered on time and according to specifications and have through-life sustenance provisions. They take all those things into account, the whole lot. So it's no good just saying which one they drive away. They take every consideration into account. Mickie you can go on for 55 hours, you cannot avoid, and I think you accept that you can't avoid the fact that the Navy and everyone concerned in this, some 30 people, they all unanimously, unanimously said to the Government this is the decision you must make.

DE STOOP: OK, well that's the thing you've got to sell to Newcastle. I know that you've been called away at the moment because you have another appointment. I appreciate the time you've spent with us. Are you very concerned - just briefly - that you do have a big sell job to do here in Newcastle?

PM: Yes, and I will come to Newcastle and I'll talk to whoever wants to talk to me about it. We won't run away from it.

DE STOOP: How many seats are threatened do you think?

PM: I don't think any because, in the end, let me say this. I have more faith in the good sense of the Newcastle people. I don't think the Newcastle people in the end are going to say we think that the Chief of the Naval Staff is a crook. We don't think that all the people in the Defence Forces are crook. We don't think all the people in Attorney-General's, Industry and Commerce, the New Zealanders, that all these people, we don't think they are crook. If they all unanimously said this was the right decision, and it's a decision which is going to bring \$700 million of investment and 1200 jobs to Newcastle, I think the people of Newcastle are going to say alright that's the right decision.

DE STOOP: You've got a lot of people walking around the area today saying frigate, I can tell you. Thank you for your time.

PM: Thanks Mickie.

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