



18

## PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH MARGARET PEACOCK, RADIO 3AK  
27 OCTOBER 1989

E & OE - PROOF ONLY

PEACOCK: Welcome Bob.

PM: Thanks very much Margaret.

PEACOCK: Do you feel a bit scathed by your coming up against the mighty Maggie?

PM: No, I don't feel scathed Margaret. Mrs Thatcher's become used to getting her own way. She hasn't had a very strong opposition over there either on the other side of the Parliament or within her own ranks. She's not really accustomed to people who have another point of view putting it up and putting it strongly. In the case of Brian Mulroney and myself, Brian being as it were on her side of politics and myself being on the other, we have common views on these things. And when we stand up and express them I think she gets a little bit frustrated and says some things which perhaps normally she wouldn't say.

PEACOCK: She's sort of been on the outer for a while though on South Africa in particular hasn't she? You'd wonder why that sort of - I'd put it down to arrogance when she's up against the rest of the Commonwealth Heads of Government representatives - but she's so stubborn about that stance.

PM: I don't want to ascribe it to arrogance or say just what it is. But it's certainly against all the evidence. It is just literally impossible now Margaret to use the argument that Mrs Thatcher does that sanctions haven't worked when for instance you have the minister for finance in the South African government, duPlessis, explicitly saying two things, two related things. He said that the sanctions have hurt South Africa, they've imposed severe economic constraints on them. The second thing he says, and that will continue to be the case until we change the political situation. The same thing has been said by the late Governor of the Reserve Bank of South Africa, deKock, he said in May the same thing. So when their own members of government critically, key important members of the government and of the Reserve Bank, are saying that sanctions are hurting and that they must change the internal political situation, it's very silly for Mrs Thatcher to be saying they're not working.

PEACOCK: Would you like to see those sanctions go further, perhaps harsher economic sanctions?

PM: The ideal situation I would like is no sanctions at all. I don't favour sanctions for the sake of sanctions. The phrase I've used is sanctions are not to bring South Africa to its knees but to bring it to the negotiating table. The ideal situation would be that the South African government would say we recognise that we have to end apartheid. We agree to do that. If that were the case I would say, and I'm sure it would be accepted, we'll lift every sanction. If they gave an unequivocal commitment to negotiate with the non-whites to move to a non-racial democratic South Africa then sanctions are off. Now, however, if they're not going to do that, and there's no indication yet that that's what they're about, then the sanctions, the existing ones should be maintained and financial sanctions should be increased.

PEACOCK: Your relationship with Margaret Thatcher, the slanging match if you like, is very personal. It seems to me that you really don't like each other.

PM: No I don't think that that's right. I mean just let's look back. Mrs Thatcher came here last year and she was kind enough to say it was probably the best overseas visit she'd had. She was very very warm both directly to me, speaking to me, and by way of letter. She went back and spoke very very warmly of the visit out here and asked that I go over there with some of my senior Ministers this year. She went out of her way to organise that visit that we had in the middle of this year to London. She went out of her way to organise that in a way which gave us every opportunity of full contact not only with ministers but with business people. She gave me a very very warm dinner at her residence in 10 Downing Street. So I think it is the case that the relationship apart from the issue of apartheid in South Africa has been a sensible one and a reasonably constructive one. We differ of course in our politics but we've recognised there's an historical relationship of importance between our two countries and that there are opportunities for development of that relationship. But on this issue we simply are poles apart.

PEACOCK: ... putting it mildly. With Malcolm Fraser not getting the Secretary-Generalship, you lobbied pretty hard for him, he was lobbying pretty hard for himself. I mean he was almost electioneering I would have said in the lead-up. Were you disappointed or are you quite relaxed about it?

PM: I was disappointed. I honestly believe that Malcolm was the better of two excellent candidates. We were in the fortunate position of having two excellent candidates. My argument in favour of Malcolm was very simple and it's this. That while South Africa is not the only item on the Commonwealth agenda by any means, it never should be, however by any standard it's going to continue to be a very

very important one. It's my judgement that it is what is going to happen outside the Commonwealth, what's going to be done by countries like the United States, the European countries and Japan which will finally, with the Commonwealth action as well, be decisive in forcing change in South Africa. And I simply believe that Malcolm, because of his experience as an Australian Prime Minister and the stature that he had internationally, that he was in a better position than the Chief, the other candidate, to bring pressure in those other countries, to use influence. None of that thinking reflected anything derogatory about Chief Anyaoku. I mean I like the man. He's a very good man. He will be a very good Secretary-General. It was just that point alone that on this issue of race and colour as you know Malcolm's credentials are impeccable and I think he could have done that part of the job better. He went very close to getting it too I might say.

PEACOCK: What was the vote?

PM: I can tell you. I mean I musn't tell you the exact vote but I can tell you it was less than a handful of votes required to change hands. So it was very very close. But once the decision, the vote was taken we all then unanimously came in behind the one who had the majority. He will do a very good job.

PEACOCK: Malcolm's gone fishing in the meantime I think. Back home, the pilots. Australia's sort of been brought to its knees in a lot of ways because of this pilots' strike and anybody listening to my program will know that I don't support the pilots in their action. The Federation I think has been outrageous. But I'm wondering what the current situation as you read it is. How many planes are flying? What capacity? And what sort of pilots?

PM: The current capacity is over 60% and it will be going up to 80% before very long. That capacity is of course made up of ... part of the RAAF and part of the international airlines, but increasingly it's Australian and Ansett building up their own capacity through these elements. A return of some of the Federation pilots, there's some of those going back consistently now. There are some from the Australian general aviation industry that have been recruited and there are foreign pilots. So the building up of the airlines is going ahead just consistently and remorselessly. What it will mean Margaret is that when we go into next year we're just going to have an infinitely more efficient aviation industry in this country. If you talk about microeconomic reform this will be a massive microeconomic reform. It will be about a 60% improvement in productivity. The basic number of hours that were worked on average by pilots before was 32 hours at the stick. Now the basic figure under the contracts is about 55. So what will happen is that you're going to have just an enormous increase in productivity and efficiency which will be good in the long run for our whole economy and for our tourist industry in particular.

PEACOCK: Do you see the pilots' federation as an operating body now? Is there any legitimacy to it?

PM: What I find very difficult to understand Margaret is why having made the terrible mistakes they did in the first place and having acted against their own interest and against the economy's interest in the first place - I guess everyone can make those sort of mistakes initially - but I can't for the life of me understand their continuing saga of stupidity. Before I went away, with the decision of the Industrial Relations Commission, they were given their chance then, their sort of final chance of becoming relevant and part of the action. Because what the Commission said is well the individual contracts are the basis for building up the airlines and that's what's got to happen. The federation can be considered to have possibly part of this if they do these things. One, if they drop their embargo on their members signing contracts with the airlines. And then the second and third points being that they accept the guidelines and the decision of the Commission. Now if they'd done that, they'd said alright, ok, we've played our cards, we've lost, we want to be part of the game, if they'd said that then the Commission could've given them a role. But they refused to do that and so they've dealt themselves out. I must say this that I never wanted to be vindictive about the pilots individually but I must say in regard to their leadership if I look back over the whole of Australian industrial relations history I find it impossible to remember a situation Margaret in which a leadership of an industrial organisation has so grievously harmed their members. Because look at what they've done. They've cost them their jobs. For those who do go back they've cost them their seniority. Thirdly and very importantly, they've cost them their redundancy. Because if they'd stayed in the airlines and there'd been productivity negotiations and pilots had become redundant then the airlines would've had to pay them significant redundancy payments, the golden handshake. But by telling their members to resign they've lost all that.

PEACOCK: But politically could I put it to you that at the start it was a very good issue that you could go in hard on because 30% to any Australian - and recent polls show that only two per cent of Australians actually support the pilots' federation - 30% is really over the top. It's a very safe issue for you to go in when you're calling for wage restraint everywhere else. It also suited the airlines. I mean the silly pilots came up against a government and massive airlines. From the start they really couldn't win as far as I could see. But it suited the airlines because of deregulation and the restructuring that is now going on in the airline industry.

PM: It suited the airlines but they didn't want the fight. The airlines wanted to negotiate. They wanted to negotiate within the guidelines from the Commission. But it was the pilots who said no. I pleaded with the pilots at the very beginning. I said negotiate. Do what every other group of workers in the country has to do and that is to negotiate. Workers and professional-type workers around the country are doing this. They are negotiating within the guidelines and able to get quite significant increases. But the pilots said no. Now as you rightly say the airlines, while they are suffering very grievous losses while it's on, taking the longer term view are going to be better off. But that's not the course of action they wanted. They did want negotiation. So did the Government.

PEACOCK: But what about my first point there that it was a good political issue for Bob Hawke to campaign -

PM: I didn't say here's a good political issue. I mean it was rather, this was my view. I knew Margaret that if we didn't oppose, and oppose fiercely the pilots, then we were on notice. It was perfectly understandable from the rest of the trade union movement if the pilots were allowed to get 30% by exercising a muscle, they said that's the end of the game. We will say to everyone else whose got the muscle, ok well you go and get 30%. I knew that was the end of the economy. You just can't have a wages break-out like that. So it wasn't just the pilots. I mean if you'd been in a situation where you knew it was just the pilots, just the pilots and no-one else, it wouldn't have any effect, people might have said oh well we'll put up with all this kerfuffle, I still think I would've opposed it. But the critical issue was that we knew if the pilots were allowed to break through for 30% it was game, set and match. The economy was finished.

PEACOCK: Bob, just back on the airlines for one little bit more and that is the compensation that you're paying to the airlines. First up, how much have you currently paid the airlines and if the strike goes on and on it could cost the Government millions and millions while the travel industry is falling apart.

PM: There are two things about that. I just don't know what the precise figure is now Margaret. But these things should be understood about it. It is not compensation for their losses. So they're not being distinguished from the tourist industry in that. It was simply that we had a situation that if the airlines had stood down the other non-pilot employees, as would have been the sort of thing that would've normally happened, then two things would've happened. One you just couldn't have built up the, you couldn't have had the structure for building up the airlines again and two there would've been a breakout elsewhere. So there was a decision made that the airlines, not being able to stand down their employees without those consequences, we would compensate there. In the tourism industry where they

didn't have jobs they were able to stand down their people. That was something that the airlines couldn't do. But as far as the tourism industry is concerned, they came to see me. To their great credit they said we don't want compensation. They understood the distinction. They said quite specifically to me we don't want compensation but what we do want is assistance for rebuilding the industry when the dispute is finished. I said well you'll get that. So what they are doing now is they're putting up proposals and a number of sections of the tourist industry are going to be doing this. They'll be putting up proposals to me for how the Government can assist in the sort of advertising campaign that will build the industry up. We will help them in that way. Because what we've got to understand is that the great attractions of Australia as a tourist destination, both people from overseas and for people within Australia, that they remain unchanged. The Barrier Reef's still there, the Rock's still there. All our natural attractions are still there. Once the airline industry is back and running fully, as it will be, then the tourism industry will build up. What we can do is to accelerate the knowledge and understanding of people that it's all there and ready to go again.

PEACOCK: It could be too late for a few people who've gone out of business. You mentioned the standdowns and the fact that the airlines can't stand people down and I can understand the logic in keeping the airlines going and helping the travel industry. But there are a lot of people who have lost jobs. When you mention that the travel industry can stand down people there are thousands of people out of jobs and even with the collapse of Christopher Skase for instance -

PM: The collapse of Christopher Skase has got nothing to do with -

PEACOCK: He mentioned specifically the pilots' strike.

PM: Christopher Skase may mention it but look, no, there is no economic analyst who will give you a moment's thought on that. Christopher Skase hasn't collapsed because of the pilots' strike. Now in regard to people who have been stood down it's true some people have suffered. But what I've done there Margaret is to write to the banking industry and to the finance industry, and I've got positive responses from them. I've said where people, small enterprises are in a situation where they need to be accommodated financially, please do it. I've got a positive response from the banks and finance industry on that. They are prepared to do that. So that where an operator is really financially stretched as a result of the pilots' dispute they can be accommodated. The important thing is too that they should understand that the industry is going to come back and is going to come back

stronger. Because what you've got to understand is that with an airline industry which is going to be operating with that significant improvement in productivity and efficiency, that will mean as you look through time the actual fare structure will be at a lower level than it otherwise would've been.

PEACOCK: I'd love to see the fares go down for a change. But we talked to Ben Sandilands, the travel writer for the Bulletin the other day. He said there was no hope of getting the travel industry back together and operating before 1993.

PM: Well, I just don't agree with Sandilands on that.

PEACOCK: OK, well you'd beg to differ. On the economy, main question. I said to one of the young people in this office today 'if you were talking to the Prime Minister what sort of question would you like to have the answer to'. She came up with, a young 20 year old, interest rates.

PM: Yes, sure. Well, there always is a problem. I hate to sound like a professor of economics when I answer this, so I'll try and put it in language which -

PEACOCK: Yes, don't talk like Mr Keating.

PM: Yes, sure. Well, I'm not talking about Paul, but I do want to put it in terms that that lass that you're talking about would understand. So, I'll try not to be technical. Let me put it this way. Interest rates, very simply, are the price of money. That's what interest rates are. Money that you want to borrow, that's the price you have to pay to borrow money. You borrow money to actually play some part in the economic process, either to help run .... you're running a business or you're buying a house or you want to purchase some commodity. But in some way or another you are playing some part in the economic process and you've got to borrow money so you've got to pay a price for that money you borrowed. Now, what we've got in Australia at the moment is a situation where too many things are happening in the economy. The level of activity, that is people who've been building that many houses, they have been starting that many areas of activity, doing that many things that we, with that level of activity, were sucking in, bringing in from overseas a level of imports that we're not able to pay for by what we export. So that means you just can't - you can do that for some time because you borrow and you can do that for a while - but you can't go on doing that for ever and ever. So, what we have to do is to get that level of activity down somewhat so that the level of imports that's coming in we can afford to pay for. So that what we've got to make the price of money a little bit higher so that people will marginally not make the decision to do that, undertake that activity or buy that thing so that it will bring things down. Now that's - if we didn't do that, I mean, I think I'm a pretty intelligent guy, pretty intelligent politician, I'm not doing it for fun. I mean,

high interest rates hurt Prime Ministers. No doubt about that, but the simple fact is, and you can explain to this lass, if I just made the price of money cheaper and she was able to go off and buy more things or buy another house or 'do something like that then, it might sound nice for a moment, but before long she'd be much worse off because if that happened the economy simply would collapse. We'd have that many imports in that our exchange rate would be destroyed, interest rates would go through the roof and the whole economy would collapse.

PEACOCK: But can you see how we all, listening to you, the banks put up the interest rates, the Government's talking to us about how greedy we are buying all these things -

PM: It's not a question of greedy.

PEACOCK: But what I'm trying to say is that the people who are paying the interest rates, who are just expected time and time again to cope with one percent rises here and there and it's been a fair percentage over the last year or two -

PM: Yes, it has. It's gone up.

PEACOCK: .... to find the money and they're looking at a bank that's supposed to be lending them at fair and reasonable rates and a Government that's blaming them for their consumption.

PM: No, it's not - I'm not blaming them. There's no suggestion on my part, Margaret, that I'm blaming anyone. I'm simply saying that as we came into 1989 and out of last year, judgements were made by the economists in Government and in the banks in the private sector about what sort of level of activity would be. None of us really anticipated that the level of activity would continue to be so high. So we've had to, in that situation not say look, we blame anyone that you're doing too much. We've simply, if we're going to protect the economy we've got to make sure that everyone's activity is dampened down a bit. That's why I've had to say and it's not just interest rates, that's why in the area of wages we're keeping the lid on wages. I've had to say to the pilots you're not getting 30 percent. I've had to say to members of Parliament, you're not getting the sort of increases that you thought you were going to get. I've stopped the Parliamentary increases in levels they thought they were going to get. We've had to say to everyone, come on you've just got to dampen down a bit because if we all don't do that then the economy will collapse. I mean, no economy can simply keep saying you can buy everything you want, have everything you want to do if you're not producing it yourself and you're just getting it from overseas and borrowing to pay for it. You've got to be able essentially, essentially you've got to be able by what you export to pay for what you've got to import. That's essentially what you've got to do, you can't keep borrowing for ever. That means all of us, without blaming anyone, without blaming members of Parliament for wanting more or



blaming the lass that you're talking about for wanting to buy a better house or something like that. It's simply that all of us have got to reduce our expectations a little bit, not a great deal, but a little bit. That means, for a while, interest rates being up where they were. I can tell that lass out there, as soon as the day comes, as soon as the day comes where we can see the evidence that the level of activity is levelled off and it's coming down a little bit, then interest rates will come down.

PEACOCK: Well, you said that in February this year in Perth, that interest rates would fall this year. They've gone up and Paul Keating is saying they'll stay there until next year.

PM: Well, what - people are trying to say that Paul said that they wouldn't come down before June next year. He didn't say that. What Paul has said is consistent with what I've said. We've both said we will keep interest rates as high as they need to be for as long as is necessary to get that level of activity down a bit.

PEACOCK: So it could be well into next year. You're not saying it won't be.

PM: No, but what I'm saying is that the financial community must know, both within this country and overseas that we are not going to play fast and loose with interest rates. In other words, they needn't, don't think that because there's an election coming up I will be irresponsible by interest rates and bring them down before it's responsible to do so. But if we see the signs that through the various economic indicators that all of us, as a result of interest rates and wage compression and so on, as a result of all those things, the level of activity is coming down, then interest rates will come off.

PEACOCK: What about your, the Reserve Bank agreement with the four major banks. What was the purpose, what is the agreement, what have they promised in return?

PM: They've agreed, in that situation where we - let me go back one step so that you can understand. We've got these things called non callable deposits and when they were set up there was a, sort of a, punitive rate on them. They only got paid at about five percent on that as against what they could get in the market .... Now, with the rise in market rates, that penalty rate was widened. So what we did is to restore the gap between what it was when we first put them in and now -

PEACOCK: Why?

PM: Well, because there was no reason to impose a further penalty on them. I mean, we thought that the housing sector had really made enough contribution, there had been a flattening off in the housing sector and we didn't think there needed to be any more there. So in return for having

that sort of gap restored to what it was before, the banks said alright and they undertook not to increase mortgage rates.

PEACOCK: So they actually said that the mortgage rates in those four major banks will stay at 17 percent?

PM: At the level that they were because they had been compensated by the restoration of the differential that existed at the beginning of the non callable deposit arrangement.

PEACOCK: For how long?

PM: Well, that will go, obviously go up to the end of this year and I think we'll have a situation where, I believe, that you've had the peaking of rates. What's worried people obviously through this year is that mortgage rates have, as you referred to before, they've gone up and up. I think we can say now that they've peaked. I think that there is evidence coming through, it's not conclusive enough yet right across about what's happening to the general level of activity but I don't believe that we're looking at an increase in rates now.

PEACOCK: And yet the State Bank here in Victoria, not part of the system of course, the big four, has indicated that they thought interest rates would go up.

PM: Well -

PEACOCK: I mean, they're outside that agreement.

PM: They're not outside that agreement. I mean, why it applied to these major banks they were the ones who had the non callable deposits who had the penalty attached to them. So it's logical why -

PEACOCK: Just getting back to you saying that the interest rates have peaked -

PM: Well, let me say about that, I mean, I don't want to be misquoted on that. What I've said is I think on the evidence that's available, Margaret, that we are not seeing now the level of economic activity continuing to grow. I think the evidence is coming that it's flattening, but the basic thing I want to say to, not just to ordinary people and voters out there, but what I'm saying to the financial markets too, is that we are not going to go sloppy on interest rates. They are not going to come off a day earlier than they should. I'm simply saying that on the evidence I don't believe that we're looking at any need for a further increase. I think, if anything, what will happen is the level of activity will lessen, the general economic activity and it's within that framework that you can see interest rates coming off. But they are going to stay up there as long as is necessary until we make that judgement.

PEACOCK: So you've got the guarantee from the big four that interest rates will stay about the same with your compensation or your giving back that money till the end of the year. But there's no control over the other banks or the building societies?

PM: Well, that you've got the situation, as I said before, they haven't got the same penalty as .... part of their base and it is a reasonably competitive situation so I think that, you know, generally speaking you can look at mortgage rates being stabilised. But I say that within the framework of the general answer. I've got to be cautious in that statement, Margaret, because the markets look very closely at what Prime Ministers and Treasurers say and it's very important that they understand what I've said and I repeat it, that we're not going to be sloppy about interest rates. I mean, there'd obviously be a temptation for some people not for us because we are pretty rigorous in the way we do these things. But there must be some sort of temptation to say 'oh well, wouldn't it be nice, you know, if we could bring interest rates off'. People would like that. Well, I'd like it too, but I'm not going to do it before it's responsible to do it.

PEACOCK: Well, I really appreciate you spending some time with us today. I haven't covered half the things I think I wanted to but I know time is pressing. I just wonder in a political sense it's sometimes not easy to keep a track of your words. I'm wondering if some of the statements you've made, whether you regret things. Like the child poverty statement, interest rates coming down statements, the billion trees planting statement, perhaps the flying hours that you had to do to become a pilot statement and putting your credibility on the line over the pilots. I'm just wondering if you ever just, sort of, feel a smidge sorry that you said something?

PM: Of course I feel, you know, there are some things that I've said before I was Prime Minister and since I've been Prime Minister that I, in retrospect, I would have preferred that I'd said differently. My God, I mean, wouldn't you be totally dishonest if you didn't concede that. I mean, if you didn't concede that you're saying you're perfect and I've never made that claim. For God's sake there's too much evidence to refute it if I tried to.

PEACOCK: The child in poverty -

PM: Well, I'm glad you .... let's go to that. What I regret about that is that the actual phrase in the speech, the election speech, was not the phrase which was in the fully developed document. In the attached document with the speech what was said that there'll be no financial need, but now we shortened that, there'll be no child .... in poverty. Now that, I believe, was unfortunate because what we were saying is what, all that a Government can say. As I've said, no politician could say 'no child will live in poverty'. I mean, I could provide \$1000 to every low income

family and create a situation, no financial need, but that still wouldn't mean that because a kid ran away from home or because the mother or father just went and, you know, did the wrong thing with it that there wouldn't be situations of poverty. What I was saying and what was spelt out in the full attached document that we would make decisions, Margaret, about making financial assistance available which would mean there would be no financial need for any child to live in poverty. Could I just -

PEACOCK: I've seen both of those statements and I realise that you said no need for a child to live in poverty -

PM: No financial need.

PEACOCK: And also no child will be living in poverty -

PM: Yes. That shorthand phrase in the speech I consider, in retrospect, was unfortunate. I mean, we should have spelt out in the detail of what was all that a Government could do. That is, look after the financial side of it. Now I'd just like, if I could, refer to, you know, the acknowledgement, the acknowledgement by the welfare industry that I've kept the promise that I made. I mean, without being exhaustive about it, just let me go to what's been said on that.

PEACOCK: That doesn't really -

PM: Well,

PEACOCK: I mean, I'm just gratified to hear that you regret that shorthand statement because, of course it was a very famous one. We've got to let you go in a minute Prime Minister. I just want to ask you -

PM: Just let me quote two of them. This is from ACOSS -

PEACOCK: Yes, I know ACOSS.

PM: 'The Prime Minister is correct to say that he has achieved the financial benchmarks for children and this is a major achievement'. I mean they are saying that and I think just the last word from Bishop Peter Hollingsworth where he refers to what we've done the achievements of what we promised and he said 'these reforms are too important to be caught in the crossfire of political conflict. The Opposition ought to openly acknowledge the merit of such reforms and move towards a more bipartisan stance on welfare policies for children'. I mean, we are now, Margaret, paying out over \$2 billion a year and we've indexed these things. I mean, this is the absolute enormous dimension of our achievement, recognised as having done something that's been done nowhere else, matched the benchmarks that we set so that there is no financial need for a child to live in

poverty. We've met that target ahead of time. What Hollingsworth is saying, this is enormous this achievement and he's saying to the Opposition 'for God's sake don't be so damned petty, acknowledge the magnificence of this achievement and get into a bipartisan situation on it'.

PEACOCK: Election? When can we expect that?

PM: Well, if you look back over all my statements it's quite clear that I've thought that 1990 is the most likely time and I think that's still the case.

PEACOCK: Another couple of terms for Bob Hawke?

PM: Certainly -

PEACOCK: (inaudible)

PM: .... busy time up in Malaysia and back here, but I still love it. I'll lead the Party into the next election. I believe that we'll win the next election, Margaret, and I'll lead the Government through that full term and then, you know, we can look at it after that.

PEACOCK: Bob, lovely to spend time with you and I know that time is very precious for a Prime Minister and I appreciate it all the more for that reason. Thank you.

PM: Thank you Margaret. It's always a pleasure to talk to you, thank you very much.

ends