



PRIME MINISTER

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E & O E - PROOF ONLY

JOURNALIST: What do you say to Mr Keating predicting an early May election this morning? Is he right in doing that?

PM: He's got a fair chance in being right.

JOURNALIST: Only a fair chance?

PM: He's got a fair chance of being right. I mean I love Adelaide and I'd love to use this occasion to make a very important announcement and I am not going to.

JOURNALIST: Have you made the decision?

PM: Not yet.

JOURNALIST: ... sentenced James Savage to death. Will the Government be doing anything about that or do you have any comment to make?

PM: Yes, I do have a comment to make. I notice that my friend and colleague Lionel Bowen, the Deputy Prime Minister and Attorney General, has issued a statement which reflects the position of the Government and that is that we deeply regret that the judge has rejected the recommendation of the jury but as Lionel has said this matter has still a long way to go through the American legal system. We've provided \$50,000 already to enable a number of witnesses to go to the United States. To explain essentially the tragic circumstances of this matter and talking about the tragic circumstances of this man who has been found guilty and of course we don't overlook the nature of the crime but you do have to understand that he was a young man up-rooted from his natural environment, from his parents, put into a situation out of which developed this tragedy and we hope that through the further processes that are available account will be taken at the appropriate level of the American judicial system of those circumstances. So that justice can be properly qualified with mercy.

Reporter: Mr Keating favours May for an election, does that rule out April?

PM: No, I make the decision.

Reporter: What about interest rates Mr Hawke, how soon before they can come down?

PM: As Paul Keating said rightly yesterday ... will happen now is that the first step has been taken and how the banks will move now in the area of other interest rates including mortgage rates will be a matter for decision by them and the pressures and the considerations won't be identical for each of the banks. But we believe that we have acted responsibly, there was some pressure upon us to ease monetary policy earlier than this but we were not prepared to do that until we were confident that there was a slowing down in the economy which we regarded as necessary to meet the fundamental external challenges confronting this country. We think this position has been reached and now the conditions are in place for the easing of monetary policy which has been undertaken now when that will be reflected in mortgage rates will be a matter for the banks.

Reporter: Will there be further adjustments, this was an initial adjustment, is there a program of adjustments in mind now?

PM: There is a program in mind, but as Paul rightly described it, it was a limited initial move now that carries its own implications.

Reporter: If there is an easing of mortgage rates, will that be a trade off in any wage negotiations later this year.

PM: No not a trade off, quite clearly in negotiations that we will be having with the trade unions, and let me also say with the employers, when we talk about wage negotiations it is not just with trade unions, we talk with employers as well. I think it is quite clear that they should see the desirability of having an outcome from the wage negotiations which of itself will be conjusive to a further easing in monetary policy and obviously we would want to see that.

Reporter: ... reaction a 1.5% drop in the dollar?

PM: No not worried about that at all. We ... the float of the dollar and when you have changes in the price of money within our country then that creates a change in relativities that will obviously have some reflection in the exchange rate that was to be expected.

Reporter: The polls are suggesting that Janina Haines may be able to take Kingston from the Labor Party, what are your feelings on this. Does it concern you?

PM: No I want to see all my sitting members returned I believe that Gordon Bilney has done an excellent job of representing the electors of Kingston. I think that they will appreciate that their interests will be better served by having someone in the Government who can directly represent them and I make those observations without making any personal detraction of Senator Haines. I mean I am not here to attack her. I am simply saying that it makes sense. I would believe for the electors of Kingston to ensure that they are continued to be represented by a person who has proven his capacity to represent them effectively.

Reporter: Are you confident that post election interest rates will stay down?

PM: Yes. We have not at any stage played with any element of our economic policy, whether it is wages policy, fiscal policy or monetary policy in electoral terms. I mean we have been in Government now for nearly 7 years and we are entitled to be judged on the consistency of policy making and the results of it. There have been times when electoral or political considerations would've pushed us - in the judgement of analysts - in a particular way but we didn't go that way because we didn't think it would be responsible. We have therefore in this case waited to ease monetary policy until we believed it was appropriate in economic terms to do it. We've made that judgement and we think those conditions will continue.

JOURNALIST: Mr Hawke, to what extent has the reduction or likely reduction in interest rates led you to believe that May would be the best possible election date?

PM: It has had no connection. I've not made my decision as to when the election will be. It always had to be by about mid May and as I've made it clear all the way along as I did in response to a question just previously, we make our economic decisions in terms of what the economic interest of the nation demand and that's how we've acted. There were some who would have liked us - on political grounds - to ease monetary policy earlier because their argument was if you do it earlier then it'll be reflected more quickly into mortgage rates and that would be good politically. But we made the judgement that it wasn't appropriate in economic terms to do it earlier. I think that the Australian electorate has shown over recent years an increasing sophistication of judgement in these matters. I don't think they would've taken kindly to a decision by me and the Government to bring monetary policy off earlier than it was appropriate to do so. I think they will make the judgement that we've made the right decision in economic terms. I hope that taking all those things into account we'll get the approval of the electorate. I think we will.

JOURNALIST: Are you saying Mr Hawke, that May seems the most likely date now?

PM: I haven't said that. You seem to be wanting to get me to say it. I haven't said it. I've said I haven't made my mind up yet.

JOURNALIST: A fair bet?

PM: Well it's your money you're betting with, mate. You make your decision.

JOURNALIST: But Mr Keating favours it and he is part of the team.

PM: I make the decisions. I listen to what a number of my colleagues - certainly including what Paul has to say. But in the end as in 1987, in the quietness of The Lodge or my office in Parliament House I'll make the decision. I'm not dictatorial in these matters. I like to hear the views of my colleagues and I will take aboard the thinking of Paul and others. But in the end I'll make the decision that I think's appropriate.

JOURNALIST: Mr Hawke, the domestic airfare price hike. Isn't that a bit rough on the public considering we were promised a better system after the politics dispute?

PM: Yes, but just get it exactly right because the ABC I might say last night got it wrong. My statements - and you look up all the transcripts and you'll see it quite precisely - this is what I said and what I'll say again. I said that after the airlines recoup the losses from the dispute that was inflicted upon them by the pilots, after they recoup the losses we will have an airline fare structure lower than it would otherwise have been because of the enormous pilot productivity increases that arise out of what happened in 1989. Now they were my statements and what in fact has happened is precisely in line with that. The Independent Airfares Tribunal has not agreed to the full amount that the airlines asked to recoup their losses but it recognised that they had suffered very significant losses. They've granted an increase to help them meet those losses. But it is true and indisputedly true what I said before; that as a result of the enormous increase in pilot productivity that now exists with very, very many less pilots being employed that from that factor alone airfare structure will be lower than it otherwise would've been.

JOURNALIST: So do you expect there'll be another price hike in July when they review it again?

PM: I don't know, but all I know is that what I said is right, that you are going to have a basis for a lower airfare structure than there would otherwise have been with the airlines employing a significantly lesser number of pilots. Now how long it will take for them to recoup

their losses, I can't make that judgement, I don't assess. But there is no argument with anyone in the airline industry about the accuracy of what I've said on this matter.

JOURNALIST: Mr Hawke, the Morgan Gallup Poll puts Labor slightly ahead today. Easing of monetary policy surely must give you some confidence going into an election mode.

PM: Well, I think you'll recall what I've said about polls consistently. When we've been in front before I haven't exhilarated about it or gloated and when I've been behind I certainly haven't been despondent. If you look at what I've had to say to political journalists over the years, there's one phrase that I've consistently said to them in my charitable attempt to be educative in these matters. I've said get your timescales right. Then when you're on a high, a real high, don't think that that's necessarily normal. When you're down a bit, don't think that that's normal. Be intelligent about your assessment of the Australian electorate. They have become more and more sophisticated I think during the eighties. I'm of course happy that we're in front. I mean it would be silly for me to say otherwise. I'm happy we're in front but I'm not cocky about it. I understand that we've got a very significant job in front of us to explain to the Australian electorate why the sensible decision whenever I call the election would be for them to return us. Now I'm not cocky or complacent about that but I do believe we can win.

JOURNALIST: In your speech inside you talked about what you term the inevitability of confrontation - industrial confrontation - under a coalition government. Do you then regret being what most people regarded as the prime architect of confrontation in the pilots dispute?

PM: Of course you're totally wrong in your premise. Most people don't regard me as being the prime architect of confrontation -

JOURNALIST: ... assessment of what the observers were saying at the time, Prime Minister.

PM: At the time. But some of them were saying at the time - and they were wrong as they so often are. As I say as in answer to your previous questions, it's good to get your timescale here and remember - see we're now in January of 1990 - remember that in February of last year the Pilots Federation produced their documents in which they said these things; we are going to take on our employers, the Government, the ACTU and the Arbitration Commission. We are not prepared, they said, to abide by the guidelines. We're going to take them on. If that means a prolonged NIP - non income period - be prepared for it, they said, because we are going to fight everyone. We're going to take the whole system on. They

were very, very keen to do that then, they were confident in their view of history that they could take on the Australian community and get a 30% wage increase. Now they were the people who took that position. -

JOURNALIST: ... exercise in conciliation, was'nt it.

PM: My friend, I'm not here as you so often want to do, to have a debate. I'm here to answer a question so let me finish. I said after they put that they were going to destroy the wage fixing system and have a 30% increase, remember a 30% increase on a average wage of \$80,000, the increase that they wanted was more than the average income of ordinary Australians, I said as Prime Minister of this country that as far as I was concerned if they persisted with that position I would fight it. I would not allow Australia to be destroyed by the pilots. So I was not the initiator but I was the defender and quite clearly as I've said before, these people picked the fight, they were warned not to, they picked a fight, they've lost. I regret the trouble they've caused to everyone but the system has been as it should've been, defended.

JOURNALIST: Mr Keating has been saying consistently that there would be no easing in monetary policy until there were clear and unambiguous signs of a slow down in the economy. What are those signs as you now see them?

PM: Well let me give you the aggregates and then the individual components. If you look at domestic demand the situation you've had is this; going through the March quarter, the June quarter and the September quarter of the national accounts, in the March quarter last year there was a 3.7% growth in domestic demand. In the June quarter they had dropped to 0.6% and in the September quarter the - the most recent figures available - that had dropped to a flat figure. Those aggregate figures have been concerned by the individual components in regard to employment which has shown a significant slowing down in growth and by housing and by the surveys that have been down at business. When you add those things together the national aggregates and the national accounts which show the movements from 3.7, 0.6 down to zero, take the individual components that I referred to and put them all together, its judgement of the Reserve Bank and of the Government that the conditions have been satisfied.

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