



PRIME MINISTER

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E & O E - PROOF ONLY

PM: The Cabinet today considered a report from the Foreign Minister on developments in Eastern Europe. That report to, of course, a considerable extent was based on Gareth Evans' recent visit to two Germanys and to Poland, Hungary and Czechoslovakia. Out of that report the Government made a number of decisions which we regard as constituting at this stage an appropriate response to those important developments. Gareth Evans will be putting out a more detailed press release later on this afternoon. But I'll just refer to some of those decisions. We will establish an Australian program of training for Eastern Europe which we'll put at least \$5M. That will be some contribution from Australia to meet what is now an obvious need. But after these something like two generations of a repressed command economy there of course has not been an emergence of the sorts of commercial and economic skills in those countries which are necessary to enable them to undertake the sort of market development that they intend to pursue now. It's been made clear that they would appreciate assistance in developing those skills. So Australia will adopt this program and it will involve having people from these countries coming to Australia to undertake studies in various areas of business management, environmental safety, agricultural technology, just to give those examples. And it would also entail some visits by experts in these areas to those countries. We also intend to upgrade our diplomatic representation in the region. We have embassies now as you know in Moscow, Warsaw, Budapest and in Belgrade and we intend now to establish an embassy in Czechoslovakia, in Prague. Czechoslovakia has a population of some 16 million people and with its background and traditions we believe it's an appropriate area to enhance our diplomatic representation. Austrade will also be keeping its Eastern European coverage under close review. We'll be encouraging an increasing range of high level and parliamentary visits to these countries. We'll be making a contribution to the stabilisation fund for Poland. It won't be a large contribution, a large one hasn't been requested. But it will be indicative of the commitment that we have and we'll follow on the announcements that I made in October of last year of our commitment to assist

in the redevelopment of Poland. So without being exhaustive, those are some of the decisions that we've taken. As I say, the Foreign Minister will be issuing a press release on these matters later on today. Alright. Any questions?

JOURNALIST: When's the mission in Prague likely to open?

PM: I'm not quite sure how long that will take but we'll process it as quickly as we can. Obviously it will be this year.

JOURNALIST: What sort of cost would you be looking at?

PM: I think the order of the cost all up will be something like \$2.5M ...

JOURNALIST: Have you considered Bucharest yet?

PM: Not at this stage.

JOURNALIST: Is the Government concerned about the trend it seems in Eastern Europe of the new governments not being fully established and ..., particularly in Romania?

PM: Sure. It's always been something that I think people should've taken into account, that you get the euphoria and the understandable proper euphoria of change but not always the understanding of the complex difficulties that they are in turning around, as I say, a couple of generations of the imposition of a repressive command economy, an absence of political freedoms. And then what has to happen is on two fronts - on the economic and political front - fundamental change. In other words you've got to have the processes emerging whereby you can have a free democratic election for parliament and to get those processes underway which will enable an election to be fairly and properly held is not easy. Of course in the economic area perhaps the difficulty is even more profound because you've had, as I say, two generations of a command economy in which the opportunities for initiative and decision making, a proper allocation of resources is entirely absent. And so it's always going to be the case that the euphoria was going to be followed by the question marks then as to how these issues are resolved. I think the important things are these. Firstly, that there is no doubt about the, in my judgement, irreversibility of the decisions that have been taken and the commitment of the peoples of these countries to pursue these courses in the political and economic field. And secondly of course, there is an overwhelming, large commitment on the part of the countries of the West to cooperate. I've been particularly pleased I might say, as I think you would've heard me say before, that in the case of the United States and the countries of Western Europe it hasn't been a case of gloating and saying well the system that we've always despised and said could not last, has crumbled.

I've rather taken the view that we all have the responsibilities now towards the people of these countries to do everything we can in a practical way ... in rhetoric but in a practical way to facilitate the processes of political and economic reconstruction. So I'm not surprised that the difficulties and tensions are emerging. It would've been remarkable if they hadn't. The important thing is that I think we have the basis for optimism for the future.

JOURNALIST: Is this seen as a starting point ... built on further in recent years or is ... level likely to be maintained with economic assistance?

PM: We have the commitment to act in concert with like-minded countries, I mean we didn't wait for others. The announcement I made I think on 15 October indicated our commitments then. Gareth attended the meeting of the G24 at the end of last year and we will be cooperating fully with them. To the extent that there needs to be some perhaps change in emphasis in the things that are to be done in the light of developments that take place, we will accommodate to that. We, as I have said in answer to a previous question, share the commitment of the countries of the West to being practical and generous in our assistance and the forms that we've decided upon now are those that seem appropriate and are a practical response to specific requests that were put to us. If those requests change in some form we'll be receptive to it.

JOURNALIST: Further east Mr Hawke, has there been any indication the difficulties facing the Soviet Union may cause Mr Rhyzkov to think again of his visit here?

PM: Well I must honestly say that there's obviously some speculation as to whether the rapidity and gravity in a sense of some of the changes that are taking place may cause him to change his timetable ... visit to Australia. It has happened before. But we've had no indication to that effect. I certainly hope it doesn't happen. We would very, very much welcome a visit from Mr Rhyzkov for these reasons. Firstly, we have as you know, over a period of some time been taking practical steps to improve the relationship between our two countries. It's important for us, it's important for the Soviet Union and in our small way it's important that we make that contribution globally to the improvement of relationships of the Soviet Union with the rest of the world. Secondly of course, it will give us a remarkably direct opportunity to hear at first hand an assessment by Mr Rhyzkov of both the nature of the changes that are taking place and his assessment of the implications of those changes for the future, both for the Soviet Union and for the immediate region and globally. So we hope he's still coming and we expect that he is.

JOURNALIST: Just moving back to domestic issues Mr Hawke. The negotiations between the Government and the ACTU for the next wages system will take place soon. Do you see that as embodying significant steps towards an enterprise bargaining?

PM: Let me preface my answer to that question Paul, by saying that of course you must understand that in the changes that have already taken place in the wages system there has already been quite a significant move. By definition, restructuring is not something that you undertake in negotiations about restructuring ... not something that can alone be undertaken at the sectoral level. They have been increasingly undertaken within individual enterprises and very successfully in many of them. So what we will see in this next stage is a further development of that. But I want to make this point clear. As far as the Government is concerned in the negotiations that we'll undertake with the ACTU, centrally important to that will be ensuring our capacity to predict and deliver on aggregate national wages outcomes so that we'll have the combination of the decisions by the Industrial Relations Commission which will make the decisions as to general minimum wage levels. And to the extent that the negotiations do take place as we would welcome in the individual enterprises, we will ensure that the mechanisms are in place, both in terms of relationships with the ACTU and the Commission, to be able to do as we've done in the past to formulate a national economic policy on the basis of predictable national wages aggregates outcomes.

JOURNALIST: Does that mean Mr Hawke therefore that you wouldn't be too keen on the idea of removing the ... claims provision...

PM: Not in an unqualified way, no.

JOURNALIST: inaudible

PM: Well obviously you've got to understand that we're at the very, very early stages of negotiations in 1990 for this next year. We will listen to what the ACTU has got to say. We'll also have discussions with the employers. We've got some, we'll have some ideas about this. But our guiding criteria will be two really. One that I have stressed in the answers that I've already given, and that is that we have to be able to have a predictable figure for the national aggregate wages outcome. I'll have that criterion. But we'll also want to try and have processes which will enable the continuation of the flexibility which has already started to emerge under the restructuring process which has commenced. The experience to this point shows that it's possible to do both.

JOURNALIST: Mr Hawke, are you upset that the cost of health care is rising and if so how does the Government

plan to fund that increase? And in that context do you endorse Dr Blewett's promise of no increase in the Medicare levy in the next term of Government if you win the election?

PM: I endorse that and let me make it quite clear Laurie, that our future Medicare expenditures are there in the published forward estimates. Those expenditures grow according to the special formula, it's understood which takes account of relevant costs, hospital costs, and factors which could lead to a blowout. It also has in that special formula a provision for taking account of the ageing of the population. So those factors are there, they are published in the forward estimates and I would remind you that with those future Medicare outlays covered, we have outlays as a percentage of GDP falling steadily to 22% by 1992/93. So our position is clear, it's understood. I must say that that stands in very stark contrast to the position of the Opposition. I don't want to take a great deal of time I might say personally adding to the difficulties that are already apparent for the Opposition. But let me make this point, that it's been somewhat compounded even further today, I understand, by the fact that the Leader of the Opposition still doesn't seem to be quite sure how he wants to handle this. Because I understand in the text of a speech that he was to deliver today that he distributed, it included the passage - this was distributed this morning and I quote - "in any case I give you an iron-clad guarantee that within the context of the reviews of the present health scheme and any associated changes in the taxation system, no individual or family will be worse off". When he came around to delivering the speech that was deleted. So we have a position as far as the Opposition is concerned that due to a combination of obviously incompetence and dishonesty, because they must have known at least as far back as October of last year that what they were saying couldn't be delivered. We now have a part exposure of their fiscal irresponsibility. I say a part exposure because let me make these points briefly. They have given the ambit of 0 to \$2.6B as the shortfall that will have to be made up as a result of the loss of the levy. That of course doesn't take account of the incentive tax rebates for taking out private insurance. So it's something there in the order of \$2.6B for that. But you should understand too when you're looking now at the exposed fiscal incompetence of the Opposition that you have to add to that \$2.6B the undisputed figure of about \$3B which was put out last year as the cost to the Coalition of funding the two tier tax scale. Because that was the calculation that was put out. It hasn't been disputed. ... the cost of creating the two tier tax scale on the basis that no-one would lose. You now have also in the last two days the emergence of the commitment of another half a billion dollars confirmed by their spokesman this morning in regard to roads. Who's their spokesman there? Mr Sharp. Mr Sharp has been having a little bit of difficulty

making up his mind about this one but I understand according to a transcript that was given to me just recently, he says that he has said that in the first year of a Coalition government they will undertake that funding increase in roads which he says is in the order of half a billion dollars. So if you bring it all together my friends, you'll see that you've got something of the order of \$2.6B in the area of health. You've got \$3B to deliver on the tax scale. And you've got half a billion dollars in roads. At least \$6B. This great gaping, fiscal hole. So while the emphasis has been on the health area just in the last two or three days, it's only part of their problem.

JOURNALIST: The question of your promise not to raise the levy. You made an identical promise in 1984 and then broke it. Why should people believe you now?

PM: Well I think they've seen the way in which now, in the period since we've made the adjustments, the way it's worked in which we have in fact as I say been able to show in the forward estimates, the expenditures and the formula upon which it's worked. I believe that the people will have reason on the basis of experience to believe that we can and will deliver.

JOURNALIST: Mr Hawke, will the Budget surplus remain at \$9B over the next couple of years or will you fund tax cuts and any other spending increases out of a lower surplus?

PM: The range of decisions that we will have to take will be based upon a continuation of the approach that we've had in the past and that is that we will be having a significant Budget surplus. Any decisions that we take in the near future in regard to additional programs we will be seeking to fund. We will be making detailed statements in the weeks ahead now - between now and the election - of precisely what additional programs we may have, how they'll be funded and what implications they will have for fiscal outcomes. The people will be left in no doubt as to the way in which we go about ... will be on our promises.

JOURNALIST: Spending cuts or tax increases, Mr Hawke?

PM: There won't be an enormous amount of room for savings. We've been there very substantially but there will be room for some savings. We'll indicate that at the appropriate time.

JOURNALIST: Does that mean there'll be no overall economic statement Mr Hawke? And secondly, do you intend to make a Cabinet decision on your attitude to the Garnaut recommendations on tariffs before the election?

PM: Economic statement? Well I really haven't got anything to add to what I've said before on that,

Michelle. If we regard it as appropriate to have a larger statement, we will. We'll obviously, out of the discussions that we'll have with the ACTU and the employers in the area of wages and the considerations that are involved in that, there'll be some statement which reflects the outcome of those discussions. Now we have a number of on-going reviews in place. Now it depends upon the assessment that we'll make at the time as to whether it's appropriate to bring those together into a larger economic statement - and that's what I've said before - I have nothing to add to that. As to the Garnaut Report, we announced earlier the processes that we've established and as ... be done of course through the Structural Adjustment Committee, to consider all the range of recommendations that Dr Ross Garnaut has made. The work is proceeding as decided by the Structural Adjustment Committee. Now as to the timetable for specifics of those inquiry processes and decisions, I can't at this stage comment ... to whether on the particular one you mention - that is what he had to say about tariffs - it's being considered. Now what the timetable of decision on that will be, I'm not in a position to say.

JOURNALIST: Is Parliament coming back for more than two weeks on February 20?

PM: I'm not sure at this stage, my dear friend. At least that's a subtle way of asking.

JOURNALIST: How attractive do you find the idea of going into an election campaign promising increased petrol taxes to pay for the improved roads?

PM: Well I would say this about that question. That part of the background of it is of course against the very massive campaign of misrepresentation that has taken place about the declining proportion of revenue that the Government gets from oil which is allocated to roads. If you look at the total take of the Government from oil which is in the components of excise - not just excise which has been referred to - you will see that in fact we have marginally in our period of office allocated more to roads as a proportion of that take than in the last year of the previous government. Now in those circumstances where it's clearly not the case that we have been niggardly in the allocation of that proportion, I think if you were to consider this question of an increased impost for the purpose of increased allocation of roads it would be seen in a different light than against the proposition that we have drastically cut our allocation to roads from the total take from oil.

PM: Now, now I just, Laurie, I just put that background to say I think the reaction of people to this point has been on a misapprehension about the allocation of the Government's decision. Whether in fact we will make a decision to have such a further impost for the purpose of

additional allocation of roads is something to be considered. There's certainly been no decision taken about it.

JOURNALIST: Are you saying though that you think you could persuade them that a new tax in that area would be a good idea?

PM: Well, what I'm saying is this, that I think it would be very difficult to persuade the Australian people that that would be appropriate. If it were the fact that this Government had significantly reduced from it's total revenue from oil, it's allocation to roads, that would be a very, very difficult thing to do and that is the background which is attempted to be established by a certain people who are running campaigns. What I'm saying is that when you look at the facts that is not so, that in fact we have marginally increased the allocation to roads from the total oil take compared with the last year of the other government. So, in that context it may be not so difficult if it were judged that it were appropriate to make more funds available for roads and to fund that, not just to do it out of surplus. It's not the same position, as some people are trying to represent, as a massive decline in the proportion of funds allocated to roads.

JOURNALIST: Have you made your mind up yet Mr Hawke whether you'll debate Mr Peacock?

PM: I beg your pardon?

JOURNALIST: Have you made your mind up yet whether you'll debate Mr Peacock on television during the course of the campaign and when during the course of that campaign -

PM: That decision was made ages ago. I forget how long, ages. I mean, I -

JOURNALIST: (inaudible)

PM: Well, if it's Mr Peacock who's leading them, yes.

JOURNALIST: support of the invasion of Panama, Mr Hawke, but despite the fact that Vietnam have withdrawn their troops from Cambodia, the Australian Government still hasn't resumed aid to Vietnam, direct aid to Vietnam.

PM: Well, I'm glad you said direct aid, because, as you appreciate that -

JOURNALIST: resume and if not, are we guilty of double standards?

PM: No, we're not guilty of double standards obviously because, as I think you appreciate, Milton, because you

did qualify your question, there has been forms of assistance in other ways through non government organisations and multilaterally. Now quite clearly the question of direct resumption of direct aid to Vietnam is inextricably bound up with the delicate negotiations that are taking place now in regard to Cambodia and I don't believe on anyone's part there is any suggestion, in regard to Australia, that we are acting other than in an entirely appropriate and entirely constructive way in regard to the Indo China region. Indeed I'm very proud of the response, the virtually universal approbation that has been given to the Australian initiative and, as you will appreciate, while pursuing that initiative, we are also adding to it now, as Gareth Evans just announced very recently, by sending a team there to Cambodia so that, not only Australia, but the rest of the countries that are going to be involved in finding a resolution of that tragic situation there will be better informed about the practical difficulties and realities that we'll have to face up to if together we're going to pursue this concept of United Nations presence there in this period leading up to elections. So, Milton, I don't think there is any suggestion on anyone's part that we're acting other than in a totally constructive and principled fashion in regard to this region.

JOURNALIST: (inaudible)

PM: Well, yes, but there is no expectation that we should inject into this complex situation the difficulty that may be created in some people's perception by the resumption of, and I don't think that as far as Vietnam is concerned itself, that they are pressing this point. They understand that we are engaged in the very delicate series of negotiations in which now Australia has assumed a, you know, a quite pivotal role. So there is really no expectation about this and there's no reason at all to run the risk of in any way prejudicing the capacity that we obviously have generated to get support from all the players in this complex situation by making a decision which no-one's really seeking.

JOURNALIST: Mr Hawke, what specific initiatives do you expect out of your New Zealand trip?

PM: It really will be an exchange of information. I don't know that there will be any specific initiatives, but I certainly want to hear directly from Mr Palmer the results of the fairly extensive review which you would understand they have undertaken of the South Pacific region and their relations in that region. Also be interested to hear how they feel their relations with the United States are developing. So we're also scheduled to have discussions in regard to the way the CER is developing, we're obviously rather pleased with the way that's going. Certainly one other area which I know that I know Mr Palmer wants to talk with me about are the developments in Bougainville because there is a

reasonably New Zealand presence there as well. So you'll see it will be essentially an exchange of views and a discussion about issues of importance to us in the region and in our bilateral relation. There is no specific decision that we are scheduled, scheduled to take.

JOURNALIST: (inaudible)

PM: Now I think there was one over here -

JOURNALIST: Mr Hawke, when can people with 17 percent mortgage rates look forward to some home loan relief? Will it require a further easing of the monetary policy as the banks are suggesting?

PM: I think that you will recall that the Treasurer in addressing this issue put it, and I certainly agree with him, that this was a limited initial step follow that the decision in regard to mortgage rates would be a matter for the banks. It may be, as he said, that for different banks there would be different points because of the different composition of their books, but clearly the impression seems to be amongst the banking industry that they will require a further move. Now I'm not going to speculate on when that will be. All I can say is that there does seem to be a very general acceptance in the community and in the financial community, the banking sector, that a) the decision that we took was right, the timing was right and the conditions have now been created under which, within the not too distant future there will be a reflection of this lowering regimen in the mortgage market, but I'm not going to speculate as to when that will be.

JOURNALIST: I just want to follow up Glenn's question, Prime Minister -

PM: Yes.

JOURNALIST: You're spending a lot more time at the Commonwealth Games than you are discussing Bougainville with Mr Palmer. What's your response to the cynics in talkback radio and elsewhere who've unkindly suggested you're mainly going to Auckland to bathe in the reflected glory of our medal winners?

PM: Yes well, you can't, you can't really win with those cynics and I don't really try to. The fact is that as well as the Commonwealth Games being on there, it is the 150th celebration of the Waitangi Treaty. I have been asked, now going back more than a year, by the New Zealand Government to go over at this time to combine a visit which would recognise that celebration, as well as the Commonwealth Games, and to undertake discussions with them on a range of issues. Now the cynics will always be there, Laurie. If I allowed myself to be deflected by the cynics, you wouldn't do anything.

JOURNALIST: Mr Hawke, the 50 defence force personnel who are going to Papua New Guinea, will any of them be on Bougainville and do we actually have any military -

PM: We've made it quite clear that our people are going up there, our military personnel who are going up there for training purposes will not be involved in Bougainville.

JOURNALIST: We don't have any military personnel on Bougainville at the moment?

PM: Not to my knowledge and it certainly has been, that has been the intention of the Government that there should not be.

JOURNALIST: Will you be discussing Bougainville with Mr Namaliu at any time in the near future, Mr Hawke?

PM: Well I've just had my Ministers and my senior Ministers up there who've had discussions with the Prime Minister there and with other ministers. I've been given a full report on those discussions. If I were to find it necessary in the light of any new developments to talk with Rabbie I would do so.

JOURNALIST: Do you envisage any circumstances in which Australian troops might be directly used on Bougainville?

PM: Not in terms of the dispute between the Government of Papua New Guinea and the BRA. I've made that quite clear and I say that unequivocally. Australian troops are not going to be involved in an internal dispute within Papua New Guinea. That's proper from our point of view and obviously from Papua New Guinea's. I mean, let me make the point again and I'm certainly not saying it's the case with you, but there seems to be an almost unstated assumption in some areas when they talk about Papua New Guinea that, that Papua New Guinea is still a colony or that it isn't a fully sovereign independent country, so it's an area in which we have some right or opportunity to just to go in and act capriciously as in a non sovereign community. Papua New Guinea is a sovereign independent country and Australia will not be committing its troops into that country in terms of a resolution of some internal problem in that country. The only situation in which Australian defence forces could be involved and would be involved is if we made the judgement that it was necessary for the purpose of evacuating and securing the safety of Australian citizens. In no other circumstance.

JOURNALIST: Mr Hawke, will your Government ensure that foreigners can earn no more than 20 percent of our commercial networks as announced by Mr Willis?

PM : Well, the Minister is examining this both in terms of intention of the legislation and in terms of what the present situation seems to have been. I mean, in other words, it seems clear from certain statements have been made by the Receiver for the Channel Seven group that more than 20 percent has in fact been involved. Now the Minister is looking at this matter and will be reporting to the Government in the near future on it.

JOURNALIST: What would you see as the appropriate maximum level of foreign ownership?

PM: Well, certainly a minority and I will want to - I've just had a very brief discussion with the Minister and he has undertaken, he's said to me that he's examining this issue in some detail and will be reporting back. If there's some decision that needs to be taken to clarify this, well, then a decision will be made by the Cabinet at the appropriate time.

JOURNALIST: The Thomastown by-election on Saturday Mr Hawke, are you expecting a very big swing against Labor?

PM: I haven't been following it closely enough. I'd expect that a) you would get a normal by-election swing. You always get some. I guess there'd have to be some addition to that from some concern about the industrial relations position in regard to the trams down there. But I really haven't spent any time addressing what the magnitude of the swing may be. All I can say is that it clearly will be something that will be relevant to Victoria and despite what will no doubt be the frenetic attempts by some to beat it up as having some federal implications I will not lose any sleep about it.

JOURNALIST: Prime Minister, have the Opposition's problems over health policy tempted you to call an election sooner rather than later?

PM: No. No, I mean I think that, as I indicated in an answer I gave earlier, that it's indicative of their unfitness. As someone said recently, not only are they unfit to be in Government, they are unfit to be in Opposition. And the longer you give them y'know, the more they show their incompetence, as well as their dishonesty. Because I think everyone recognises that they were not telling the truth about this situation for a period of at least three months. Now the more time they have the more likely it is that - I mean I'm not saying therefore that the election's going to be on May 12 - but I'm simply saying that there are at least as many arguments coming out of this for giving them longer to expose their inadequacies than just jumping onto what has been perhaps the most egregious example of their incompetence.

JOURNALIST: Mr Hawke, Mr Peacock says he is telling the truth about the fact that health costs will balloon in

the 90s. Now do you acknowledge in any way that Medicare will eventually outdo its usefulness?

PM: No, not in its concept it won't outlive its usefulness. We've shown in the period in Government that in terms of our own decisions and the sort of negotiations we're capable of having with the States that we have the capacity to make adjustments. And you look at the range of decisions that we've taken. Without being exhaustive about it decisions we made last year in regard to new hospital funding arrangements with the States and decisions that we've taken in regard to cutting back on the enormous explosion of income that was occurring in some specialist areas of doctors. We have shown a capacity to adjust and to the extent that that is necessary in the future we will. But the underlying principles will not change and those are simply these, as you know - 1) universality and 2) equity. Those principles are neither negotiable nor, under us, changeable.

JOURNALIST: ... you may actually have to spend more in the future than ...

PM: Well I've simply said that, in answer to the question that Laurie put earlier, that our forward expenditures are there in the forward estimates. They are published. They are consistent, as I say, with the position. We're covering what will be required to be covered under the formula which takes account of increased costs in areas where there can be a blowout. Having taken account of those according to the formula we still have a position where outlays are going to be declining as a proportion of GDP down to 22% in 1992.

JOURNALIST: Do you think the behaviour of our athletes in Auckland has been an embarrassment at all?

PM: I think initially it was. I think it probably embarrassed them. But importantly, and to their great credit, I congratulate them and I'm sure Australians are proud of them. After that initial perhaps over-exuberance in behaviour by a few, by a few I emphasise, they've got down to the serious business of competition and fair and effective competition and they have got the, I was going to say the runs on the board, they've got the medals on the board. That's certainly going to be a pleasure for me to congratulate them personally on behalf of the people of Australia in the next couple of days.

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