



## PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, HYATT HOTEL MELBOURNE,  
20 FEBRUARY 1990

E & O E PROOF ONLY

PM: Welcome to what is going to be the first of regular morning press conferences at which I will be available to the media for questioning about the events of the day before and the day ahead and any questions you want to address to me at all. Before making myself available to you for questions now, let me make this point to you that I called the election last Friday and a very interesting pattern has emerged from the Opposition on the issue which they regard as critically important, and which is important, that is of interest rates. On Saturday Mr Peacock, the Leader of the Opposition, said that the market would move to lower interest rates from day one, his words, "move from day one" - that was Saturday. Sunday - we get Senator Stone, I quote Senator Stone - "I've never said, and I don't think anyone on our side has ever said, that we will get interest rates down over night". Well his Leader had just said it the day before and Senator Stone was still at it yesterday. So we had Monday's contribution where Senator Stone criticised those of his own people who were making predictions about the timing of interest rate falls under the Coalition government saying, and this is Senator Stone Monday, yesterday, quote - "Nobody can give you answers to those kinds of questions and nobody should because they would be telling you lies if they did." Remarkable. Mr Peacock on Saturday, from day one. Senator Stone saying that if anyone said those sort of things they would be telling lies. The remarkable thing about the interest rate saga is of course the development this morning, where on AM Mr Peacock again went to this issue and said they would be coming down. Why? Because of the Opposition's policies in regard to a fiscal policy and wages policy. The facts, of course, are that the fiscal policies and the wages policies of the Opposition would guarantee a blow-out of interest rates. Fiscal policy - they are confronted with the situation where this government has had unprecedented fiscal restraint, fourth successive year real reductions in Commonwealth outlays, Commonwealth surpluses for the first time in the Commonwealth's recorded statistical history, and against that you have the credibility gap, the \$6 billion unfunded credibility gap of the Opposition. The fiscal policy would blow out, interest rates with it. The other element, wages policy - of course as every commentator in the market realises, the Opposition promising and inevitably dooming

Australia to, a looser wages policy, wages blowing out. So looser fiscal policy, looser wages policy, inevitably higher interest rates. So there we have the saga on interest rates of the Opposition from last Friday. Total confusion, contradiction, but inevitably under the impact of their policies higher interest rates.

JOURNALIST: ... come down ... but because of international factors that these interest rates are going up ... will they come down ...?

PM: We've said they'll come down and I've been very very responsible and modest about what we've said. But most importantly what I've said is, in a sense what the financial markets and the banking community itself is saying is even more important than what the Prime Minister is saying. And what they are saying, correctly, is that as a result of the policy settings and decisions of the Government they are saying that it is inevitable that interest rates will come down. What I have said is that I agree with that but the extent and the timing will be a matter for the banking sector. Their assessment is the one in a sense which matters most. What we have had to do is to create the settings, the economic environment in which they are able to make those decisions. And if I could just make this point, if you remember during the latter part of last year when we were taking a fair bit of flack, interest rates were rising. We stuck to our settings because they were necessary. We did not rely on monetary policy alone. We had, as I've said, the tightest fiscal policy in the history of the country, measured by the successive reductions in real outlays, the proportion of outlays to GDP being right back to the lowest levels of the 70's, the move into substantial surplus and of course very importantly the public sector borrowing requirement going substantially into surplus. So we had the fiscal policy and the wages policy tight and in that setting also monetary policy tight. Now they were hard decisions to take, but I've never shirked taking a hard decision. The important thing is those hard decisions having been taken, the financial sector, the banking sector is itself now saying that interest rates are going to fall. That is the important thing.

JOURNALIST: (inaudible)

PM: I think just to use the phrase, Peter, "tightening" social welfare payments does an injustice to the Government and the community in a couple of ways. Let me make these points. There has already under my Government been the most substantial tightening of the processes which are used to determine the reality, the legitimacy of the claims made by people claiming benefits. That massive reduction is documented, is understood and accepted. There is no-one now I believe in the welfare sector, or amongst the responsible commentators in the community, that has not accepted the fact that there has been this significant tightening. At the same time as we've undertaken that tightening we have ensured that those who are legitimately in need have been

protected. If you like to get some indication of the relative compassion of my Government compared to the policies of our predecessors who are now urging the same sort of approach. It is interesting to note that if you take what I think must be regarded as a pretty fair example of a group in the community in need - if you take a married pensioner couple with a couple of kids. Now under the seven years of the conservatives, practising then the same sort of policies that they are preaching now for the future, which ultimately is what we are concerned about, that under those practices then the real disposable income in the seven years of their Government for that needy unit to climb by 2%. Under my Government their real disposable income has increased by 14% where they are renting privately. Now what we've done therefore is to tighten up where there has been abuse of the welfare system, then we've removed those abuses. But that has enabled us, together with other measures we've taken like taking pensions away from the millionaires for instance, the totally untargetted welfare in inverted commas, of the conservatives has enabled us to give. And that's what the Australian community wants. The Australian community is a compassionate community. I have no doubt about that. They want those really in need to be helped. We may get some wider message from this, Peter, also about the opportunism of the conservatives when it comes to elections. You will recall, and particularly journalists here in the City of Melbourne will recall, 1984, Assets Tests. Mr Peacock saying that surely as night follows day the Assets Test was going to be abolished. But of course they've come to accept that and the Fringe Benefits Tax. These things are necessary. Now, as far as the present is concerned, again, pure opportunism against the legitimate policies of this Government. Now as to the particular decisions that will be taken further in this area, I must ask you to wait until Wednesday when in the Economic Statement of the Treasurer there will be some additional measures of relevance in this area unveiled.

JOURNALIST: Prime Minister ... problems of the Victorian State have influenced the actual timing of the election. Do you believe the that problems of the Victorian State Labor Government impact badly on the image of Labor as a manager of the economy?

PM: First part of the question - no part in the timing of the election. I've given the reasons for the timing of the election. Secondly, no I don't believe that any difficulties that the Victorian Government are having in any area of economic management impinge in one way or another on the Federal Government. I mean to believe that they would be is really to say that you think the electors of Victoria are a pack of unintelligent people, that they can't understand that the State Government of Victoria has responsibility for the conduct of economic management in this State and that what they are being asked to decide in this election of course are the issues of national economic management, the issues of health care - whether you are going to have a continuation of Medicare or the chaos, which is the

conservative's position where they are looking to the future, which is what we are about. We are going to have a continuation of my Government's transformation of education where two out of three of our kids stay on in school now as compared to one in three under them. These things which are within the providence of the Federal Government are the issues that will be important for the people of Victoria. Just as I said for instance in Western Australia, where I have been recently. It was said there that because of perceived problems of the Western Australian Government in regard to WA Inc that the Western Australian electors were going to be that unintelligent that they were going to say I'll kick myself, as a Western Australian elector, in the backside by giving myself a worse education system, worse Medicare and health cover system. I'll hurt myself in that way to give Mr Dowding, as he then was, a kick in the backside. Now I don't think people operate like that. Now going specifically to that part of your question which involved the bank in Victoria, let me say that I am not privy to all the details of that. But let me make the point that the, I am sure the State bank of NSW has some difficulties as well. Whether they are the same dimensions or not, I don't know. But what you've had happen in the last few years, that these banks have extended their operations and in the extending of their operations they seem, some of them, to have taken on what might be put as second class credits. And as asset values have declined then some difficulties have arisen. But I don't expect that because banks in either, State banks in either Victoria or New South Wales have experienced difficulties in their banking decisions that any sensible person is going to say that that reflects on the capacity for economic management of my Government.

JOURNALIST: Mr Jolly's not at all to blame for the State Bank?

PM: Well, I think that what we ought to do, you and me and the community is to wait and see what the statement is and what the indication of the lines of responsibility are. As I understand it, and I think this would be a matter which is dealt with more particularly, more specifically this week, as I understand it there is a complete line of independence in the board of the State Bank. But I'm sure that all that will be exposed in detail later this week.

JOURNALIST: Do you support Treasurer Jolly to remain as Treasurer?

PM: Well, that of course is a decision for Mr Cain. But let me make it quite clear in terms of the beatup story in one of the Melbourne papers yesterday in which the journalist concerned had made no attempt to contact me or my office or Mr Hogg, but had written a story that Mr Hogg and myself had sought to pressure Mr Cain to get rid of Mr Jolly. There was absolutely, and is absolutely, no foundation for that story as far as I'm concerned. There is no foundation. Now I've known Rob Jolly, as you would appreciate, for a very

long period of time. He was with me at the ACTU. All my knowledge of Rob Jolly is one of competence and integrity. I don't think I need to say more than that.

JOURNALIST: Has Mr Keating ever discussed the projected losses of the State Bank of Victoria with you and if so what was ...?

PM: No he hasn't had any detailed discussion. And I'll come to it ... detail because I'm not trying to do a shoofy by adjectivaling my way out of it, if I can put it that way. He's had no detailed discussion with me about that at all. The only conversation is an indication ... well we know there's some, we don't intend to be, y'know, particularly privileged in information. It's fairly generally known. And there was reference to the fact that there was going to be some sort of loss in Victoria of reasonably considerable dimension, but no detailed discussion about it.

JOURNALIST: ... do you accept that there is a case for tightening particularly dole payments and is in part prompted by the Opposition's Economic Action Plan ... limiting dole payments after the election?

PM: We haven't been in office, in any of our period, prompted by the ideologically blinkered and prejudiced views of the Opposition. I mean, their record in the area of employment and unemployment is so mired that no-one takes them seriously in this area. I mean, you don't have to go back long in history. They were the ones who created the massive numbers of unemployment beneficiaries - the most massive increase in unemployment beneficiaries in our history - under the conservatives. Because they lacked the capacity to manage the economy. So they have no credibility in this area. No. What we've done is to say you must conduct economic policy in a way which creates jobs. I mean, that's the essential of dealing with the question of employment and unemployment - create jobs. And so we've created 1.6 million, five times faster than them. Now, at the same time we have steadily, as well as getting the reduction in unemployment beneficiaries which comes from the creation of more jobs, we've recognised that under the systems which grew up under our predecessors, there was a laxity in the administration. And so we've tightened that. So you've had the twin pincers, if you like, moving on this issue. One, the creation of more jobs and secondly, where people were through lax administration being able to get benefits where they weren't entitled, we've weeded them out. There's been a massive increase in that process. Now I believe you will see that what is going to happen is there's going to be a quite dramatic, I believe, further step in the process, philosophical and practical process of dealing with this issue. The main thing that you have to do as a concerned society, as one concerned with proper economic management, one having compassion for those in need, but also one concerned to ensure that people are going to be put in the best position to help themselves is to make sure that your expenditures are basically of a kind which are going to

put people into the training programs. Now we, as you know, and you know much of the details about that, of the programs that are already there, we've done a great deal to do that - transfer the emphasis from benefits to training. And I think you'll find that that sort of thing will be enhanced significantly in the sort of details that are going to be announced.

JOURNALIST: Just to return to the State Bank issue. ... whether at that point in time they were raising ... State Bank ...?

PM: No, the - I've had no detailed discussion, no detailed discussion about the State Bank situation with them. No detailed discussion.

JOURNALIST: (inaudible)

PM: Just a minute, I'll come back to you.

JOURNALIST: Will they be voluntary, ...?

PM: I think you, I think you should wait and see, till Wednesday. That's only tomorrow.

JOURNALIST: Can interest rates still fall in the climate ... national wages outcome ...?

PM: Yes, and I think if you'll notice some of the statements made by commentators in the financial markets, an expectation that our environment would be much more conducive to that than the uncertainty of the Opposition. What has characterised our period in office in regard to wage outcomes is that the community, not only wage and salaries who are entitled to have some knowledge and expectation of outcomes, as are employers, but so are the markets. What has been the characteristic is that we've been able, after negotiations with the trade unions and some discussion with employers, to say look that is the national aggregate outcome of wages. And also associated in part with that, inflationary outcomes. Now, under our policy for six years, that's what's happened and the same thing will happen again following Wednesday, that the community will know with a very considerable degree of certainty, wages outcome. They can make their judgements as well as seeing the forecasts about inflation. And within that framework, I believe, the other policy settings of previously tight monetary policy and very tight fiscal policy, the three together will mean yes, that there can be reductions in rates. Against those certainties of settings you have the opposite from the conservatives and this is being acknowledged by some commentators in the market. In regard to wages, as recently as yesterday, the two spokespersons from the Opposition who presumably know most about this, Stone and Hewson, were asked repeatedly by your colleagues in the Canberra Gallery when they gratuitously called a Press conference to give their instructions to the media as to how they should conduct themselves. Then the media, not

unreasonably, said well could we ask you a couple of questions. We ask you, what is your view about aggregate wages outcome under your policies if you were in Government? ... pass that one. Wouldn't, wouldn't answer it. In other words, from the supposedly literate and knowledgeable economic spokesmen of the Opposition you got no better than you got from the Leader of the Opposition, whom they treat with a certain amount of reserve when it comes to economics, but they were no better. You know the classic answer that Mr Peacock gave in Canberra when he was asked the critically important question, critically important question as to economic management, as to interest rate outcomes, he was asked well what's going to be the wages outcome from your policy. The historically memorable, lamentable, pathetic response 'who's to know'. Well, in a sense people weren't surprised that Mr Peacock gave that answer which is so relevant to your question. What is likely to happen to interest rates under the Government's policies or the Opposition. Not so surprising to many people that Mr Peacock said 'who's to know'. But yesterday you had the supposedly literate and knowledgeable economic spokesperson giving virtually the same answer. So, I repeat, under our policies you will have, as you've had in the past, the predictability. And that's related to a tight fiscal policy. Against that tight fiscal policy of this Government you'll have, as you go through this campaign, the \$6 billion credibility hole of their fiscal position.

JOURNALIST: The figures we get tomorrow, the figures we get tomorrow in the Economic Statement ..., will they actually be economic forecasts as such or will they be more .. targets...?

PM: Well, they'll be precisely what they've been in the past. I mean, we're not having a statement for the first time. I mean, this is the beginning of - we've been there for seven years. We will be doing exactly what we've done every year before and that is that we will be putting out the figures on the basis of the negotiations that we were able to have with the trade unions and in the context of the historic approach to the social wage, we'll be able to say these are the outcomes. Now, they will have the same status as they've had for the previous seven years.

JOURNALIST: Speaking of Mr Peacock, as you were, yesterday could've gone better for you... Mr Peacock says you were totally rattled. Would you give him any points ... for yesterday?

PM: I certainly don't. I mean, just look at the facts of yesterday. I make no apology for them. I went to a conference about roads in the Opera House and I came to a podium at which there was a total traffic jam. There wasn't a centimetre of room left for me. And to the great -

JOURNALIST: You laugh it off now Prime Minister. You didn't laugh it off yesterday.

PM: I did laugh it off yesterday and may I say, I mean, you weren't there were you?

JOURNALIST: I was.

PM: Were you? And did you see the audience laughing with me?

JOURNALIST: Yes I did.

PM: Good, OK. So I was laughing, they were laughing and importantly so were a lot of the journos. I was, I thought it was rather amusing and obviously the majority of people there did. So, I -

JOURNALIST: But it happened again later in the day didn't it?

PM: Well, could I just finish the answer to the question?

PM: So I regarded that as a rather amusing episode, certainly not a rattling one. The second one which is giving Mr Peacock some hope, that I was rattled. There I was, I went to this environment conference to launch a book and there were people there wanting to listen and some person, who is acknowledged as a bit of a way-out fanatic, was there and took over and wanted to make a speech. Well there were the kids wanting to hear what I had to say and other people wanting to hear what I was saying. I thought well there's not much point in, you know, having a shouting match with him, so I, so I walked off until he'd finished. When he'd finished I went back and I said OK it's launched, saw the kids, gave them their certificates. Now all I can say is this. If Andrew thinks, out of those two episodes, that I'm rattled, I hope he continues to think it. I really, sincerely Andrew hope that you're thinking that Bob's rattled because mate, I'll tell you I'm not. I'm looking forward very, very much to the rest of this campaign.

JOURNALIST: Do you think an inflation forecast of six per cent for next year is realistic?

PM: I think of that order is realistic. But I will answer all these questions in more detail, as will Paul, after he's made the statement tomorrow. But I think that sort of order is realistic, yes.

JOURNALIST: You said on AM yesterday that under Labor there'd be a considerable fall ... ?

PM: That wasn't a ... I mean it was very deliberate. ... Not saying I can say it it's going to be three per cent, four per cent, two per cent. What I said is a reflection of what I said in answer to earlier questions here. The Government doesn't set interest rates. What the Government does is to conduct the arms of economic policy out of which interest rates emerge. We've been prepared to make the hard



decisions which during last year and to the beginning of this year meant high interest rates. Because high interest rates were necessary. I mean you want to have a precise measure. Just let me give you a precise measure which was relevant to why we did what we had to do. In the previous year we had broadly an eight per cent increase in consumption and a four per cent increase in production. Balance made up by excessive imports. So what we had to do was to reduce the level of demand. We did that by the combination of tight fiscal policy and wages policy supplemented by tight monetary policy. And out of those Government economic policy settings the interest rate pattern emerged. Now as those policies have impacted, as they have, and we've had the signs of slowing down which is what is necessary, then the banking sector has already begun its reductions within the interest rate structure. And they have said, importantly, that there will be further reductions including in mortgage interest rates. Now in that context it's not for me to say how much. But when I say considerable I think that is consistent with the policies that we've put in place and with the anticipation of the banking sector itself.

JOURNALIST: ... that the Government doesn't set interest rates, doesn't using a word like considerable ... talking down interest rates?

PM: No, and neither have they regarded it as such. There's been no suggestion by the market that Hawke has attempted to influence them. In fact I think there's an acceptance that I've been quite responsible about it. It's, I suppose, always a question of judgement as to what is the best word to use. But I think it's a responsible word.

JOURNALIST: What do you think of Senator Richardson's comments yesterday ... polls show a swing back to your Government... in WA?

PM: Well, I agree with him. I am privy to some polling that's been done which supports what Senator Richardson has said. I think he rightly identified the one difficulty, the really difficult seat of Moore, the difficulty of which is associated with the redistribution. The redistribution has made that notionally a Liberal seat. So that's that much more difficult to hold. But I would agree with Senator Richardson's assessment. And it really goes back to an answer I gave here before to a question on this side. I mean at all points the assessment about this horrendous position that we were facing in Western Australia depended upon, in my judgement, a fallacious assessment of the Western Australian electorate. It meant, really, looking at Mr and Miss Australia, West Australia, in the eye and saying to them you're a mug. You really are a mug. That's what the analysis meant. Because you were saying to them you're not happy with Premier Dowding and WA Inc. This federal election has got nothing to do with that. It's about what sort of education policy the country's going to have nationally, what sort of health policy it's going to

have, what sort of control over wages outcome it's going to have. And you know that that's what's in issue. But to punish Mr Dowding you're going to give yourself a kick in the backside and give yourself a worse education system for your kids, a worse health policy for yourself and your family, less efficient economic management. You're going to give yourself all those disadvantages to punish Mr Dowding. Now that really does involve a pretty sad analysis of the intelligence of the voter. And I never shared the analysis.

JOURNALIST: Prime Minister, is it the point that the lift in your Government's ratings in West Australia are precisely due to the fact that Dowding got the boot and Dr Carmen's in as Premier?

PM: What I'm saying is that even if that hadn't happened, even if that hadn't happened, what I was saying was that as we went through the election and as I made these points, then the judgement would've been made in the way that I'm talking about. I don't deny however Paul, I don't in any sense deny that we haven't got a bonus out of what you're talking about.

JOURNALIST: Given that you hold a seat down here, why is it that you haven't had any campaign launches in Victoria?

PM: Well, that would - I mean the logic of that is that if I held the seat of the Northern Territory I should have the campaign launch in the Northern Territory. If I held a seat in the ACT that I should launch the campaign from Canberra. There's no logic in the proposition because I happen to hold a seat in a state therefore that's where the campaign should be launched. It's not a proposition that has ever recommended itself to any leader of any party in the history of this country I think.

JOURNALIST: Alright, why haven't you had any campaign launches in Victoria?

PM: That's a different question. Because the judgement of myself and those with whom I discuss these things has been that it's been best to hold the launch on the three occasions that I've been to the people in Sydney. I guess the only sort of comment I could make, or justification of the decision is that the decision has been associated with a win. I mean we don't seem to have got it wrong on three occasions. I guess three out of three is not bad. If I could have 100% record in my punting I'd be very happy. Now on this occasion we've made a different decision.

JOURNALIST: Have you given any consideration ... in the truckies dispute?

PM: No I notice that - I just had something put in front of me before I came here, which the ABC news carried Mr Greiner reportedly calling on me to intervene in the truck dispute. Now let me just say this to Nick Greiner. Let me say it quite directly. The key to this is in Nick Greiner's hand.

I put the key in his hand last December. I offered it again yesterday at the Opera House. Now what the truckies want - it's quite clear what they want - is they want nationally consistent road laws. While I can't agree with their methods I agree with their objective. They want nationally consistent road laws. Why in the hell shouldn't they want nationally consistent road laws. In December of last year, as I say, I gave Premier Greiner the key to the answer with the blackspots program where I undertook to make in total \$120 million available, \$120 million, the overwhelming \$110 million on actual construction and another \$10 million on identification and associated research, on the condition that the States moved to uniform national conditions. You remember what they were? National .05 level, alcohol limit; national licensing of heavy truck and bus drivers; national uniform speed limits; speed limiters for heavy vehicles; adopt zero alcohol limits for young drivers; increase enforcement to ensure that one in four drivers are random breath tested for alcohol in a year; implement a graduated licensing system for young drivers; introduce compulsory bicycle helmet-wearing; introduce daylight running lights for motor cyclists; increase enforcement of seatbelt and child restraint wearing. Now, as I say, there it was offered in December with a very substantial allocation of federal money. My belief is that I can get the other five States to support this position and if Mr Greiner would do so also then we have the answer. We have the answer. The truckies legitimately want a national uniform position, as I say. I identify with that. Not with their methods. I hope that they will not proceed with their methods. But Mr Greiner I've given you the key to the answer. Please accept it.

JOURNALIST: Accepting what you say about that, isn't this dispute now being driven as much by the internal split in the TWU as anything else and wouldn't it help ...?

PM: Quite clearly Glenn there's an element of difference within the union. But that doesn't in any way, in any way, limit the validity of the point I've just made. Because the issue in the first place, the issue in the first place which the union pretty generally now seems to be coming towards, is the question of the regulations in NSW. They are saying they are disadvantageous and there's differential regulations. What, without any doubt, the truckies whether union driven or non-union driven are saying, is uniform national standards. And I've given the answer to that. Now I'm sure then if the Premier of NSW would respond positively to that it's quite clear then that to whether there's some difficulty within the union or not, quite clear if the Premier would respond to that then we could resolve the matter.

JOURNALIST: As a result of the dispute several thousand workers ... stood down and there's supposed to be another 7000 ... If the standdowns continue ...?

PM: Well, I'm hoping, I mean in these sort of things you take it step by step. I'm hoping that Nick Greiner, and I can assure the Premier of NSW I'm not trying to get into a political wrangle with him. But if the Premier of NSW would positively respond - I mean it's not a bad deal is it. I mean the Prime Minister of Australia is offering \$120 million to spend on the blackspots, the most dangerous spots, and obviously NSW would get the greatest proportion of that. What's the tag that the Prime Minister's putting on it? The tag simply is agreement to national standards. Now if the Premier will agree to that then the dispute on any reasonable assessment is over. So in attempting to resolve a dispute you try and get to the main issue and try and get that resolved. Now that is the main issue as has been put. And the key, the simple key for resolving it is there. I'm sorry I've got appointments I've got to get to.

ends