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PRIME MINISTER

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R & O E - PROOF ONLY

JOURNALIST: Can I ask you first, are you concerned that Mr Keating has said, or do you agree with him that the pilots' dispute effect on tourism is being overestimated, that tourism leaders are in danger of talking down their business?

PM: I don't think - I agree with Paul in this sense that I think he was trying to say that if you talk gloom and doom in any long term sense that doesn't recognise that the fundamental attractiveness of Australia as a tourism destination for overseas visitors and for Australians to travel themselves all over the place, is not changed by the pilots dispute. We have a greater diversity of scenery, geography and attractions than anywhere else, I think. We have the most stable political environment, friendly people, a congenial environment. So those fundamentals are not going to change. Now Paul doesn't feel and certainly I've said that we recognise that in the interim period of this dispute of course there is a problem for some, there is suffering and that's why I've done two things. Firstly, I have personally written to the banking industry and to the finance industry to say to them, now if there are people who clearly as a result of the pilots dispute, not some pre-existing condition, if they are suffering then I would ask that they be accommodated, temporarily. And the second thing is I've undertaken that in the post-dispute situation we will look with the tourism industry at helping with an advertising campaign to say well things are back to normal.

JOURNALIST: Do you agree that the tourism industry's not really hurting at this stage?

PM: Oh listen just read the transcript will you of what I've just said. I've given a detailed answer to that question.

JOURNALIST: Prime Minister, you said yesterday you were fairly hopeful home loan interest rates wouldn't rise to 15%. Are you still confident today that they won't go -

PM: I'm still hopeful that they won't. We want the community to understand, including the banking industry. As I've just been saying in a link-up to an investment seminar in Japan, that we have said at the time of the Budget that the first six months of this financial year, that is you know July to December, would be months in which we would expect to see pretty tough figures but then in the second half of the financial year we would be expecting an improvement. I want people to understand that much of the actual economic facts that are represented in these figures show that there is a strengthening of the infrastructure. For instance, two of the big lumpy items in last month's figures were buying aircraft for Qantas and one of the LNG ships which will be taking LNG from Australia to Japan. Now that's an adverse figure now in the current account figures but they will immediately be turned into export earners. So we will keep the tight monetary wages and fiscal policy to try and reduce somewhat the level of economic activity so that we can still have economic growth and employment growth but at a slightly lower level so that we can sustain the level of imports associated with that level of activity. It's a slightly long answer but I do want to make what I think is this important point; that we're not complacent about these figures, they do represent some problem, but the stance of policy is there to ensure that we will go into the immediate, medium term and longer term future with essential restructuring of our Australian economy which is going to transform the position. Let me just give you the example which I just did into Japan via satellite. On Tuesday of this week I was over in Western Australia for the opening of the North West Shelf Project. Now that's a project which represents some, in total represents some \$12M in investment. A lot of that would've been reflected in equipment coming into Australia which would've appeared as a minus in our current account figures. But as we go into the 90's that Project is going to be generating export income of the order of \$2B per annum. That's the sort of thing I'm referring to.

JOURNALIST: In your link-up with Japan this morning, was there much concern expressed from Tokyo about the state of Australia's economy and particularly the current problem of the pilots dispute?

PM: No concern expressed about the state of the Australian economy. There were questions that went to some of the things that you've been talking about, of debt and the current account issues. But it's interesting that the seminar up there is organised by the Melbourne firm, John McIntosh, with which I've been associated in these seminars in London and New York and Tokyo, usually by satellite I might say, but that is indicative of the confidence that they as investment houses and their audience in these major centres have in the future of Australia. It's not surprising that they should because if you look at the fundamentals of this country and I just hope that people will understand them, the enormous advantages that Australia has, we are a population of paradox that we have in terms of ethnic origins, one of the most heterogeneous populations and yet politically very homogeneous, a very stable population, a highly trained workforce, increasingly skilled, great resources and a proximity to the fastest growing regions of the world. Those are the things which will determine and are determining the future growth and welfare of this country and that's what was recognised up there. Finally, on the question of the pilots dispute, I was able to make clear to that audience just what this dispute is about. They were asking that this presage some new sort of approach to industrial relations. The answer is no. That under the accord we have seen in this country these things, and let them be clearly understood. When we came to office, the worst recession in 50 years, that's what we inherited, unemployment, which had increased by a quarter of a million in the previous 12 months. Now what have we done under the accord? You've had the trade union movement and the Government agreeing that there would be restraint in wages. In the event we've had one and half million new jobs, we've had a rate of employment growth which is five times faster than under our conservative predecessors, a rate of employment growth more than twice as fast as the rest of the world and a move from wages to profits which the trade union movement has involved itself in so that you can have the increase in investment and employment. Now the pilots are saying, or their Federation is saying, 'to hell with that, we are going to operate differently. We'll grab 30% by using our power', and the Government and the trade union movement has said that's not on. That's why their outrageous claims cannot be allowed and will not be allowed to succeed because the interests of all Australians are bound up with the continuation of responsible restraint which allows growth and improvement in the social wage, education, health and so on.

JOURNALIST: Prime Minister, earlier this year you said you were confident interest rates would begin to ease by the end of the calendar year. Do you stand by that after yesterday's balance of payments?

PM: I hope it will be the case and all I can say is what I've also continually said through the year. As a Prime Minister I don't want interest rates to be higher for one day longer than is economically necessary. But I also have said and will continue to say that we won't reduce them one day earlier than is economically responsible. Now you could, you know if you wanted to, say alright you will artificially constrict monetary policy and reduce interest rates earlier than would be economically responsible. We're not going to do that but we will continue in the area of wages policy and monetary policy and fiscal policy the sort of restraint that's necessary to keep this economy on course. In the past what you've had is a blowout of wages which has meant interest rates going higher than they are at the moment and the economy collapsing. We're not going to allow that to occur.

JOURNALIST: Prime Minister, with the current pressure on interest rates, you've written to the banks asking them to accommodate tourism people who might be under pressure at this stage because of the pilots dispute. Doesn't this make it unlikely that the banks will be able to offer any kind of help to tourism operators who need financial assistance?

PM: It's really not saying that we want them to be massively reducing their interest or anything like that but obviously I think there could be some accommodation where because their cash flow has diminished as a result of the decline in patronage during the dispute and where it's legitimately and identifiably concerned there as a result of the dispute, well I would say to the banks and the finance companies just you know be a little bit more patient and accommodating and I think that can be done.

JOURNALIST: Your tip for the rugby league grand final in Sydney?

PM: Well as the number one supporter, in the official sense, of the Raiders I am tipping the Raiders and that in many senses would be very good for rugby, for the first time in a country side you could have the Raiders getting up. I must say as a betting man you would have to say I think, and I think the Raiders might acknowledge this, if you were looking at it in strict punting terms probably Balmain should start favourites. All I hope is that in the event it will be a great, close, tough game and may the best side on the day win.

JOURNALIST: Prime Minister, one more quick question. The Opposition has told the conference in Japan that they will looking at having 15% Japanese ownership of government enterprises, such as Qantas, Australian Airlines, Commonwealth Bank. Is that something you would be looking at?

PM: Well it's very interesting to hear what Mr John Moore, who was described in the introduction as a Minister in our Cabinet. Firstly, I would say about Mr John Moore he's not and would never get within a bull's roar of being a member of my Cabinet. Secondly, I would say that if the coup against Mr Peacock comes off, which is being contemplated now to restore Mr Howard, he won't come within a bull's roar of being in the Opposition's shadow cabinet.

JOURNALIST: What about the idea?

PM: Now wait a minute. This is very, very, very, very serious for someone in Australian politics, it's very serious indeed. ... Mr John Moore, not in my Cabinet. He's in Mr Peacock's shadow cabinet but more than half the Liberal Party wants to get rid of Mr Peacock and if that happened Mr Moore wouldn't even be in the shadow cabinet. So what Mr Moore says about anything in Australia is you know really not very relevant. I mean it has been suggested in regard to Mr Moore that he should return to Queensland. I mean if he can't sort out in Queensland the politics of his own Liberal Party there, where they have Mr Innes, the Leader of the Liberal Party, being undermined to dump him, I mean they are dumping Mr Ahern in the National Party. Now the other part of the coalition, they are going to dump Mr Innes for Sally-Anne Atkinson. Now here's a man who's the State President of the Liberal Party up in Tokyo having the temerity - where he's in danger himself of getting turfed out of his own shadow cabinet - to talk about Australian Government policy, now really.

JOURNALIST: Is it a feasible idea though?

PM: Anything that comes out of the mind of Moore is not very feasible.

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