



## PRIME MINISTER

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JOURNALIST: Over the last couple of days, Prime Minister, there's been more talk about the possibility of an economic statement in the early part of next year. Previously you indicated that the Government will be making a statement about wages principles after the talks with the ACTU. Can you give us any indication as to whether the Government now wants to go further than that?

PM: No I can't. I have nothing really to add on that, Paul, to what I've said before. I just simply state the obvious facts of history as relevant to the future. That is that we have made decisions about statements in the simple terms of - is it necessary for stating, articulating Government policy? We've done it when that's been necessary and to outline any new decisions. If, as we come up to that period, we judge it necessary to act as we have in the past, we will do so. No such judgement has been made at this point. I wonder, having answered that question .... if I could make a general point which I think, Paul, is relevant to the question. This talk, as you say, that has been growing about the desirability or the proposal or the necessity of some economic statement, there seems to me to be in some sense a misunderstanding the factual situation which is that the stance, the existing stance, of Government policy is firm and is producing the appropriate results. We've got very, very firm fiscal policy, we've got very firm wages policy and, obviously, we have very firm monetary policy. I've explained that .... monetary policy is necessary in conjunction with the other two arms to produce a levelling off of the degree of economic activity so that we can get a more sustainable level of imports. I've also pointed out that if you look at the composition of imports, that we are entitled, as a nation, to be very satisfied with the future implications of what's been happening in that structure of imports because they are being used to restructure Australian industry in a significant way. I simply go to those points to say that the Australian economic picture is basically sound, although because of the application of a tight monetary policy it is undoubtedly hurting some people. And that

we acknowledge and we want, as soon as it is responsible, to be able to ease that policy off. As I've said before, that will be done but not before we are convinced that there has been a sufficient levelling off of activity. So I say all that to make the point that I don't believe that we are in a situation where existing policy is not relevant and working.

JOURNALIST: Prime Minister, .... concede that such a statement would give the Government a political circuit breaker, would help the Government to regain the political initiative in the rundown to an election?

PM: Well, let me take the last part of the question first, Paul, about regaining the political initiative. I don't accept that we've lost the political initiative. I mean, let's analyse the evidence on that. I mean, you don't need to be a political genius, I think, to read the political situation at the moment. That is that the Government is being hurt in significant sectors of the electorate by the level of interest rates. I've not attempted to disguise that fact either in the Parliament or outside. But the remarkable thing is that in that situation the major parties, on any analysis, are running neck and neck in the polls and if you look at the latest test in South Australia, I mean, everyone rushed to judgement and said devastation federally. OK, that's interesting because when you do the analysis of the South Australian poll, on a federal elected basis, no loss of seats. We would win back Adelaide, comfortably win back Adelaide, Liz Harvey in Hawker would go down marginally by just a few hundred votes, but I would suggest that in a federal election if it was .... if she was the issue that you'd hold that. So you could argue that not only no loss of seats, but getting one back. In other words, what is emerging is that we are being hurt - not suggesting there wasn't a swing - of course there was, but we are being hurt by the level of interest rates, but the electors are showing they are not prepared to embrace the alternative. And there is little wonder because its policies are a prescription for economic disaster and their leadership is entirely unconvincing. Now if we stick to the analysis and prescription that we've got, that is that we've got to bring down the level of activity somewhat by the mix of tight policy that is in place that produces the results that I think it will, then we are going to be vindicated in terms of steadfastness and relevance, against an alternative which is a disaster and is being revealed by their own people now as a disaster, that it's at least another three years of the same level of interest rates. Of course it would be even worse.

JOURNALIST: Prime Minister, when you talk about an easing of policy, are you just talking about an easing of monetary policy, or the other arms of policy?

PM: I was referring particularly to monetary policy. But let me make it clear so that there can't be any taking out of context, I'm not saying you would, that was referred to in the context of being convinced that the combination of the existing three arms of policy had produced the levelling off of activity that would be required responsibly to have that easing off of monetary policy.

JOURNALIST: Mr Hawke, when would you have to decide you were going to have a February/March statement .... before Christmas, and, secondly, you seem to be implying that a statement meant some sort of change of policy. Surely you could have a statement which was simply reinforcing policy and setting out future directions?

PM: There's lots of things, lots of things that you could have in a statement. I don't know that you need a statement to set out future directions. I'll be having something to say about that, I think at the Press Club next week. I don't think I need a statement in February or March to set out new directions. I've really got nothing, Michelle, to add to what I had to say before. We will have that statement if it's judged appropriate and as to when I would make the judgement as to whether it was appropriate, well I can't say whether that would be in December or January.

JOURNALIST: Prime Minister, would you expect the various mortgage relief schemes being promoted in Queensland to be financed entirely within the State's finances, whoever wins on Saturday?

PM: Yes.

JOURNALIST: Mr Hawke, don't you see separate .... State schemes, mortgage relief schemes as being counter-productive to you in national economic policy and wouldn't it be better to have, if you are going to have separate State schemes, wouldn't it be better to have an overall national relief scheme?

PM: Well, there's only two States in which it's been an issue. So you're not in the situation of all the States saying it, therefore if all the States are saying it, isn't it better to have a national scheme. This is an issue on which, very few of them, and probably at one with the Leader of the Opposition, take the view that it's a matter for leaders of the States or potential leaders of the States to make a decision on their assessment of their State capacity to undertake a scheme they believe they can finance, it's a matter for them to decide.

JOURNALIST: Mr Hawke, would you be happy to go to an election with interest rates at the present level and how much of a likelihood is this?

PM: Well, I can't answer the latter part of the question because I'm not going to predict what they'll be. But the answer to the first part of your question is obvious. I'd prefer to go to an election with interest rates lower than they are, I'd obviously prefer that.

JOURNALIST: Mr Hawke, what hope now for a settlement .... what hope is there now for a settlement of the pharmacists' dispute and how much damage is it doing to the Labor Party?

PM: Taking the latter part of the question first, I don't perceive that it's doing an enormous amount of damage. It's not helping, obviously it would be silly to say that. As to the first part of your question, Peter, what chances are for the settlement, I don't think that it looks as though there can emerge an agreed position. What we have done in the last few days, within the framework of the Riordan statement and in response to approaches that we'd had from a significant section of the chemists was to sit down with that group and see if there was the possibility of getting an agreed position that we could put to the Tribunal. We reached that position with the West Australians and they believed that they could get support of the rest of the industry, well I accept that they attempted in good faith to do that, they weren't able to get it. So we will be reporting the position to the Tribunal today and what develops obviously is a matter that can emerge out of those proceedings. It wouldn't be proper for me to try and pre-empt or pre-judge what might happen there, other than to say this. That there doesn't seem to be amongst the executives and leaders of the pharmacy industry in the eastern States at least, any preparedness to attempt really to get an acceptable common position.

JOURNALIST: Prime Minister, do you think the Government is being hurt by the pilots' dispute?

PM: No, I don't believe so. All I can say is, as you know, I go around the country a hell of a lot, expose myself to the people for what they've got to say and I can honestly say to you that overwhelmingly, when this issue is raised, overwhelmingly it is 'do not give in to the pilots', that they, the people, understand that if there had been an accommodation by the Government of .... 30 percent demand, that it would have been entirely destructive. So I don't believe we are being hurt, but let me say this further, even if I believed that we were, I would not alter the Government's position which I emphasise is simply this. That is that the pilots should do what the Industrial Relations Commission is saying they should do. Very simple, accept the three conditions, that is lift the embargo on their members flying, secondly, accept the decisions of the Commission, thirdly, be prepared to abide by the guidelines. Having done that, accepted those three conditions then apply to be bound by the award and thirdly, if those first two

things happen, then they are in a position to argue, as they are perfectly entitled to do if they believe the existing award which is based on the contract is not appropriate, then, in those circumstances, they could argue for a variation of that award. So that's what I believe should happen.

JOURNALIST: Are you optimistic that it will happen ....

PM: I can't predict on the basis of the AFAP's behaviour to this point - I wouldn't make any predictions about what they would do. But let me say this. For the sake of their membership I hope they do because the indisputable fact is that the Australian airline industry is being rebuilt, and substantially rebuilt. It's happening on a continuous basis. In the first part of 1990 it will be back to normal operation. It regards itself as being in a position to handle the Christmas demand. So that is happening. The longer that the AFAP - on behalf of the members that it still has - the longer it stays out of the process of that rebuilding then the more certain it is that they will have no place. So I do not want now, nor have I ever wanted at any stage, to be vindictive in regard to the AFAP or its members. At all points I've said go back in. If you don't it's disaster. So I'm constant in that. I say take the opportunity and the process and the avenue which is offered by the Industrial Relations Commission. And from the point of view of the AFAP and its members the sooner the better.

JOURNALIST: Prime Minister, on the wider issue of industrial relations, do you believe that there should be an enshrinement perhaps in legislation of the right to strike -

PM: I answered that question in the Parliament yesterday. I gave a full answer in the Parliament yesterday. If you want I'm quite happy to give it again. I'm not avoiding it. It just seems to me a waste of time. But I'll do it. I'll give the answer that I gave yesterday. The point that I made in the Parliament yesterday was quite straight forward. There is a right to strike in this country and it's exercised. We have in this country an industrial relations system operating under the Industrial Relations Commission umbrella in which almost on a daily basis around this country you'll find some direct action. Let me put that in the context that under this Government industrial disputes have declined by 60% as compared to our predecessors. But nevertheless you have a system where industrial action can be taken, is taken. But you have a system which provides a method of resolution for those disputes without recourse to the civil courts. The decision that was taken in the Supreme Court creates no precedent, makes no new law. That's by definition. It's always been there. Now there is the position where the union involved, the AFAP, was warned by the trade union movement, by the Government and by its employers that if

it went outside that system where protection was provided and deliberately exposed itself to that possibility of civil action then that could happen - and it has. What must be understood, it was that federation which was seeking to destroy the very system which provides the protection where there is industrial action. They said no, that system where there is the protection, if people take direct action, we are going to destroy that. We won't have a bar of it. We're going outside of it. And consciously may well destroy it. Now they've sought to destroy a system and then complain about the fact that they are being hurt by it. So nothing in that sequence of events creates any reason for saying that we should change what existed before.

JOURNALIST: Mr Hawke, if the pilots did capitulate this ... do you think there'll be any problem in ... Ansett to deal with them?

PM: Could I just make a point. I wouldn't use the word capitulate. I've said all along that I would not be claiming in any outset, in any outcome of this confrontation that's existed in the airlines. If the pilots make that decision I won't be describing it as capitulation or victory for us because I don't think using language like that, that it is useful. But the facts of course are Michelle that if the AFAP does that then the companies being bound by the Commission have no alternative but to be in a negotiation, conciliation, arbitration situation. Because if those three steps were followed, that is they accepted the three conditions and sought to be bound by the award and were granted leave to be bound by the award and then made an application for variation, then what happens in the Industrial Relations Commission ... if you make an application of variation the Commission calls the parties. And the airlines are parties. So you would have the AFAP - if the Commission makes a decision ... party called in, the companies are called in. Of course they'd be there.

JOURNALIST: It would be a bit of a mess wouldn't it...

PM: How would it be a mess? They are the ones who - I just simply do not understand what you're saying. How could it be a mess? They have said all along that they operate within the Commission. That's what they've asked for - to operate -

JOURNALIST: ... recruited a number of pilots ... deal with -

PM: That's not a mess. The mess is not for the airlines. How can you possibly say it's a mess for the airlines? I mean what sort of logic leads you to that conclusion? They are the ones that have said we operate in the Commission. The AFAP has got their members to resign. So the airlines have no AFAP members as a result of the AFAP decision. Airlines ... about the decision

have recruited and recruited substantially. Now the realities therefore for the AFAP is that they would be dealing with employers who now have significantly lower numbers of vacancies. Now how you describe that as a mess for the airline I just really don't understand.

JOURNALIST: Do you think that the high profile that you've taken in handling this dispute has contributed in some way to your decline, the decline in your personal standing in the opinion polls?

PM: How can you measure these things? I would think perhaps it has in some quarters. I know in other quarters that people have applauded me for my handling of it. So I can't weight it. I guess probably some people haven't liked it. I accept that. But as I said also in an answer to a previous question. People don't like high interest rates. So that probably hurt a bit. I just don't really know what the mix is. All I can say is that the positions and policies that have been adopted have been adopted on the basis of what's right for the country. I wouldn't deviate from that. I'm not going to be chasing popularity in terms of saying well if I did this a bit differently but it meant not doing the right thing, I'm not in that sort of caper.

JOURNALIST: Yesterday Mr Peacock refused to give a timetable for when his policies would lower interest rates. He spoke about perhaps the full period of office, three years. What's your timetable?

PM: Well I'm not going to put a day or month on it. I simply am going to say in regard to the comparison with Mr Peacock that he is right to say it might take three years or more. I am right to say it would take significantly less under us. For the simple reason that his policies, as I have spelt out in the Parliament on a number of occasions, inevitably mean higher interest rates. Don't be surprised by the fact that in the last couple of days you've had the Leader of the Opposition and the Shadow Minister for Finance and the Shadow Treasurer being forced into these positions. It's not just some sort of accidental gaffe - although I know that their Queensland colleagues would gladly shoot them - but it is the result of the remorseless exposure of the economically inevitable consequences of their announced economic policies. Because if you - you don't have to be much advanced beyond first year economics, if that far, to understand - and I know you're well advanced past that - but you don't have to be very well advanced past first year economics to understand that if economic matters ... involve three arms of policy, as it does, and the Opposition are getting up and saying we will have looser fiscal policy, as they are, because it must be. I mean if you in fact, in terms of what they're saying, have a difference of about \$100 million but then don't take into account the enormous gaping hole in revenue from the abolition of the capital gains tax, then what they do

about the \$800 million is another matter. But inevitably there's no analyst says that their fiscal policy won't be looser. So if you have looser fiscal policy, if you have looser wages policy - as everyone knows follows - if you abandon the centralised wage system and say everybody go and do an AFAP, then you inevitably have looser wages policy. Now as I say, just first week economics will tell you looser fiscal policy, looser wages policy, ipso facto two things. Tighter monetary policy and rising unemployment. So don't be surprised that these beleaguered people who have been subjected to this remorseless analysis of the inevitabilities have had to concede it.

JOURNALIST: Well Mr Hawke, in the context of the easing of monetary policy under your Government, is it possible to have an economic statement that doesn't tighten fiscal and wages policy?

PM: Well, all I am saying is that we are not going to be - our fiscal policy is set there and everyone knows it. You don't have the speculations about that policy ... enshrined in the Budget. So we see how that's operating. We will be discussing wages with the ACTU as we have done over the last seven years. Obviously we are not - it simply follows from some of the other things I've been saying here - we are not going to be acting in the area of fiscal and wages policy in a way which would not enable an easing of monetary policy.

JOURNALIST: Some people in the trade union movement may have conceded they've made a mistake in 1986 when they rejected the consumption tax. Do you think there's any benefits in that now in the current economic climate as long as you have trade-offs for inflation and you protect the disadvantaged?

PM: No, a consumption tax is not on the agenda.

JOURNALIST: By negotiating with a splinter group of pharmacists do you think the Government ran the risk of a) worsening the divisions within pharmacy and particularly making a dispute ... The very fact that the Government's now come back to offering to take a joint submission to the Tribunal, basically reinstating pay rates to before the Tribunal decision. Does that indicate to you -

PM: Eh, eh, eh, -

JOURNALIST: ... that it's time to start thinking about a whole new system of wage structuring for pharmacy and ... another avenue for ...

PM: Well, let's take the two parts of the question. Firstly, did we make a mistake in having discussions with what you've called a splinter group? It's not a splinter group. It was the West Australians who approached me



when I was over there in Western Australia and then out of that they came over here. They put to us that they had been talking with the rest of the pharmacy groups, including the Guild, and that in what they were putting to us they believed that if we could reach an agreed position with them that they, from the discussions they'd had with people from within the rest of the industry, that anything we could agree with them they would be able to get agreement with the others. So we didn't go into that in a sense of saying we're ignoring everyone else, we're just dealing with West Australia. It was put to us - and I think in good faith may I say on behalf of those West Australian people, I'm sure it was in good faith - they'd had those discussions and they believed that they would be able to get an agreement. In the event they couldn't. So that really is relevant to the first part of your question. We weren't seeking to say them with no involvement of the others. Indeed the basis of the discussion was that they would then out of those discussions go off and talk with the others. So I don't see any problem about that, although I notice that some people may be trying to beat something up out of it. But that doesn't worry me at all. Now, as to the second part of your question. We took the position that the \$4.20 that was operating from November 1 and we took into account, as a basis of seeing whether there was a possibility of getting an agreed position to go before the Tribunal so that the Tribunal itself from that interim position that we would've negotiated, it wouldn't have been a binding final position. An attempt to get an agreed position on the basis of which the industry could put its position fully for the duration of the inquiry. It seemed to us that you could live with the sort of figure that we were talking about operating from the 1st of January. Because if you took account of say inflation movement between the end of the year and in March 1 applied that, plus the fact that we conceived that we could apply some part of the \$60 million package to it, we could get an outcome of \$4.55 from January 1. But I repeat, on the basis that that was in the framework if you like of Mr Riordan's statement which was looking at getting a basis in which everyone would be going before the Tribunal, putting submissions and allowing the matter to proceed. So that was in that framework only of saying well here is an interim position that we could live with while the Tribunal then went ahead and conducted its inquiry. It doesn't of itself carry any implications as to what we thought the final outcome should be. That's the role of the Tribunal.

JOURNALIST: And you're quite happy with the system of setting remuneration for pharmacists as it is?

PM: To say I'm quite happy with it wouldn't be the way I would put it. I mean you say that but don't put those words in my mouth. I mean you could hardly be happy with a situation which has taken so long without producing an outcome. Let me remind you that way back at the

beginning of this year we were within two votes of the Guild of having an agreement. Had the negotiations and the discussions and we attempted to get agreement - couldn't get it. So then we had no alternative but as a Government to act in terms of the legislation of our predecessors. I remind you, we didn't pass that legislation. The previous government said that you had to have an arm's length situation. You couldn't properly work these things out and negotiations between the government and the industry so they established a tribunal. Not being able to get a negotiative position we said alright there's the Tribunal and went to it. Now they conducted a lengthy inquiry and came down with their decision. Now after that, as you know, when they brought it down, we then in talks with the Guild through Mr Matthews, we made a joint submission to the Tribunal and said we'll delay it for a month until 1 November to see if there can be further negotiations. The Tribunal did that. We attempted to have those negotiations, the Guild didn't cooperate and so then in those circumstances we developed the package, the \$60 million package. They haven't bought that so we're back now at the Tribunal. Now to say am I happy with all that, the answer is no. You'd be a bit of a thorough-going blue ribbon first class masochist to say you were happy with that.

JOURNALIST: Who do you regard, for formal purposes, as the voice of Australian industry and how do you feel about the change of venue to a phone booth for tonight's dinner?

PM: I woke up this morning, I hadn't been in bed long. I was working till about - I won't tell you how late but it was very late - till early this morning. I wanted to get a bit of sleep. I was woken up by a phone call and the first thing I see is that the body that I'm getting black tied for tonight - and it takes a fair bit to get me black tied I might say, it's not my usual sort of dress - and I find out in looking at a paper this morning that they're falling apart. So I don't know whether I wear half a black tie or just go in a dinner suit or what. But I hadn't heard this about a change of venue. I mean are we going down market?

JOURNALIST: No, you're going to the phone booth ...?

PM: We're going to a phone booth. Well.

JOURNALIST: Seriously, who do you think however, who do you regard as the voice in this day and age of Australian industry?

PM: Well the answer to that question is there isn't a voice. You recall - it's a very interesting question. At the summit in April of '83, I mean I was involved in saying to the business community for God's sake get your act together. Because obviously the Government was going to have an effective working relationship with the ACTU.

They were quite open. I said now I want to have an effective working relationship with the other side of industry. Get your act together. And out of that, directly out of the summit came the Business Council of Australia, But of course as you know, the Business Council of Australia is basically confined to the large companies. Now at the other side, you have had the CAI and may I say in the life of this Government if there's been one organisation of employers which has been - if I can say the political voice of employers in terms of fairly consistently taking an anti Government political line - it's been the CAI. It seems to be - according to this morning's Press - falling apart. Now let me say as far as the metal trades industry is concerned there is a clear voice there, you know the Metal Trades Industry Association. They speak with authority there for that very important section of Australian industry we have no difficulty. In other words, when we're dealing with that area of the Australian economy having a voice. But I unfortunately I think you just have so many - I think this is clear implication of your question - if you're talking about a voice for Australian industry of employers, there isn't one. I think that's unfortunate.

JOURNALIST: Mr Hawke, just going back to Rob Hadler's question, you said fiscal policy was set. Forward Estimates suggests that the Budget, on ... no change in Government policy, the Budget deficit, the Budget surplus would fall next year. Does this mean that you'll accept a fall in the Budget surplus and therefore no further cut

PM: I'm not prepared to say now what the outcome is that we will be aiming for. I mean I want to see, with this qualification, we're obviously going to be requiring a very, very substantial surplus. I've said and I think Paul has probably said too, that the judgement may be at a time when we come to consider it that we need surplus, the same sort of dimension that we need to keep at all for debt repayment, there's nothing there for any other purpose. Now we're not pre-empting that sort of position. I'm simply saying to you what I said beforehand that at the appropriate time we'll make the judgement as to whether there is a need for a statement and if so, the range of matters that will be involved in it. But I'm not simply saying at this point whether there will be, what would be in it and what actual Budget outcome we would be aiming for. It would be far too early now to be saying that.

JOURNALIST: Mr Hawke, do you agree that given its better international ... Ansett will emerge from the airline dispute significantly stronger financially than Australian Airlines and what implications does this have for funding Australian in the future?

PM: I can't draw that implication that out of the dispute Ansett will necessarily emerge the stronger. Of

course I guess that both of them have been - even before this pilots confrontation - that they would've been making their plans for the deregulated environment that comes next year. I'm not in a position to say who's planned better for that. But as to the funding of Australian, as you know those matters are under consideration by the Government. I've got nothing to add on that.

JOURNALIST: Is it not the case that Ansett's been able to lease an aircraft overseas to offset some on the costs ...

PM: Well they've leased aircraft, so has Australian.

JOURNALIST: I mean their aircraft in the United States, for example.

PM: Lease them out to -

JOURNALIST: inaudible

PM: Well I've seen reference to that and OK, so if they've done that I guess that's a relative plus for them, viz-a-viz Australian. But I would doubt very much whether that fact of itself is going to make the difference as to who's going to go into the deregulated atmosphere better. I mean you've seen over the last couple of years a very significant lift in Australian's performance. They were down relatively and as you know when you're talking between the two airlines, the percentage difference in the share of the market is reasonably minute but still identifiable in determining who's doing better. Australian had lifted its game very significantly in that period.

JOURNALIST: Mr Hawke, in your statement last -

PM: No-one seems here to understand -

JOURNALIST: Mr Hawke, in your Garnaut statement you commissioned quite a lot of work. Can you give us any indication as to when some of those decisions might actually be taken and just how wide ranging they might in fact be?

PM: As you know I announced some decisions on the night of the speech. The work has been commissioned already and I would expect some of the important decisions to be made quite quickly. I mean I'm not going to announce the day or the week but we are not looking at many, many months.

JOURNALIST: Does that include the tariff goal, a decision on that. And secondly, you referred to the airline funding decision. When would you anticipate that being made?

PM: On the first one, the tariff one, I certainly will be examining that and having consultations about that. Those processes will be underway. As to just precisely when decisions will be taken, I can't say. But I'm putting to you quite clearly that the work is underway and the Minister will be having consultations as we did before. So that process is underway. It's not helpful to say precisely which month I would expect decisions to be taken but we're not talking about long distance time scales.

JOURNALIST: So are we talking about December? Are you talking about this year?

PM: I haven't got anything to add to what I said. Now there was a second part to your question about funding. I don't know when those decisions will be taken. We're not under any pressure about it, don't feel under any pressure about it.

JOURNALIST: Before the election?

PM: Well, when's the election going to be?

JOURNALIST: You said in June last year that you hoped to resolve the issue before the election.

PM: We'll see. I just haven't had discussions with the Minister lately about it. That will come up on the agenda, the decision will be made when it needs to be taken.

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