



PRIME MINISTER

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JOURNALIST: Mr Hawke, as the first member of the Press to ask you a question, may I take the opportunity to wish you a happy birthday?

PM: Thank you very much indeed.

JOURNALIST: Could I ask you two questions?

PM: Yes.

JOURNALIST: The first one, we have reports in the paper this morning that the Indonesian Foreign Minister, Mr Ali Alatas, said there'd be further talks, Cambodian peace talks. Can you tell us what status Australia's proposal for a UN group to supervise elections will have at those talks? And, secondly, could I ask you that on reaching the age of 60, does that give you a new perspective on a compulsory retirement age of 60 for women and 65 for men?

PM: Well, let me take the first. Obviously, I think you will understand, that it's not open to me to go into all the details of some of the consultations and discussions that we've been having on this issue, but I can say generally this, quite precisely. That there has been a remarkably, in my judgement, positive reaction to Gareth Evans' proposal which he's advanced on behalf of Australia. But we are under no illusion about the difficulties that are involved in such a proposal. It hasn't been proposed on the part of the Australian Government in any sense that here is an easy fix. The concept of a UN administered body in that interim period - very difficult, but what you have to say against that is that every other proposal that's been on the table has proved equally incapable of bringing the parties to a resolution. Now I don't say that with any sense of pessimism, but rather that if we are realistically, as I say, as Australia going to understand our region and be part of not being reactive to it to try and help the shape, then we must first of all understand the nature of the difficulties, be prepared then to have a status and a capacity to talk with the major players involved. We have established that capacity. We are listened to with respect by the ASEAN countries and there has been, I may

say, within them a quite positive range of response to the proposal as there has been in other countries outside, including the French for instance and the United States. So what we will be doing constructively is to say, we're not trying to impose something because that would be stupid, it would be futile, but at least look and see whether this provides that necessary link. The whole problem about the resolution of Cambodia is to get that, that linking period between the state of conflict now and up to the conduct of free elections so that a properly conducted election can throw up a government which will be recognised and effective. It's getting that bridging point - how you have the affairs of Cambodia conducted in that period and allow that transition which is a critical issue. And Gareth Evans' proposal on behalf of Australia is relevant to that, it's seen as relevant, we'll continue to push it and I think with a considerable degree of support. Now, on your second question about retiring ages. I think it's fairly difficult to project to others on the basis of how you feel yourself and what you feel capable of doing yourself. All I'd say on that is that I feel very well, physically and intellectually and in terms of energy and any sort of retirement at this stage would be appalling for me. I think it won't arise. Let me make very briefly a serious point. I think the community has now got a somewhat different attitude about the question of retirement ages. If you look back to the beginning of the 80s, we were then plagued by massive unemployment, growing unemployment, the last year before we came into office another quarter of a million thrown on to the unemployment scrap heap. In that context people were then talking about the idea, well it makes more sense to try and get the elderly people in the workforce out to create more room for the young. But how things have changed. With the creation of about 1.6 million new jobs in this country, there's a change in thinking. The kids are staying in the education system much longer. Very, very much longer, more of them. And so the fundamental structure of the debate and the discussion about how long people should stay in the workforce has changed and I don't think the same sort of considerations about, sort of facilitating early retirement are as strong as they used to be.

JOURNALIST: Amanda Buckley from the Daily Telegraph, Mr Hawke. I want to ask you about the big swing against Labor at the South Australian election a fortnight ago. It's been overshadowed by the big win you had in Queensland, but it did seem to show a people very tired and fed up with the Federal Government's economic policies and I'm wondering how, in the new year, you're going to better be able to explain a very complicated message about why interest rates and falling living standards are in fact a good thing for people?

PM: I think, Amanda, that's for us, for the Government, a critically important issue. I have tried in a sense

today to adumbrate, if I can put it that way, the answer. Let me briefly, because I know there are other questions, go to what I think has to be done. As I tried to say in the speech here today, Australians have got to understand - and this is not just in terms of the election. It's true for us as we restructure the future. We've got to understand that there is, as I say, no one single yardstick. If we say interest rates are hurting us and make our judgement on that, then we fail ourselves. I'm not saying that it might throw me out of office or someone else, but we fail ourselves as a country if we just take that, that one judgement. Similarly if we just say debt is rising, make the judgement on that, you can't answer it. The Australian people have got to understand this, that what we fundamentally have to do in Australia is to restructure our economy. There's got to be more investment so that industry is re-equipped. If we allow ourselves to have a profile of exposure in the international trading system which flows from the fact that we overwhelmingly depend on exports of primary products and minerals, then we're doomed to further and further decline. So, if you're going to restructure the economy, that requires more investment. It's got to be the re-equipment of the Australian economy. It means Australians generally have to be prepared to accept the decisions which allow that to happen. Now how do you do it? And this is where you get back to the absolute centrality of wages policy. What we have done is to get a bargain with the Australian community via the Accord. And it's a bargain that in some obvious senses has been hurting. It's been hurting in the sense that real wages have moved down, but it's the very movement downwards in real wages which has meant the increase in profits. So it's moved from wages, the shares have moved from wages to profits, from profits to record investment and that's creating a basis for Australia's future. But in the process we've now got a level of economic activity which is so high that we're sucking in imports which, if we allowed that to happen, would destroy the Australian economy. Now, therefore, proper government must be about having the three arms of policy - fiscal policy and wages policy and monetary policy sufficiently tight to bring down the level of activity to a point in which you can get a balance between a sustainable level of imports and a rate of growth which will maintain employment. So the hurt, yes, is there in interest rates. As I've tried to say, the things that have allowed that to happen not only don't hurt, but they're beneficial. The massive increase in education participation, Medicare, the nearly \$10 billion additional programs in social justice on a per annum basis. All these things are part, they've only been able to have been done because of a reduction in real wages and those other moves. Now the question is Australians, not just in the context of the next election. Let me go beyond that. Australians must understand that those are the issues. I just take myself out of the electoral consideration Let's go past when it's going to be. If Australians don't understand

that in some senses you can't satisfy every aspect of your aspiration. You can't have rising real wages like that, the profit share going down and investment collapsing. You can't have everything. But what you must have is if real wages are declining somewhat then there must be the compensation in these other areas which are both beneficial in terms of families and are the building blocks for Australia's economic reconstruction. Now you are quite right, Amanda, that is not a simple message. But irrespective of the electoral cycle, it's a message which if Australians don't understand, if they fall for the alternative of this three card trick, that you can have everything, then Australia would be doomed. To put it in the context of the electoral situation, if they were to buy the Opposition policy, Australia is doomed because in the critically important area, that is of wages policy, well you saw the alternative Prime Minister, when asked the centrally important question about the future of this country, that is what will happen to wages outcomes, that's the central feature because if wages outcome go like that that the whole thing collapse. You know what his answer 'who's to know'. A devastating indictment of any alternative government.

JOURNALIST: Dennis Grant, Prime Minister, from the Seven Network. We won't let this occasion go by without giving our best to Mrs Hawke, of course, as well.

PM: Thank you very much.

JOURNALIST: My question is about an important aspect of the Australian economy.

PM: Yes.

JOURNALIST: The rise and increasingly, these days, the falls of our Australian entrepreneurs.

PM: Said with feeling.

JOURNALIST: I probably don't need to ... Are you concerned about authoritative evidence that more falls are on the way? Do you worry at the signals that it sends to the rest of the world? Are you in the least bit concerned about the havoc that it wreaks within the Australian industries involved?

PM: Thank you Dennis. Obviously it would be stupid for a Prime Minister of a country like this where you have entrepreneurs whose operations are not only within Australia but in a number of other countries to say 'oh well, I have no concern if some of them are in trouble'. Yes, I do have concern. Concern comes into two parts Denis. There is - you've got to ask yourself the question intrinsically what does a possible collapse of a particular entrepreneur mean for the Australian economy? Does that mean that you're going to have for instance an

enterprise closed down, employment lost and those sorts of things. So you must ask yourself that question. You've also got to ask yourself secondly now what sort of judgement will the international community make about Australia as a result of something like that happening if it does. So those two things you have to take into account. Now on the first, I would believe on the evidence - and obviously invidious and you don't intend me to go to particular individuals and empires - but as far as one can see in regard to the areas which would be in question, if the individuals concerned were to collapse I believe the enterprises would still go on. I think, if I may say so, in the television industry there may be a sort of fining down in some employment areas in numbers and in perks. And I know that that may be a matter of individual concern but it is not very relevant to the national economy. And I hope it won't colour any people's judgements who may be affected. But I'm making a serious point that I believe the actual enterprises would basically go on. So in that sense I don't think we need have a concern. As to the second point, the judgements that will be made by the international community. I think basically, if anything, there might be some smirks of satisfaction in certain places who've regarded Australian entrepreneurs as somewhat bumptious and intrusive. In terms of the judgements they'll make about the strength of the Australian economy I don't think it will be disadvantageous.

JOURNALIST: Bob Bowden, SBS Television, Prime Minister. Assuming your Government is re-elected at the election next year, you'll have the opportunity to make some important changes to your front bench. Would you foresee that Paul Keating would remain as your Treasurer for the entire duration of your fourth term or would you see it as appropriate, particularly in the light of Mr Keating's ambition to lead the Party, that he be given some wider experience perhaps in a change of portfolio?

PM: Interesting question. It's one which - in fact some time back Paul and I have thrown these ideas around. I think these points are relevant. He is an outstanding Treasurer and he enjoys Treasury. I've simply said to him that if Paul, you, would like in that period to have some further experience, of course that would be done. But the choice would be his because if he would prefer - as I think he would - to remain as Treasurer then that would be ok.

JOURNALIST: Laurie Wilson from the Seven Network, Prime Minister. You said a few moments ago that the fundamental task facing government was to restructure the Australian economy. You've been there for some time now and the Australian people might well wonder why is it taking so long? Senator Button told us yesterday that things aren't going to be too easy for another five or ten years. And John Kerin told us today that he thought that what Senator Button was reflecting a view that was

kicked around the Cabinet table earlier this week. Can you be open with us and tell us just how hard you think things are going to be for the next decade or so?

PM: You're running together two things there. You started off by talking about restructuring and so on as though things weren't being done there. Now Button wasn't talking about that. I just refer you again to that list that is available here about the restructuring that has taken place. It's been, as I say, unprecedented. The task, the fundamental task of restructuring the Australian economy has been and is being undertaken at a rate and a size of change unprecedented in this country. And I'll come to your second point about what Button said in a moment. But just let me make this point about the rate and size of change. You will have heard me say in the Parliament and elsewhere that for 30 of the 33 years before we came to office the conservatives were in government. They established the basic structures and attitudes and assumptions of the Australia that we inherited. And that 30 years of inaction, it really has two aspects to it. Of itself it created the necessity for us to grasp the nettle and move as we have in this unparalleled way. And secondly of course that 30 years of inaction provides its own demolition of the empty rhetoric that they now mouth about structural reform. Now on the other point about John Button's observations about the toughness of the period ahead, that should be seen in the light of what I've said today. I mean my speech has not been a bed of roses speech. What I am saying to the Australian people and I'll say this inside or outside an electoral cycle. I'll be continuing to say it when I retire - hopefully after the fourth Labor Government. But Australians have to understand the truth of what I've been saying about the dynamic changes in the world in which we live. Just let me very briefly make this point. What happened Laurie of course was that in that period after the war when I talked about that decade of lost opportunity, the conservatives thought it was all just going to fall into our laps. We just sold our wheat and our wool and our meat and then we found some more iron ore, we dug that up, shoved it off and all was easy. But the world now doesn't need, at the same price level, our agricultural products. We're battling to sell the damn stuff. We will because we're competitive and hopefully change the international trading laws. But the fundamental thing is for Australians to understand if they're going to have the basis ... maintaining and improving their standard of living then they've got to restructure the economy. They've got to create industries and sectors which are capable of beating the rest of the world in regard to imports and also to compete in the export markets. Now that's going to mean we're going to need capital coming into this country and what Button and others, including John Howard this morning who totally endorsed Button's comment - and he did it and I congratulate Howard for it. He did it in a non-partisan point-scoring way. He said

these fundamental things are there and are going to require Australians to understand that in the area of interest rates for instance, because we're going to need apples from abroad then marginally, relatively, our interest rate structure will need to be a bit higher. That doesn't mean that we can't have it coming down from the levels it is now. It will come down. But while those fundamentals are there, while we've got to restructure our economy, capital from abroad to help us in that situation while we've got levels of debt, then those difficulties will be there in relative terms. Now that's not something which is just understood now, or something that needs to be said in the context of the next election. Those things are absolutely fundamental if Australians, irrespective of partisan considerations, are going to come to the conclusion that they want to do what is necessary to provide the best future for their children. There's no easy cop-out.

JOURNALIST: Steven Burrell from the Australian Financial Review, Prime Minister. I'd like to take up the implications of what you just said in line with the comments of Senator Button, Mr Keating, yourself and now Mr Howard. It's clear that we're going to have at least half a decade of tight fiscal policy, tight monetary policy and very profound structural change. In other words living standards simply cannot grow at the pace that Australians have come to accept over the past 20 or 30 years. What implications does that have for the survival of the Accord and what sort of modifications may need to be made to it to make it relevant to your potential next term of government and beyond?

PM: Steve, that essentially was what a large part of the speech was about. The Accord is central to the achievement of overcoming that challenge and restructuring the Australian economy. Let me try and get outside the economic jargon if I can so that we get it down right to the terms of people. What life and the conduct of an economy is about after all is how do you best organise your affairs and your activities in a way which are going to give the greatest degree of satisfaction to the people in that society? ... books, but that's what economics and politics is about. Now you've got to ask yourself are you just doing - in Australia are we just faced with a situation where we could make a set of decisions to maximise happiness and the opportunities for fulfilment just within this group of 17 million people. Or is it the fact that we live in a world of over five billion people and we're inextricably interwoven with those, so that our capacities to satisfy ourselves depend upon how we interact with the rest of the world. Now when you understand that the answer is, of course, we are part of the world and increasingly so, then that determines and constrains the decisions that you can take. OK, now we'll get it back to the day to day life of our ordinary fellow Australians. They go to work. Basically people

in this country and we divide it into three groups in terms of how they derive their income or their capacity for satisfaction. Three, three groups. There are those who employ and so derive their capacity for doing things that they want to do out of the profit they derive as employers. There are those who are employed and, thirdly, and most importantly, which too often in the past have tended to be forgotten, there are those who for one reason or another are not part of the productive process and they derive their income that way, and that is the young, the old, the disadvantaged. They depend for their capacity, for satisfaction on what's the attitude of the community and the preparedness of the community to look after them. OK. In this Australia in which we live today and the Australia we're going to live for the next decade and the Australia that's going into the twenty first century, the capacity of the ordinary Australian who's employed, to have his aspirations satisfied can, if you like, in the immediate sense be determined by saying I will use my muscle if I'm in a negotiating position to grab a higher money wage. He will think that if he grabs a higher money wage, that's going to enable him to buy some more things which will satisfy him. And if you replicate that amongst all the Australians that are working, then what happens then very simple because the pattern of the past which would be infinitely sharper in the future is that that is a certain prescription for recession and for deep recession. It's what's happened before and the secret, I mean you look, you know the page of the Budget papers, what's happened is that we've flattened wages growth, we've said - not by diktat but through the Accord - we've said now there is the second way, the second way in which - this is what the essence of the Accord the essence of the Accord is there is another way of satisfying some of your aspirations rather than just getting a massive money wage increase. The Government is prepared, under the Accord, to do things which they will be able to do because of your wage restraint. Therefore, in this period that you're talking about in five years, there'll be even more reason for that to be done. I believe that the trade unions will do it because they will see that to have now 61 percent of our kids staying on in school is just about the most fundamentally important thing for them. We've shifted it, as you know, from the 36 percent of the conservatives to 61 percent and those kids that are staying on in the education system are predominantly now coming from their homes, from the homes of workers who previously didn't stay on. Now how do you measure, in terms of family welfare and decency and building blocks for the future, how do you begin to measure, ever, the importance that the kid from the working class family is now staying on in the education system and wasn't before and is now going to be able to go on from then into the 150,000 new university places that we've created, as against the 26,000 How do you begin to measure the importance, in terms of welfare for that family now and into the future and how do you begin to

measure the importance of that as a building block for future reconstruction? So people get their aspirations satisfied in more than one way. You can do it temporarily, but disastrously in the medium to long term by grabbing more money wages. But in a permanent sense, you are going to be directing your issues to the real concerns if, at a reduced level of money wage increase you enable profits to grow, to go into investment and create sustainable employment while you're training your kids, educating them, having a Medicare system which removes the blight of fear from not being covered. Looking after your aged, that third group, by putting another \$10 billion per annum into social justice programs. In that way the community is looking after that third group so employers, workers and those dependent upon the community get looked after. So the Accord is central, Steve, and I believe that people will understand it. Not suggesting it's easy to get the message across, but I say forget electoral cycles. If we don't understand that then Hanrahan's not far wrong.

JOURNALIST: I'd like to turn briefly to the millions of dollars that the Pilots Federation is potentially facing in terms of damages as a result of the Victorian Supreme Court decision, what's ... view of that decision a couple of weeks down the track and would you regard it as unduly provocative to the ACTU for the airlines to try to seek to collect that money given the support that the general union movement has given both to your Government in this dispute and also to the airlines?

PM: Thanks Jim. I want to answer quite directly a question there. I wonder if you'd excuse me if I just use that as a peg to hang a couple of observations about what's been happening in the airline industry and then come directly to answer that question. Let me say that if I look back on this now seven years of my Prime Ministership, I would think probably just about the saddest, one of the saddest parts of it has been this whole development within the airline industry, the claim for the 30 percent and the actions that have had to be taken to rebuild the airline industry. As I said in my speech, in that decade from, of the 70s, I think it's acknowledged that the essence of my approach to industrial relations is one of conciliation and consensus, trying to get people together. It grieved me more than I can say that in this circumstance I wasn't able to play that role. I mean, you had a situation where a group, and I'm not engaging in incriminations now, but you had a situation where a group made a decision that having benefited from the Accord that we've been talking about so much because they benefited, the reduction, negotiated tax reductions as part of the Accord, pilots they got the benefits of it. In the area of superannuation they've done enormous and so on. But they said no we are going outside the system. Now the simple fact was there that if they had been allowed to succeed with that claim, it wasn't just the 30

percent thing for pilots. We know and it was said if that is allowed to happen then the whole Accord that I've just been discussing with Steve was gone. That was not just the pilots getting 30 percent. That was the destruction of the future of this country that I've been talking about because the Accord was gone, if the Accord was gone then we were back into the awful pattern of the past. So I wanted them not to do it, I asked them not to and when they were absolutely committed to going ahead with that dispute and taking on as they'd promised to do in the, in February to take on the Government, the airlines, the Commission, the trade union movement, then firmness, toughness was necessary. I must say that, you know, looking back that perhaps at some point some of the language I used may have been better phrased - well, 60 years old? I mean, you can never, 60 years old, I'm not saying but in 60 years, I mean, if you could look back I guess there are many times which you would have phrased some things differently. But, OK, I don't resile at all from a fundamental point. The AFAP had to be opposed once that was their position because what you were fighting was the AFAP as such, but you were fighting for the Accord and I deeply regret that I, in those circumstances, there was no role for a conciliator. But now I come from that background, Jim, to your question. At no point have I wanted to see the destruction of the AFAP. I mean that would be anathema to my whole life, to talk about destroying a union. I think the airlines almost had to take the action they did and they had our support. But not from my point of view to exact retribution. What has come out of that case now is an independent judicial finding repudiating the pilots propaganda that here was some conspiracy between the Government, Hawke, the airlines. I mean that was always a nonsense, but the propaganda fed out, fed out, fed out. Now you have a judge of the Supreme Court saying that's wrong, if anyone was spoiling for a fight, it was the AFAP. Now I think it's fundamentally important that that has been established, but let me say this. I believe it would be wrong for the airlines to collect damages against the union and it will be my very strong recommendation to both airlines that they not attempt to collect damages against the union. What we need now is, OK they wanted to fight the system, that has been defeated. I think there's no doubt about that now, that's been defeated. The important thing is the great Australian airline industry be rebuilt and that we get decent relations back in there. That can happen, but imposing damages on the AFAP is not my cup of tea and I'll be strongly recommending to both airlines that they not proceed to try and get those damages.

JOURNALIST: Geoff Kitney, Australian Financial Review, Mr Hawke. In your speech you made no particular reference to the need for Australia to lift its level of productivity. Given that one of the great criticisms of the Accord is our poor productivity performance, is it

not the case that one of the great requirements for the 90s in Australia is that Australians work harder?

PM: Well, Geoff, it's always important to refer to productivity and I notice that the Leader of the Opposition, sort of shadow prime minister shadowing a Press conference because he's not too keen on, you know, actual ones, prepared a list of questions that ought to be asked and productivity was one. I'm not saying that you ask it for that reason. I mean it is a - no seriously, I mean, it's an important question. But I think these things need to be understood. If you look at what's been happening in Australia in the period since the mid 70s that there has been somewhat the growth in labour productivity and that's in line with experience in a number of OECD economies. But what you've got to understand in respect of this period of Government is that the very significant reduction in real unit labour costs, and that's at the order of 11 percent, 11.2 percent I think, that significant reduction in real unit labour costs has resulted in employers being able to use labour more beneficially with a given amount of, given amount of capital just by definition. What has followed from that, of course, is that that's clearly enhanced the total productive capacity by the stimulus that's been provided both to employment, to employment and to investment. So when you've had this massive increase in employment. If you have a massive increase in employment as we have had, and you know the dimensions of it, five times faster than before, twice as fast as the industrialised world. Then, when you have that massive increase in employment, you are going, as a result of that fact to tend to show lower productivity improvement figures. I mean, it's just an arithmetical fact. Now, as a result of what's been happening in this period, Geoff, what we're going to have is with this enormous increase in investment that's taken place and as you know, at 13.5 percent of GDP, investment is at the highest proportion of GDP since records have been kept. Now that's going into making our industry more efficient and more competitive, so you are going to have as a result of the massive increase in employment which has been accompanied by reduction in real wages, as I've said, which has allowed profits into investment. That's creating a situation in which productivity will be able to increase further in the years ahead. But I then come to your final point. I don't disagree with the concept that ~~we all ought to work as hard as we possibly can~~. I mean, we've got to understand that out there in that region of which we are part and you're looking at rates of growth in the industrialising countries, you know, averaging eight, nine, ten percent rates of growth. Now, adding to what had previously been relatively very, very lowly paid in employment on top of that the most sophisticated technology and now labour rates are increasing as we've seen in Korea, for instance. You're getting competition out there as well as in Europe and the United States of the sort we haven't seen before. So

we can't be complacent about the fact that we're doing very much better now than we have in the past, by any standards doing very much better. But we've got to understand the world out there is also improving it's game. So, if we are going to stay up there and try and get ahead in sectors in which we have natural advantages, as we do, then we've got to work as hard as we can. There's one other technical point I think that ought to be made about productivity measures, Geoff, and I think you'd appreciate this. That in the last seven years there's been very, very, very large increases in employment and growth in the services sector and that doesn't lend itself to, as you know, in technical terms is not picked up in productivity measurements in the same way. Often the assumption in regard to the services sector was zero. So if, by definition - I'm sorry this is a somewhat technical economic point, but this is a fact - if your economy is growing particularly in the services area where there is assumption about zero productivity, you won't get the same reflection of productivity growth.

JOURNALIST: Robert Hadler from the Australian newspaper, Mr Hawke. I understand that you and other senior Ministers are to shortly meet with representatives of the mining, farming and environmental lobbies. Do you think it's possible that at that meeting and in the future, the Government can help to developing a genuine accord on the issue of sustainable development and that does it require a more interventionist approach from the Government?

PM: Thanks, Robert. Well, yes, I'm hopeful that we can get agreement and that gives me the opportunity of saying, ladies and gentlemen, that when I go back from here to the office, I'll be holding a very, very significant meeting which will involve a number of my Ministers, representatives of industry and the conservation movement and the trade union movement on the issue of sustainable development. Now we've deliberately not wished to publicise that meeting and I'll give you, and I'll go to tell you the people that are attending, just give you some idea of the significance of it. Let me go to that straight away. The people I'll be meeting will be Lachlin McIntosh of the Australian Mining Industry Council, Ric Farley of the National Farmers Federation, Rob Bain of the National Association of Forest Industries, Phillip Toyne of the Australian Conservation-Foundation, Judy Lambert of the Wilderness Society, Simon Crean representing the ACTU and I will have there my Ministers Kerin, Richardson, Cook and Button and also attending will be Sir Ninian Stephen, our Ambassador for the Environment and Ralph Slatyer, my Chief Scientist. Now you can tell that by any standards that's a very, very significant meeting. Now we deliberately haven't publicised it because what we're about is results and not publicity. I think the fact that those people have agreed to come and meet with me is a matter of very, very considerable significance. I

mean, that's just not rhetoric. I mean, the fact that they are prepared and come to meet together is relevant to your question. I think it offers some degree of hope that if we approach this sensibly, we may be able to get some basis of agreement and that's very important for Australia because, as I said in the speech, we must not as a country get into the dichotomy concept of it's either development or the environment. We've got to have both and we'll have both in the best possible way if we can get a basis of agreement and we've got a fair bit of work ahead of us. I don't think there'll be a magic outcome just at the end of the meeting today, but I hope it will provide the building blocks for the future.

JOURNALIST: Michelle Grattan of The Age. Mr Hawke, you've mentioned that you distributed a very long document to us on micro reform achievements, but the Industries Assistance Commission last week, in a couple of reports stressed that Australia must work a lot harder and move a lot faster in the areas of micro reform concerning Government business enterprises and also the airlines industry. I wondered if you could give us your comments on those reports? And secondly, there seems some uncertainty about what the Government envisages for enterprise agreements under your wage system. Mr Keating has touched on this but not clarified it. Could you do that for us?

PM: Yes. Well taking the first point, Michelle, I think that the IAC reports, if they were somewhat less than adequate in their acknowledgement of what has already been done, but I don't quibble about that. On the substance of that first part of your question, the Cabinet is going to be considering further submissions, particularly from Mr Willis under who many of the Government business enterprises come, as to how we can make even more efficient the operation of those enterprises and the contribution that they can make to the essential infrastructure of the country. We will be considering further reports from him and I can assure you that we will be prepared to act. I just, in passing, before I go on to your second question, make the point that it's extremely easy for people to sit in boardrooms or bureaucratic chairs and say do this, do that, do that. You've got to, if you're going to maximise your chances as a nation of making lasting non-disruptive effective reform, try and take the parties who are involved with you. ~~Now that doesn't mean and I make it quite clear,~~ take this opportunity to say it, that doesn't mean that, that without agreement in every situation, then nothing can be done. We will try and get the agreement of those involved for the changes that are necessary and hopefully we'll always be able to get it, but there may come a point at which that's not possible. If that's the case we won't shirk taking the decisions that may be necessary in those circumstances. But coming to the second question you asked about enterprise based bargaining. What needs to be understood, Michelle, is that both under

the processes of award restructuring and under our 1988 industrial relations legislation, both of those provide mechanisms, such as, for instance, under that legislation the idea of enterprised based certified agreements. That's there and that mechanism is provided. So that under both the award restructuring process and our 1988 amendments, the mechanisms are there and they are supported by the ACTU for a more concerted move towards arrangements which better reflect the needs of individual industries and enterprises. So this is not something that we have to be persuaded about. We both introduced the legislation to facilitate it and under the wage principles in which we've been deeply involved, the processes for greater orientation towards enterprise and industry negotiation is there and it's happening. Now let me, there but go to the next point. The great gulf between us and the conservatives is that as well as having the mechanisms for facilitating that sort of approach, you must, if you are concerned about proper control and management of the economy and the preparation for the future, you've got to have a mechanism which deals with aggregate wages outcomes. So what we've got is a mechanism under the legislation and under the wage fixing principles with is increasingly providing the mechanisms for enterprise oriented wage negotiations. But at the same time, under the centralised system, which is giving an impetus to those things, we have the mechanism for controlling aggregate wage outcomes. This is where what you witnessed last week was not just some sad joke about a man wanting to be the Prime Minister of this country, when asked that central question, will more of it come out of enterprise bargaining or more out of ... system, threw up its hands in hopelessness and said 'who's to know', really, I mean, 'who's to know'. As you understand, he on that simple question about enterprise bargaining was saying well I don't know whether this is not going to blow the economy through the roof. Now that's the difference. We have the mechanisms for, which are being employed to move to enterprise bargaining, but as distinct from our opponents, we have the mechanism for ensuring acceptable and responsible aggregate outcomes. How are we going?

BARTON: David Barnett. We're almost at the end of the first page of questions and we've got a second.

PM: I'll be here for my 65th.

JOURNALIST: Are you aware of the views coming from some economists which associates the blowout in the deficit on the current account with the rise in the level of immigration, both of them taking place over the past six or seven years? Have you given any consideration to these concerns and have you come to any conclusions?

PM: Good question David. I know that for a very very long period now in the economics profession there has been a quite fundamental division of opinion about the

economic impacts of migration. I've been associated with that debate, followed it over a very very long period of time and there are those who say that ... economic benefit, others who say that it's not. Bringing it to the present situation David I think you'd have to say this. That it is the case that where we now have considerable pressure upon our resources and with high economic growth rates, high employment growth rates, that you can argue that higher rather than lower immigration levels are going to exacerbate demand and to the extent that that happens that that will put more pressures on our external accounts problem area. And against that you've got to, as always in economics, you've got to look at the other side and ask yourself the question does Australia need to build up its population so that enterprises within this country have a larger market so they get the benefits of larger scale production, the economies of large scale production, which makes them more competitive against imports and more competitive on export markets. And David there is no definitive answer to that question. I think I would put it this way. If I were to state my long term view, my medium to long term view, I would believe that Australia is better off, its future is going to be more secure and more prosperous, if we have an accelerated population growth. I think, as I said in some interview I did recently, that if you look at Australia and Canada and look at that ... approximately \$8 million difference, there's a sort of critical mass difference in that area. I know of course the benefits they have from being adjacent to the largest market of the United States. But I do think Australia would be better off with a larger rather than a smaller population. But I emphasise, that's a medium to long term view. It's also said in that interview I think if we are going to even think about that, and I'm saying no more that that should be a matter of debate and discussion in this country, then we have to look at the question of housing. While Australians have a commitment, as they historically tend to do to the quarter acre block, separate quarter acre block, that imposes much greater demands upon resources than a society which has got perhaps a greater proportion of its population wanting to be involved in medium density housing. Now let me make it quite clear so there can be no misrepresentation of what I'm saying. What we did at the Premiers' Conference David was to say there let's look at some pilot projects, let's look at the question of regulations as to whether medium density housing in the ... areas can be developed. I happen to think there's a lot of Australians would prefer that, would on balance prefer that to the distance they have to go now in major cities. So if we can get a greater acceptance in Australia of that sort of concept, willingly, knowing that many people still want the separate quarter acre block and are entitled to have it and should be able to proceed for it. But if we get that sort of change in our community on housing attitudes then we can, in relation to your question, contemplate high levels of population

with a greater degree of equanimity. But right at this time I don't think that it would be sensible to increase the immigration levels. What we are - may I make this point finally on this question - what we are of course doing is to continuously look at the composition of our immigration and we hope that we will be getting many people here under the business migration program who will start enterprises which will be productive and which in net terms will obviously benefit our external account position. We also hope that in the areas of skilled shortages we'll be getting people in who will help us in that respect. But we'd still retain the necessity in this community to have a family reunion program and I hope that all Australians would accept the necessity for that component in our immigration program which is humanitarian. I've taken a little bit of time to answer that but I want to say that I think therefore David that if you're really going to address this question you need to separate the immediate term from the longer term. In the longer term I am a larger population man provided we take account of these other things. In the ... immediate term I think there is no case for increasing it.

JOURNALIST: Niki Savva from the Melbourne Sun, Mr Hawke. You've ... recently from the Access Economics survey of a \$90 billion surge in investment. Have you or other Ministers studied these figures to determine where this investment is going, especially given Dr Shand's (?) remarks earlier this week that much of it is not going into tradeable industries?

PM: Well the Access Economics itself identifies a number of these and we have also. I haven't got the document in front of me but I think you'll recall Niki it's broken up into, I think - I say this subject to recollections - about 30% in manufacturing, and a similar sort of proportion in tourism, and others in the areas of the service sector and obviously another proportion into mining. All I know is that Access Economics has made this calculation. It said of the \$90 billion investment projects which they identify, just under \$50 billion are in the category of 'under construction' or 'committed', the balance in 'under serious consideration' and their calculation is that of the former two categories 'under construction' or 'committed', which is just under \$50 billion, that that will produce export earnings in the near future of the order of an additional \$5 billion per annum. -And they say that if the \$90 billion comes on, and they see no reason why it shouldn't, that that will produce export earnings, additional export earnings of \$10 billion per annum. Now we have no reason to question the accuracy of those figures. In other words whether it is in actual manufacturing or in tourism, the contribution to our external account position is on their calculation \$10 billion per annum additional. I've had no analysis put before me which would suggest that those calculations of Access Economics are inaccurate and I would be profoundly surprised if the Leader of the

Opposition is going to question the accuracy of Access Economics. It'd be interesting if he does.

JOURNALIST: Don Woolford from Australian Associated Press, Prime Minister.

PM: You had your run yesterday mate.

JOURNALIST: You've spoken with pride about your industrial relations and wages policy and the centrality of the Accord, yet trade union membership is declining. The decline is most obvious in the areas where your Government has been most successful in job creation. Why do an increasing number of rank and file unionists seem to be regarding the movement as irrelevant and could this be one of the costs of your Government's very close relations with the ACTU leadership?

PM: To answer the last part first, no I don't think so. If you look at the position of trade union membership figures around the world what's happening in Australia is not unusual. Indeed in Australia we have a very, by world average standards, still a very very very much higher proportion of workers in trade unions than in other industrialised countries. So it's not a position of gloom. I mean if you for instance look at the United States, it's a devastatingly different, much worse picture there from the unions' point of view. So no, I don't think that there is that simple relationship. Let me say this. I think one of the problems, ... trade unionist leadership, and therefore in a sense perception of workers is that it is the case - and you simply can't argue otherwise - it is the case that under the Accord processes much of the traditional function of trade union leadership has been changed. Because under this system, instead of - as I was saying in a fairly long answer I gave to Steve - instead of the satisfaction of aspirations being done purely through the avenue of increased money wages, and battling for improvements in conditions and so on, now that is being done through the social wage area and through the centralised wage fixing system. And unions give a commitment to a no further claims position. So it is the case, unarguably it is the case that in this seven year period the role and functions of trade unions have changed. Because if you have commitment, as they've given, to a centralised wage fixing system, the aggregate outcomes are determined there and they make a commitment to no further claims, as they do, and a lot of their other conditions are satisfied for the social wage, by definition the area of activity open to trade unions has by their own decision been closed off. Now it may be - I mean I haven't analysed it - it may well be that that fact of itself has had some impact upon the relevance that workers may see for individual trade union activity. I mean I would like to see that examined. But the important logical conclusion that follows from that is that if that is a factor in declining membership it's not a reflection of

inadequacy on the part of the trade union movement. It's a great paradox that they are losing members because they have been so responsible and effective.

JOURNALIST: Tim Colebatch from The Age, Mr Hawke. You said in your speech a moment ago that your Government -

PM: Seems like two hours ago mate.

JOURNALIST: Two hours ago. You said - I take it it's still current.

PM: I was going not to the currency of the speech but, you know, the physical condition.

JOURNALIST: At the time of it, anyway, you were committed to a quote unyielding defence of a fair and efficient taxation system.

PM: Yes.

JOURNALIST: Last week the Taxation Commissioner published statistics which showed that income millionaires - that's people with incomes of \$1 million or more a year - were paying a lower rate of average tax than most of the people in this room. About 29% compared with say 35% for people around \$100,000. And most of that was due to the tax break you gave them, the dividend imputation scheme.

PM: Dividend imputation, yes that's right.

JOURNALIST: Is that what you regard as a fair and efficient taxation system? If so, why? And if not, do you propose to change it?

PM: I certainly don't propose to change the full dividend imputation for the very simple reason that that was done to make investment in enterprises more attractive. We had a question before you'll recall about the possible collapse of some of our big enterprises which of course impart a reflection of their massive overgearing. It's obviously very much in the interests of Australian enterprises and of the Australian economy generally that you make equity investment in enterprises more attractive. This is not something to be seen as a handout to a particular group of people. It is a ~~fundamental structural reform that~~ you have a situation where people find it more attractive to invest in equity terms in enterprises in this country. And it may just as well say, in terms of that simplistic sort of analysis that was underlying that question, that isn't it awful that you've had a move from wages to profits. Isn't that terrible? It's going to the poor workers into the hands of those filthy capitalists. That sort of analysis, you know, it's old hat. The trade union movement understands that it's old hat. The important thing is if you make these changes, these changes in policy, that they be

related to the overriding goal of the restructuring of the Australian economy. That's got to be the fundamental concern that you're about. That's what the Accord's been about - fundamental restructuring. We don't simply end the analysis by saying 'wages share down, profits share up, terrible, terrible, terrible, isn't that awful'. I mean that would be nonsense because that has been the means, the root to getting the investment which is going to involve the restructuring of the economy. Similarly with the tax changes. Imputation wasn't given to say we want to provide more money to privileged people. It was an instrument which was brought in to ensure as part of a total approach to macroeconomic policy that you made it more attractive for people to invest in equity terms in Australian enterprises. That is what's happening. If you want to go to the question of the overall impact of our taxation reforms in terms of equity, that is an argument or debate I'll have anywhere, anytime. Because the simple facts are, and let me remind you of what we've changed in that respect. You don't have the statements now that characterise the end of the previous conservative administration, the two statements that the fastest growing industry in Australia is the tax avoidance industry - Costigan or Mathews - that increasingly it's becoming a matter of choice for the rich as to whether they pay their taxes. That was the devastating, damning indictment of the conservatives after seven years. But under us, because we've brought in the instruments, people are now paying taxes that they wouldn't otherwise pay. Most importantly of course the capital gains tax and the fringe benefits tax. Now if the conservatives were to have their way on that, as you know that would involve the massive redistribution to the rich from the poor and middle income Australia that we've ever seen in this country. And that won't happen.

JOURNALIST: Prime Minister, we're in your hands. We've got a lot of questions to go. Do you want to go on or -

PM: Just a minute. What time is this meeting that we're having? Say another ten minutes.

JOURNALIST: Peter Rees, the West Australian, Prime Minister. You spoke of vision in your speech. One of your former State colleagues, Brian Burke, also had a vision, WA Inc, which turned sour. How concerned are you about the electoral impact of that federally given that Joe Berinson revealed yesterday that the losses from WA Inc will cost the State's taxpayers \$446 million? And what do you think that says about governments getting close to big business?

PM: Well let me go through it in sequence. Firstly, obviously if the West Australian Labor Government is being hurt by what is emerging in regard to that area of activities, if they are being hurt by that that is not good for us. I mean, simple. I've got no more to say about that. I mean obviously if they are being hurt, to

some extent, to some extent we'd be hurt. Although I think that the West Australian electors would basically distinguish the federal issues from the state there. I believe that that would be the case. But marginally, obviously Peter there must be some adverse spin-off on us. Secondly, about getting close to big business, well I just simply don't know what you mean by that. There are ways and ways of getting close to big business. It can be done unwisely, it can be done wisely. So if there's some sinister, you know, covert, unstated implication in the tail of your question that are we in an improper way close to big business, answer no.

JOURNALIST: Peter Bowers, Sydney Morning Herald. Happy birthday Prime Minister.

PM: G'day Peter, how are you?

JOURNALIST: I must say I'm relieved that I get the opportunity to ask this question while we're still both on the safe side of 60.

PM: Yes. ... a bit safer than you mate.

JOURNALIST: Pardon?

PM: I look a bit safer than you I might say.

JOURNALIST: We'll see about that.

PM: We'll see about that. Don't you worry about that Peter, don't you worry about that.

JOURNALIST: Prime Minister, I've outlived quite a few Prime Ministers in my time.

PM: By gee if you had to face your bloody electorate it'd be a different story mate.

JOURNALIST: I face my constituency every Saturday. Prime Minister, in keeping with the reflective mood of your speech I'd like to ask you about migration. Would you agree that Australia's post-war migration has been one of the great, if not the greatest success stories of our time and if so, would you also agree that the throwing open of Eastern Europe to the West, a miracle, a peaceful miracle we never believed we'd see in our time, offers us a wonderful opportunity to increase quality migration from that area? And by quality migration I mean young people, young couples, young families, with skills and a future that Australia could well use.

PM: Let me say Peter I absolutely agree and in regard to the first part of your question about Australia's post-war immigration program I've said on a number of occasions that one of the things that moved me into the Australian Labor Party in my first year at university when I started thinking about these things was the sense

of excitement that I had about the great adventure that was being undertaken by the Labor Government of that period in opening up Australia. And as a student at university I committed myself then, not only through my membership of the Labor Party to that support, but I also, may I say, in those years at university when we had so many students coming under the Colombo plan, I went out of my way there to establish mechanisms and so on to try and ensure that those people who were coming to our country from Asia also were given the best possible chance of melding into our society. So for me, yes Peter, that was one of the motivating forces in me getting involved in the Labor Party, because I was thrilled with what they were doing there. And there is no doubt there was a country at the end of the Second World War, seven million people. And what John Curtin and Chifley understood was, as they were fighting during that Second World War ... Australia, that it had to be a different Australia. They didn't want to just go back to the old. And the essential ingredient in creating the new Australia was that vast migration program the dimensions of which are probably best understood by, if we say and remind ourselves we should never cease to remind ourselves of the dimension. As of this day four out of every ten Australians were either born overseas or the child of a parent born overseas. I mean that's the dramatic illustration Peter of what you're talking about. That's the dimension of the economic and social significance of immigration in this country. And yes it's the most important thing that's happened. Now going to the second part of your question. Ours is a non-discriminatory immigration policy. And to the extent that people, and particularly young people, from these countries of Eastern Europe want to come to Australia, the opportunity will be there for them. But I want to make this - and they will be welcome because I think many of them would have a great contribution to make. But let me make this point. I think in the great sense, the proper sense of excitement that we have about the momentous, and as you rightly say, hitherto perhaps unimaginable changes that are occurring there, I would hope that a lot of these people would say if those changes are going to be able to have their fullest flowering that they will want to be part of it. I mean the great challenge now, I think, for the peoples of Eastern Europe is to say a) we are going to make sure that these reforms stick and are extended so that people will have freedom and liberty and that we have a more competitive economic society in which there can be the release of talent so that they will feel a political opportunity and that they will want to be part of making their countries greater and more significant as they can with this new-found freedom. And my own judgement is that that's what so many of them will want to do. But I repeat, if there are those who want to come to Australia they will be welcome.

BARTON: Last question from Bruce Juddery.

PM: Couldn't be a Press Club without a question from you, Brucey.

JOURNALIST: inaudible

PM: ... declaration mate.

JOURNALIST: So you'll be happy I'll make it a double header. Prime Minister, in the last few weeks a number of the Government's senior advisers have dropped little hints that perhaps some of the assumptions of the Hawke Government are under question or being re-examined. For instance, Fred Argy of the Economic Planning Advisory Council has pointed out that if the real truth that regulations are to be taken seriously - which Germany would be a basket case - and Chris Higgins of the Treasury has suggested that we can't keep on starving infrastructure investment further, we're going to have to start channelling some more money back in that direction. At the Cabinet level, is there yet similar examination of the truths of the Hawke years and are we likely to hear about the results of the re-examination before the election? And second question, have you had a look at - the terms of trade suffered a sudden sharp ... downwards in the last national accounts figures. Are you concerned about that? If it's a downward trend after two years of improvement would that mean a complete finish to any chances of reducing interest rates between now and the next election?

PM: Well as to the first question, no I have no apprehension Bruce, that the sort of people that you're talking about are questioning the fundamental truths. On the contrary I notice that there is some almost adverse comments in the Press recently that the Higgins to whom you refer and the Fraser - Bernie Fraser that is - although Malcolm's quite good in his statements most days - true in support - but that there is some criticism almost that the Higgins and the Frasers were far too explicitly supportive of what the Government was doing. So I discern no view amongst the mandarins, or however you want to describe them, of a disaffection with or pre-direction to change direction. As to the second part about the terms of trade, obviously Bruce, let me make it clear - I'm answering this question ... I'll come to the national accounts in a moment - if Australia were to suffer a continuing significant reversal in the terms of trade we know that creates problems. God, we've been there in 85/86, wiped what it was \$11B, I think I remember that phrase from the 1987 campaign, I guess some of you remember it too, I mean I had to keep saying it, I just wasn't speaking to you all the time, wiped \$11B off our national income. If that sort of thing happens then it creates difficulties and economic management has to be adjusted. But let me say I'm not expecting that. The best indications that we can have are optimistic about in aggregate, it doesn't mean that there won't be some

elements of our exports that may not have the price going down, we've certainly had some difficulties about people staying out of the wool market to this stage, we hope that's going to be changed. But Bruce, the fundamental question there is - the fundamental response to your question is we don't anticipate any significant problem arising from the area that you're talking about. You mention the national accounts, just let me sort of go to the ... of certain trends that can appear over the last twelve months. If you look at the question of exports for the last three quarters, March, June and September, increase in exports - and this is in constant prices as being March quarter - 1%, 2.1% in June 89, 2.6% in September 89. So a rising trend of exports against the situation of imports, 9.3, 1.7, minus 0.8. So if you look at the most recent sort of figures in aggregate terms we have an improving export position and imports coming down. So if you're looking at these external influences, while you can't afford to be complacent in any area of economic policy making but I'm not disturbed by the potential element that you're talking about.

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