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PRIME MINISTER

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JOURNALIST: Prime Minister, have you been advised of the New Zealand Government's decision on the frigates?

PM: Yes, I have. The Prime Minister of New Zealand, Mr Geoffrey Palmer, was kind enough to ring me earlier this morning and to announce that, by a good majority, the New Zealand Caucus had agreed to the proposal. That is that New Zealand will agree, on the basis of the discussions they had here last week, to purchase two frigates with the option of a further two.

JOURNALIST: Do you think that serves relationship, given the United States mix to it?

PM: Well, I think it's a very positive decision for the relationship. I'd made the statement that if it hadn't been that way, it would inevitably have had some adverse implication. But I do want to make this point, that I believe that the Government of New Zealand has made its decision on this issue on what it sees as the merits. I mean, I don't think it's been a question of saying 'well won't Australia be annoyed if we don't make the decision'. I believe that the Government of Mr Palmer has examined this very closely and has made the decision that it's in the best interests of New Zealand and I welcome it in those terms.

JOURNALIST: Prime Minister, when do you expect domestic air services to return to normal? This weekend, next week?

PM: To normal? No possibility of them returning to normal this week. There's never been any suggestion by anyone that they would return to normal this week, but what I am confident of is this, that there must be an increasing understanding now on the part of the Federation of Pilots of the determination of the employers in the airline industry and of the Government. May I say of the trade union movement that the outrageous claims and approaches and tactics of the Federation are not going to succeed. I believe that this is having an increasing impact amongst former employees and that increasingly more of those pilots will sign up with Australian and Ansett and that that will mean that in the near future - I can't put the precise day

PM (cont) upon it, but I hope it will be certainly by the beginning of next week - that some aircraft of the airlines will be operating in their own right. Now I hope that the pilots will understand, and I want to say this in as a constructive way as I can, I hope they understand it. Those are the facts, those facts are not going to change. The Government and the airlines and, may I say the ACTU, are committed to that position. I think it's relevant to that question that's been asked that I should address the development of yesterday where there has been this so-called offer by the Federation through its President, Mr McCarthy. Now that has been properly categorised right throughout the media and by the airlines themselves as a sham. Mr Strong, I think, summed it up very well. There's never been before, I think, in industrial relations history the position where, in a dispute, an offer to return to strike is regarded as an offer. No-one can take that seriously. But I do want to take this opportunity, in the context of your question, to address one thing that was said by Mr McCarthy in his letter to Ansett in which he made the outrageous claim, and total misrepresentation, that it was Ansett and the Government who, way before, had planned the shutdown of the industry. I mean, it's a manifest lie on its face, but I just had a little bit of work done to establish where the responsibility lies and I would like to share with you that information. The Federation of Air Pilots has been putting out a publication, it's called Deadline '89. Fascinating document as you will come to see. It's been being issued at least since February, why, its issue number one was February. I just give you a few quotes from some of the issues of Deadline '89 so that we can see precisely who has been planning the shutdown of the industry and how meticulously they have been planning it. February '89, Deadline '89 - 'Deadline '89 will be issued regularly and cover many of the questions that you will have in the months to come addressing topics such as the actions companies may take in the case of prolonged industrial action, legal implications, Press reaction, how the strike will be organised, progress reports on negotiations of the company, historical information, financial management and other issues that will provide a full dossier for you to refer to during the year'. This is February and that ended on that page with a resolution that the Federation informs the Government and all companies of its intent to restore pilot salaries by 1989 using every means available. Gets better. April Deadline '89. 'At some stage in one's working life the potential to face a non-income period (NIP) exists.' Well, that has its connotations, I suppose. 'Now may be the appropriate time for the more prudent pilot to review both long and short term financial arrangements. By careful planning beforehand, the full impact of such a NIP can be dramatically reduced'. And on the same page, 'Be prepared to adjust your lifestyle in the period leading up to and during the NIP, eg, eating at home is cheaper than eating out'. Then we have, 'Establish other employment opportunities. Many people have acquired a taxi drivers' licence, many may decide this is an excellent opportunity to have a complete break from the house and go fishing, work on

PM (cont) the car, start a lawn mowing business'. Great stuff. Concluding with this observation from Mr Terry O'Connell, Executive Director, 'A major reason for the stopworks being called was to inform you of the major battle ahead should the existing system not become flexible or pragmatic enough to remedy your real salary slippage. Should it reach that stage, then it will be a real battle as we will be fighting the Government, the arbitration system, the companies and all the vested interests. Pilots, by being united, have done it before and we can do it again.' I mean, the audacity of the Pilots' Federation in this sham offer they made yesterday, to say in the light of all the evidence, that the planning was by the Government and Ansett to close down the airline industry. It can be seen for what it is, yet another instalment of the incapacity of the Federation to face up to either the realities or the truth.

JOURNALIST: Mr Hawke, what does the dispute say about people's right to strike in Australia, to withdraw their labour, without being hit with massive fines or the sack?

PM: It says this. That we have by the historical understanding of the Australian community, established a system within which the employers and trade union movement of this country are able to discuss, negotiate, conciliate and have arbitration for the resolution of their industrial disputes. And within that the right to strike has manifestly existed if you know anything about the statistics and the history of Australia. What we have in this case is a situation where a particular organisation, which is an organisation registered under the system, they have chosen to be in that system, which as they have said, they have used to their very great benefit. That is the history. They have been in the system, used it. They made a decision that they want to be out of that system. The Federation said, we're out. Now the facts are simply there, if they decide to go out then by their decision they expose themselves to the law which is available, not only to their employers, but to others who may be affected by their decision. But of course you see in this situation they have ceased their employment relationship.

JOURNALIST: Are there any circumstances at all in which you or any of your Ministers would negotiate with the pilots Federation?

PM: The Federation is not relevant now. The Federation is not relevant now and not relevant for the obvious reasons. They have withdrawn from the system and as late as yesterday say, we will not operate in the system. Will not operate in the system. Now they have said that is their position. And the next point of course is that there is no employment relationship. They don't speak for the employees of the airlines because there are no employees except those that are signing up now. And let me say, if there is one thing that those signing up are saying is, have nothing to do with the Federation.

JOURNALIST: How many have signed up?

PM: Yes, I could have guessed that it would come from you. Look, Mr Jull as the agent of the pilots in the Parliament yesterday tried that one. You think there is one thing that the pilots would like to know. Well two things. The pilots would like to know how many of their former colleagues have signed up and what the contents of the contract are. The pilots' agent in the Parliament tried that one yesterday. Now I wasn't through their agent in the Parliament going to give them the information they would dearly like to have. Nor am I going to give them the information via you.

JOURNALIST: Prime Minister, yesterday you said or raised the possibility or said that the question of recompense for employees, non-pilot employees of the airlines could be on the agenda. You spoke that they were in a unique position, unlike for example workers in the tourism industry. Could you elaborate just what you meant by that?

PM: Yes. Some people have some difficulty in understanding, it's perfectly clear. The dispute is in the airline industry. It is the dispute in the airline industry which is threatening not merely to break the wages system but via that to wreck the Australian economy. So it doesn't seem to me that it requires a considerable degree of understanding or intelligence to understand therefore the uniqueness of the airline industry. There is no dispute elsewhere which is threatening to wreck the Australian economy. It is in the airline industry. Therefore one's attention has to be given to what course of action is necessary to ensure that the wages system and the Australian economy is not wrecked. Now I think that's a relatively easy concept to understand, it having been put. Now therefore what is the situation with which we're confronted? It is this; that as a result of the dispute by a small and privileged group within the airline industry we are faced with that threat, the threat of a collapse of the wages system and the destruction of the Australian economy. Now the rest of the employees in that industry have firstly, at all times abided by the system, restrained their claims and have been an essential and integral part of the support of the system and they within their industry, in respect of their two employers or basically two employers - Ansett and Australian - in respect of their employment they are running the risk in their industry. But because of the action by these other people, the pilots, that they will be disadvantaged and would have the capacity in those circumstances if they were disadvantaged, to take some action which would in the industry where the dispute threatening the economy exists, could produce the catastrophic result. Now as far as other industries are concerned let it be quite clear, I and the Government acknowledge, I acknowledge, that they are being hurt, particularly in the tourism industry. The dispute is not there, the dispute is not in the tourism industry threatening the economy and in that industry there is no complication in regard to the dispute as to the stand-down

PM (cont) procedure been used and it is being used. Employers in the tourism industry are standing down their employees and that action of stand-down does not in any way impinge on the dispute. The possible stand-down of employees directly working with pilots in that industry has potential implications for the dispute. Now what I'm saying is that in this situation the letter to the Government from the two airlines asking for these matters to be taken into account is, I am saying, properly on the table. I'm not saying what the outcome will be but for the reasons that I'm giving there is a relevance, it's appropriate for them to put that there. It's not yet been considered by the Cabinet, I haven't put it to Cabinet, but I have been open and direct in saying there it is, it will be considered.

JOURNALIST: Is it Prime Minister the fact that if Cabinet was to proceed down this path it would in fact create a precedent and if there were further industries where there were strike action outside the national wage guidelines which threaten the wages system then the Government would have to take follow-up action?

PM: I am not going to canvass the whole range of arguments - not because I'm afraid of canvassing the whole arguments - but it's not appropriate to do that before it may be necessary to be considered by Cabinet. But I would make this point; that the airlines are - ... this position - if an employer was operating in a deregulated, non-government regulated industry and is faced with this situation, what that employer would be doing would be to make his decisions as the market would allow him to to increase his prices to the extent that he was still operating, to increase his income and of course in the case of the airlines they are in a regulated industry, both in respect of the prices that they charge and also in terms of the cost to them which are a matter for decision by the two authorities, the Federal Airports Corporation and the Civil Aviation Corporation which deal with landing charges and other affecting the industry. They are in a regulated environment where they don't have the freedom because the Government is regulating both sides of their equation. In a free market situation where an employer and another industry was not so regulated, what he would do. I mean it's obvious, it's not a question of argument, if he was still operating to any extent, he'd whack up his prices, whack up his prices, and he'd be totally free to do so. In this industry they don't have that freedom. They are subject to Government regulation. Now I'm not saying that that is the total answer to the question but I say it is a relevant consideration in respect of your question, is this precedent? Is this the same situation as every other part of industry? Obviously on that ground there are distinctions that can be taken into account. Now having said that, I don't want to canvass the issue any more because that's a matter which will be considered by Cabinet at the appropriate time.

JOURNALIST: Today's job figures, unemployment down, participation up. Is that another indication that there is no indication of easing monetary policy?

PM: No, no, no. It's a confirmation - when I say no, no, no, I'm not ending my answer to the question of easing the monetary policy - but what I'm saying about indication is that it is another element of what I've been saying for some time that the signals are mixed. I mean you've heard me say this in the Parliament and elsewhere and if you'd been sitting in the Caucus - which you're not entitled to - you would've heard me saying it there. The position with which the Government is faced is that we are getting mixed indications about what the impact of existing policy is. There are a number of indications, particularly I would suggest in the housing industry, which suggests that the impact is there and that there is the beginnings of a slow-down in activity. Now there are others which suggest that the economy is still growing at a fairly strong rate. Now I guess in respect of these employment figures one can say that ... very consistent with a still fairly strong level of growth. We now have an unemployment rate which has fallen to 5.9%, which is the lowest level since October 1981. We have a participation rate I might point out, at 63.4% which as far as I can ascertain is the highest participation rate ever. So we've got to feed these figures into the other indicators that are coming through. Let me make this point however, that looking to the basic foundation of the economy when you take into account the massive investment that has been taking place and the growth in the workforce, we are creating an economy which is basically going to meet the essential core problem that we have been facing. As you'll appreciate that problem has been - if you look at the statistics of last year - we had a 7.7% increase in gross national expenditure and an increase in production of about 3-1/2% and that gap, that 4% gap, is filled by imports which we had a 25% increase in imports and if you want the essence of the problem there it is, last year, 7.7% increase in gross national expenditure, a 3-1/2% increase, production, gap 4%, gap filled by imports, 25% increase in imports. Now what we're seeing with the massive increase in investment and associated growth in employment is the creation of an increasing capacity within Australia to meet our own requirements and to expand our export capacity. So it's in that sense where we take comfort and pride, I might say, in the fact that now with these figures we have created one million five hundred and forty six thousand six hundred new jobs since we've been here. Our decision as to the point at which we relax monetary policy will be made, as I have said consistently, it will be made at the earliest point which is consistent, responsibly, with the conduct of macro-economic policy, we'll do it as soon as we possibly can but not a day earlier.

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