



PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, SIR CHARLES GAIRDNER
HOSPITAL, NEDLANDS, PERTH - 1 MARCH 1990

E & OE - PROOF ONLY

JOURNALIST: ... exploited one of our sporting heroes,
Allan Border, for your own political gain.

PM: No, that is -

(CAMERMAN - ... mikes down please. Ask the question
again)

PM: Down a bit? Now, are you people complaining about
the microphones? Now, why, this is a free and democratic
... They can put their microphones where they like. Now I
insist on their right to put their microphones where they
like.

JOURNALIST: ... quite right that Allan Border ... and
the Order of Australia has been used for political
purposes?

PM: This is an absolute nonsense, the determination of
who gets the Australia award is with the council of the
Order of Australia. They make the decision as they did
in this case and it was announced by the Governor-
General. We had a position where you had the Australian
team returning, there were ticker-tape welcomes for them
everywhere, the Australian community was overjoyed about
their success, there was going to be a reception for them
in Melbourne. The judgement was made that it would be
appropriate if it were acceptable to the council for the
announcement about the Order to Allan Border to be able
to be done then. So the decision was made by the council
and I would regard it as very surprising if the people of
Australia would think it inappropriate that the captain
of that Ashes winning team should not be given that
Order.

JOURNALIST: But the fact that it was you yourself who
nominated Allan Border and that the nomination came
before the statutory time limit of five years from his
previous honour?

PM: The decision as I said is made by the council. You
refer to the nomination, but I can make no decision. The
decision can only be made by the council and it was. I

must say I am amused by this confected indignation that here was Australia wanting to welcome, as it did with ticker-tape receptions and the dinner in Melbourne, this victorious Australian team and its captain and that an award to him is somehow or another, properly made I might say by the council, now being regarded as inappropriate. That surprises me.

JOURNALIST: Do you think the office of Governor-General has been a bit sensitive on this one?

PM: The office of the Governor-General? I don't know what's happened in the office of the Governor-General.

JOURNALIST: Should we go back to the days of the imperial honours when there was no political involvement?

PM: Well, I think Australians appreciate what Labor has done and that is to get away from the imperial system, have Australian honours. And I would think Australians generally would say that if anyone was entitled last year to get an honour, it was Allan Border, and that the Australia Council having made that decision it was appropriate that he should get it at the time he did.

JOURNALIST: Mr Hawke, the size of the balance of payments?

PM: I'm glad we are getting our priorities, with Allan Border now the balance of payments. Yes?

JOURNALIST: ... \$1.9 billion, is larger than, I think, obviously you'd hoped for. How worrying is it? ... good news of last month ...?

PM: I don't think it is worrying. It's within the range of expectations. It's got, of course, that over \$300 million of Qantas aeroplanes in it. That would bring it down to just over one and a half billion. The trends of imports are down which is the way we want it, the trends of imports are down. It's very interesting to note that if you look at manufactured exports in the last three months compared with the same three months period twelve months ago, manufactured exports up 50 per cent. And it's also interesting to note, Peter, that there's been a significant downward revision of earlier figures which gives us a reasonable chance of bringing in the figure for 1989/90 at the figure we projected at Budget time.

JOURNALIST: Sir, aren't imports up on a seasonally adjusted basis?

PM: The - I'm talking about the, that's one month. I'm talking about the trend in the period. And the trend as has been indicated and accepted by the market is down.

JOURNALIST: Mr Hawke, do you think the current account deficit can be brought back to about two and a half per cent of GDP in three years?

PM: I think it's conceivable and achievable that at the end of our next term we will be able to get the external position into a sustainable level.

JOURNALIST: Mr Hawke, does it mean that interest rates may have to stay higher than you had previously expected?

PM: No, the figures are consistent with the processes initiated at the beginning of this year. And I don't think there is any reason to believe otherwise. The figures are consistent with the slowing down of activity and it was that slowing down of activity which was the necessary underpinning of what was happening in the easing of monetary policy.

JOURNALIST: ... the decision of the High Court today disallowing the stamp allowance, or at least, finding it invalid in law, an embarrassment for the Government?

PM: No, not an embarrassment. But let me just give the background and then the immediate comment. The background, of course, was that we thought it appropriate that members of Parliament should have the opportunity of communicating regularly with their constituents and this was on the basis of allowing them to communicate with each constituent at least once a year. If you look at the situation overseas in the United States, other countries, they have a much larger allowance which is, as I say, on the basis of allowing a representative in the Parliament to communicate with his constituent, his or her constituent. And that was the basis of the decision. Now, let me say that the decision that we took was made on the best advice available to us from the Attorney-General. That's the basis upon which you must make a decision and we made it on that basis. And I would, I would believe that it was an appropriate decision, it was certainly one taken in good faith. Whether people have used amounts in excess of the \$9000 in question, then I don't think there would be a large number that would have done that. If they have I guess they have probably been on both sides of politics and that situation would have to be looked at.

JOURNALIST: They won't pay the money back then, Prime Minister?

PM: We are examining the decision. I mean I won't give you an off the cuff legal decision on what the implications of that are. Obviously, the decision will be examined and the right thing will be done, whatever the right thing is.

JOURNALIST: If necessary, would the Government pay the money for them?

PM: Well, I repeat, we will look at the decision. I just don't know what the implications are for instance of beyond that mid-November point in regard to which the High Court made its decision. I don't know the implications of any expenditures after that period.

JOURNALIST: Mr Hawke, the Liberals appear to feel they are onto a winner with the capital gains tax issue. They have got an ad going to air tonight with Mr Howard in it, selling their proposal. Do you think this is a problem for the Government?

PM: No, I'm very very confident that the capital gains issue will be a massive vote-loser for the Opposition. One question is very interesting too, on this, I'll come to the Howard ad in a moment. One question is very interesting on this. In 1987 Dr Hewson indicated he was in favour of a capital gains tax. He said he thought all forms of income should be taxed at approximately the same rate. He was in favour in 1987 of capital gains. It would be very interesting to get an explanation from Dr Hewson as to why he has changed his position. Now, you talk about Mr Howard being the one who is going to do the ads. We note from the media today that the Liberal's advertising is not going to feature Mr Peacock, they are going to feature other people. Well, that's fascinating, but perhaps understandable. I wonder whether when they get Mr Howard in they might sort of do an advertisement from him on the quality of the leadership of the Liberal Party. But, fascinating to read today in the paper that Mr Howard was asked if he believed Mr Peacock deserved to be Prime Minister and look at this ringing endorsement that Mr Howard gave when he was asked whether Mr Peacock deserved to be Prime Minister and I quote Mr Howard on that subject: "I want the Liberal Party to win. I believe we deserve to win. He's the leader and in those circumstances, yes." What a fascinating thorough-going, ringing endorsement by Mr Howard of Mr Peacock's leadership.

JOURNALIST: Are you disappointed with the outcome of the Cambodian peace talks?

PM: Well, one, it would have been too much to expect that the matter was going to be resolved there. But, I think what you've seen now is a very, very widespread endorsement of the Australian plan. It's the basis now for a resolution of the future but of course, you've got to get the position where the Khmer Rouge in particular is going to be amenable to this approach. But everyone, I mean, the ASEAN countries, and the other countries outside the region who are involved, the U.S. and France have been unanimous in praising Australia for our imagination and our initiative. And I only hope that work will continue to go on now on the basis of the Australian plan which can lead to a resolution of that.

JOURNALIST: Do you think the Chinese stance is a problem?

PM: Well, it is very hard to know exactly at this point where they are. There is some intelligence which would suggest that they have been trying to exercise a restraining influence upon the Khmer Rouge and we hope that that's the case. But this is something of which you certainly don't despair and I think all Australians irrespective of their party affiliations should be proud of the initiative that Australia has taken. It is the basis and accepted as the basis for the resolution of this tragedy.

JOURNALIST: The Opposition is saying millions of Australians are affected by the capital gains tax through their superannuation.

PM: Well, yes, some of them are saying it and some aren't. I mean, Mr Peacock of course gave a whole lot of figures which were inaccurate. I am just trying to find a reference to Dr Hewson, here we have it. This was on this point. Asked about the impact of the capital gains tax on super funds, Dr Hewson replied "I don't know how big an effect, we haven't got a year's tax data yet, there are no data, there is no data on which we can rest our case." I mean out of Dr Hewson's own mouth, they have no data on which to rest their allegations, and their allegations are obviously untrue. If you look at today's press you have a representative of the superannuation industry saying that the tax is virtually totally offset by the processes we have allowed to them in regard to dividend imputation.

JOURNALIST: There was a \$7 billion increase in foreign debt in the latest figures released today. Are you worried about that all?

PM: Well no-one is complacent Niki about foreign debt, no-one is complacent about it. But we believe that the fundamental policies are in place now. Let me make these points. The first of course is as far as the Commonwealth is concerned, we owe no debt. We are net international creditors. And remember how that's happened. The other mob put us into debt as a Commonwealth Government by their incapacity to run the business of the government of Australia. We've done it better, we've turned that deficit into surplus and as a result we owe no debt. Now the second point to make is that the debt has been predominantly, almost two thirds, the private sector. As I've said before, that private sector debt has to be looked at in terms of the other side of the coin, that that represents in many instances investment which is going to constitute a significant future inflow of foreign income. The third point to make is that we've got the basic policies in place to turn around the inflow of imports. The trend is downwards. We will see in the future I believe a continuation of that reduction in imports and a growth in our export

capacity. So those are the fundamentals. If you had a situation where the Government had not taken action to deal with these issues, yes you would be concerned. But we're aware of the issue and we've taken the action.

JOURNALIST: Mr Hawke, you've criticised Mr Peacock over doorstops. Is it just a coincidence that the day when we have the balance of payment and the debt figures you're having a doorstep and not a press conference?

PM: It certainly is a coincidence. I mean have you got any further questions you'd like to ask on the balance of payments? I mean has there been any attempt here to have other than a full press conference? I'm not quite sure that the difference between me standing behind a podium and standing here in these very congenial surroundings is limiting your capacity to ask me questions.

JOURNALIST: Well on the balance of payments Mr Hawke you were saying earlier you thought that considerable progress would be made over your next term if you're re-elected. Can you quantify that in any way? Can you give any target as to what your goal would be?

PM: You've got to - I'm not going to put a precise figure on it now. But you've got to be in a position where you've stabilised the debt so that you've shown by what's happening to the level of imports and by your export capacity that your level of debt is capable of being serviced without imposing a growing impost upon the economy. That sort of figure I believe can be, that sort of position can be I believe achieved by the end of our next term in government.

JOURNALIST: Do you accept that given that three year timetable we would at some stage have to go into trade surplus over the next three years?

PM: I would want to look at the exact figures that would be involved in that project ... That is possible.

JOURNALIST: The three year target's a lot more optimistic than the Government's own EPAC forecast.

PM: They've thought by roughly the middle of the decade. I think - I draw a lot of comfort from the very significant improvement in our area of manufactured exports. And I think that that study of the Bureau of Industry Economics yesterday repays a fair bit of study because they are saying there, the Bureau of Industry Economics, is saying that what we have seen in the last seven years is a very significant restructuring of Australian industry. I mean this is an independent body saying that what's happened, the price we've paid if you like, with restraint, has been something that's worthwhile. In other words you're seeing an Australian economy which is now very very competitive. The proportion of our commodities in our total exports is

declining. I think that gives us very good reason to be confident that if we keep along this path we're going to be able to very considerably extend the range of our manufactured exports and also very importantly the range of our exports of services which have grown enormously in this period. I think the figure that I recall is that where manufactured exports have grown in the last four years by 54% the figure for the growth in export services is 69.4%. It's a very very significant increase.

JOURNALIST: So you're saying the outlook has in fact improved since EPAC last did its forecast?

PM: No, I'm saying that the outlook has improved under this period of government. I would hope that by the end of our next term of government that we'd all be saying that the position is very very much stronger than it was. It may take another year to reach that point of statistical stability. But the important point I think, on all the objective evidence, is that as an economy we are moving substantially in the right direction. The trend of imports is down. Most importantly the economy is being restructured to remove that overwhelming reliance on commodity exports. I mean that's what leaves you so open to very big fluctuations in commodity prices. In our period of government you've seen it. I mean you've had that loss of \$11 billion of national income there in '85-86 which had its own set of difficulties. Then you know what happened in this most recent period where we had the turnaround improvement in the terms of trade, the surge of export income coming from the improvement in commodity prices which imposed those massive increased demand pressures on us. So what we've got to be working towards and I believe what the Bureau of Industry Economics statement of yesterday indicates is happening, is that the structure is changing. We are not so reliant upon primary commodities. And we will be able to continue to do that as a result of the fundamental changes that are taking place. I mean we aren't now getting a greater proportion of manufactured exports, we're not now getting a massive increase in the exports of services through chance. It's happening through a whole range of basic decisions that this Government has implemented.

JOURNALIST: Do you think that the unexpected rise in the debt figures today will give an added political edge to the debt summit starting this evening in Melbourne?

PM: I really hadn't thought much about the debt summit.

JOURNALIST: ... criticised the changes that you announced yesterday. Do you still believe that you can sell them to exporters and what do you think of the way the press conference ended yesterday?

PM: The situation is obviously one, where you change a scheme as we have in regard to the Export Market

Development Grant Scheme which lifts some thresholds, some people who operated within lower thresholds in the past are going to be disappointed. That's so obvious it hardly needs any elaboration. But I firmly believe that the net increase in expenditure by the governments involved in taking the two schemes together, what we're doing in regard to the Export Market Development Scheme and with our new scheme, that net increase is better targeted, it's conceptually more sensible -

JOURNALIST: What is the net increase Mr Hawke?

PM: I haven't got the figures in front of me. You know, you've got them.

JOURNALIST: Well we don't actually. There were about four different figures given yesterday.

PM: I am very good at figures. I haven't got those with me but the fact is there's a net increase I think of about \$16 million in the first year. It's that sort of figure in the first year. Over the years in question it involves a net increase in outlays. But you'll always, in that situation where some people have been able to use an existing scheme, with lower thresholds and make claims for some sort of expenditures, if they can't do that now they're going to be upset. But I think the new scheme which is I think well conceived and well targeted, together with a continuation of the Export Market Development Grant Scheme will be in net terms an improvement for Australia. As to the second part of your question I've obviously got no comment. I hadn't forgotten it Niki.

JOURNALIST: Mr Hawke, in 22 pages of documents, 22 pages in relation to that announcement yesterday, why was it not clearly said that there was a cut in that scheme?

PM: The proposition that was put that there was a cut overall in the press conference wasn't right. The minister was mistaken about there being a net cut. There wasn't.

JOURNALIST: But why didn't the documents say there was going to be a cut in the existing scheme?

PM: In the Export Market Development Grant Scheme? I don't know. I don't draw up every word of these documents. But it was spelt out - if you look at the document - it was spelt out that there was an increase in the threshold and so on. I don't think that there's any problem about the general position that we're putting, and that is that importantly we had a new scheme coming in which was going to be targeted in a more effective way. I don't feel any problem about that.

JOURNALIST: Don't you think you ought to relaunch it -