



## PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, LAKE LODGE RECEPTION  
CENTRE, BALLARAT BOTANICAL GARDENS, LAKE FORESHORE, 6  
MARCH 1990

E & O E - PROOF ONLY

PM: Well ladies and gentlemen, yesterday Mr Peacock managed in one day to massively insult both the intelligence and the commitment of the Australian people. He insulted their intelligence by parading before them a policy speech which had a \$6 billion credibility gap, \$6 billion at least of unfunded promises. And in that regard, let me say this - people will remember the 1987 election campaign and Mr Howard's arithmetical error. The gap, the \$6 billion gap, of Mr Peacock is much worse than the arithmetical error of Mr Howard in 1987. It is much larger and it is no arithmetical error. It is a deliberate con job on the Australian people. The Australian people are entitled to an answer to the question 'where is the money coming from?'. But, as usual, Mr Peacock has no answers. So that is the insult to the intelligence to the Australian people. I don't believe that ever before in an election have you had a party so deliberately coming before the Australian people making massive unfunded promises and not giving any answer as to where the money is coming from.

Secondly, and in a sense more deeply repugnant is the insult to the commitment of the Australian people. In his policy speech yesterday Mr Peacock said that productivity growth in Australia had been to quote him 'virtually zero'. That is a deliberate untruth as is revealed in today's paper. Both Australian independent studies and now the revised studies of the OECD show that under this Government, productivity has been increasing by the order of three percent per annum. Now that represents a combination of the work of Australian workers and the commitment of investment by Australian entrepreneurs. Together, over this period of Government, productivity increasing very substantially, but in their attempt to write down their country and to write down their fellow Australians, Mr Peacock says productivity growth has been virtually zero.

It's not a bad achievement by a man who would be Prime Minister of this country to at one and the same time insult both the intelligence of the Australian people to think that he can get away with a \$6 billion unfunded set

of promises and at the same time to insult their commitment to their country in terms of saying there's been virtually no productivity growth in this period.

I believe that Mr Peacock and those around him will pay dearly for this insult to the Australian people.

JOURNALIST: How do you make up the \$6 billion?

PM: Well, let me, let me take that up. He of course purports to fund his first year, but even, let me remind you in respect of his first year, the Department of Finance found, as you will remember, the \$825 million, \$835 million hole in regard to the first year. But in regard to the second and third year he identifies no fundings. Now let me just make the point before I go to the details of that to say this. Why will Mr Peacock and Dr Hewson not submit their proposals to the analysis of the Department of Finance as we've done. The stark contrast is there between the Government and the Opposition. We tell you before the start of the campaign, there are the savings, they're identified and with each commitment that I make during this campaign, it's set off against those savings. Every commitment by Hawke and the Government in this campaign, every new commitment, totally funded and the process verified by the Department of Finance. And I demand, on behalf of the Australian people, that the Opposition should subject their proposals to exactly the same scrutiny. Now let's look at the major components of the \$6 billion hole which is a conservative estimate.

About roads, first of all. He talks about his \$1 billion commitment to roads, it's made up of \$230 million new expenditure in the first year. But then that's added to by another \$115 million in the second year and then an additional \$115 million in third year. So there's \$230 million in regard to roads, unfunded. Then we come to two tier tax scales. Now you will recall that when they made the promise to bring in the two tier tax scale months ago we said that that's at least \$2.8 million involvement. They've conceded that themselves. Now that is something they're going to bring in, within the three years, the two tiered tax scale, and they concede that that's \$2.8 million involved in that. And that's quite separate, as they concede themselves, quite separate from the return of bracket creep. So there's \$230 million for roads, \$2.8 billion for the two tiered tax scale.

Next the changes to the health insurance system. That, of course, involves the opting out of Medicare and the analysis of the cost of that is somewhere between \$1.5 and \$2.6 billion, between \$1.5 and \$2.6 billion. And of course, I don't add to that what you would need to add to it and that's the cost for tax rebates. So there's that for the opting out of the Medicare levy, between \$1.5 and \$2.6 billion.

Now just add those things up and you get the figures. There is the funding hole in the Economic Action Plan, \$835 million, roads \$230 million, the two tiered tax \$2.8 billion and the changes to the health system between \$1.5 and \$2.6 billion. Which gives you a total of between \$5.3 or \$5.4 and \$6.5 billion. And that's without taking account, as I say, of the cost of the tax rebates and you look at the odds and sods that I haven't even counted there. Breast cancer screening - if they're going to match the Government as they seem to be talking about - another \$20 million there. Education - at least \$10 million there. And local government, they say they're going to increase the share of money going there, but that's unmentioned, no figure attached to that. Other unfunded commitments, look at those. Sales tax free shopping for tourists, more support for the Federal Police, the National Crime Authority and the Customs Service and the contingent liability involved in 95% underwriting for the wheat industry. So by any analysis whatsoever, the \$6 billion is a most conservative estimate of the unfunded spending commitments of Mr Peacock and the Opposition.

JOURNALIST: Prime Minister, last night Liberal Party television advertisements ... Are you also worried it could be very effective?

PM: Well, in the end, Peter, you've got to ask yourself the question. What judgement do you make about the intelligence of the Australian people? I mean, you can have ... you can have Mr Peacock getting up and running the line, the answer is Liberal. The same Mr Peacock refusing to answer questions. Now, are the Australian people going to be impressed by the proposition, the answer is Liberal, and he runs away from full scale Press conferences. He will not make himself available to the sort of analysis that I regularly make myself available to. The whole Press corps - you've got me. Any questions you want to ask on economics you ask. I deal with them, no running away from them. Now -

JOURNALIST: (inaudible)

PM: Now let, let me, let me finish. I'll come back to your question. They are people about whom you've got to ask the question. Are they going to be impressed by what you call a slick television presentation. But a slick television presentation which doesn't answer the question, where's the money coming from. The Australian people have a record of wanting to know of political parties when they make promises, where is the money coming from. And in 1987, you'll recall, they marked down Mr Howard very, very much indeed for what as I recall was about \$1.5 billion. Here is \$6 billion. Now at least you can say in defence of Mr Howard that it was incompetence. I don't believe there was any intent by Mr Howard deliberately to mislead the Australian people in 1987. It was incompetence and he was marked down for

incompetence as he should have been. But here is a deliberate con job. Well I don't - my judgement about the Australian people Peter, my very, very profound judgement about the Australian people - and I've been in public life for 30 years - is that they will not buy con jobs.

JOURNALIST: You sound rattled.

PM: That may be your judgement that I sound rattled. I can assure you I'm not rattled. I feel very, very profoundly concerned that a party that would seek to offer itself as an alternative government and a leader that would seek to offer himself as an alternative prime minister can so insult the intelligence of the Australian electorate that they can have this \$6 billion funding gap and think that they will get away with it. Now that moves me very deeply. And I'm certainly not only not rattled, I can assure you that in terms of straight political analysis this is the worst mistake, the worst mistake the Coalition could possibly have made. I mean they should have attempted to say just where the money was coming from.

JOURNALIST: Prime Minister, the upward revision of Australia's productivity, the private sector did better than the public sector with productivity at about 3.8 per cent. This could be a fairly strong argument could it not for privatisation? ... more productive Australia, well ... to the private sector.

PM: It adds nothing to that argument whatsoever. Because as you'll appreciate, that in so much of the public sector the assumptions, the statistical assumptions that are made are of zero productivity growth. And so much of it is services area. That statistical assumption is made. That's a large part of the explanation for that fact.

JOURNALIST: The Opposition wants to sell off Qantas. Given reports today that Qantas may make a loss, what's your view of selling off the airline?

PM: Well, there are these points to be made about their selling off proposals. Before I go to Qantas may I just pick up the point about another weakness in what happened yesterday. They've plucked the figure of \$550 million out of the air for the proposed sale of a second cellular mobile telephone service and we've seen what people in the industry have had to say about that. If ever there was a rubbery figure, it's that \$550 million. They've plucked the figure out of the air. Now in regard to the airlines, you ask ... well we're in a situation where there may be a loss involved and what figures would you attach to it. That's one question, but I would simply make this point. That in regard to the fundamentals of the Australian economy, the fundamentals of whether you're going to blow the budget surplus by unfunded

promises, those things are at the periphery. I mean what you've got here is the certainty of the budget surplus being blown for two reasons. One, the \$6 billion hole that I've talked about, but on the other hand, on the revenue side, they are going to throw away the capital gains tax which over a period of time was billions of dollars. You take the two things together, take the two things together and they are going to mean that all the hard work we've done together to accumulate a surplus, which I have used to pay off debt, is gone. The budget surplus will be blown. And there's no possibility that some peripheral income they may get from talking about the sales of some public asset like the airlines can deal with those fundamental problems. They are ideologically driven by the view that necessarily public enterprise is bad and private enterprise is good. Let me say this, as far - and particularly it's appropriate out here in an area, a rural area - that any suggestion that you would play around with enterprises like Telecom and Australia Post, which provide services in a cost subsidised way to rural Australia, is very very dangerous for non-metropolitan Australians.

JOURNALIST: Journalists are all saying that Mr Peacock is promising relief but not promising any pain in order to get there. Are you prepared to say to the Australian people at your policy speech there will be pain, that it won't be an easy road?

PM: I, I don't have to say that in terms of the comparison with Mr Peacock. I've already made the point that where we are making new commitments we have funded them. People know if we are, as for instance in the area of women's affairs, \$64 million over three years for early screening in regard to breast cancer. We have paid for that. And very importantly, in regard to the States, we are not imposing now virtually another half a billion dollars pain upon the States. We've done it ourselves. This is particularly important to the States and I'd suggest particularly important for a small state like Tasmania. Tasmania is going to have, leaving aside what individuals it will cost them, it's going to cost them about another \$17 billion in grants taken away. Look at NSW. I mean have you ever seen anything so ridiculous as the proposal in regard to the beaches in NSW. He's going to let them borrow more money. But he's going to take about \$120 million off them in State grants. Where we make new proposals they are funded, are funded. People know how we are going to meet our commitments.

JOURNALIST: Coming back to the \$6 billion. You say you've been talking about that figure since the last session of Parliament, but is it because you don't think your message is getting through, that your profound concern is so much more manifest today?

PM: No, today is the day after they've announced the policy speech. One was expecting and hoping Graham that

they would discharge their obligation at the policy launch of explaining where the money was coming from. Now there was a deafening silence. My responsibility to the people of Australia is to point out, and point vehemently and effectively, that silence. Which means that all that we have done together in this country to transfer the inherited deficit of \$9.5 billion, which I've turned around to a more than \$9 billion surplus, which I've used with my colleagues to pay off our overseas debt. Australian citizens in respect of the Commonwealth Government owe not one net cent of overseas debt. Because we've got a surplus, we've paid it off. But now they're going to blow that apart with the \$6 billion unfunded promises and throwing away the proceeds of the capital gains tax. That's foundational to the future welfare of this country. And any person who is the Prime Minister as I am and who intends to continue to have the responsibility for the Government of this country has a responsibility to explain and explain strongly to the Australian people just what has been promised to them. What's been promised to them is the collapse of the Australian economy. The Australian economy must collapse. Interest rates must go through the roof when you have a bursting of the deficit and a wages explosion. Those two things together, the blowing of the budget surplus and the wages explosion, mean that interest rates must go through the roof.

JOURNALIST: Mr Hawke, has there been any discussion between the Federal and Victorian governments about how the loss of the State Bank ...?

PM: No.

JOURNALIST: Mr Hawke, can we talk a bit about Ballarat issues while you're here.

PM: Sure, sure.

JOURNALIST: The Small Business Association of Victoria claimed that you ... revolt in two weeks time.

PM: Claims what?

JOURNALIST: They plan a Eureka-style revolt. In two weeks time protesters ... by the Government.

PM: That is a singularly ill-informed approach. Let's just look at the facts in regard to business, small as well as large. ... the facts, not these, none of what I say now opinions, every one of them facts. Let's look at them. Growth, economic growth - under my Government economic growth twice as fast as under the Conservatives. Employment growth - 1.6 million new jobs, five times as fast as under the conservatives. And of those 1.6 million new jobs, 92% of them in the private sector. Most of them in the small business area, most of them in the small business area. So employment growth -

unprecedented growth. Taxation, taxation, let's look at that. When the conservatives walked out of office, what was the top tax rate? I'll tell you what it was - 60 cents in the dollar. What is it now - 47 cents in the dollar. Bottom rate - 30 cents. What is it now - 21 cents in the dollar. When the conservatives walked out, what about division seven tax and undistributed profits - a massive impost upon small business. We've removed that.

JOURNALIST: What about commercial interest rates?

PM: Ok, well what about commercial interest rates? Never at any point under my Government have they reached the peak that they did in April '82 under the conservatives. 22% for 90 day bill rates. Never reached. They are now 16%.

JOURNALIST: Home loan rates?

PM: Home loan rates. The situation there of course is that under the conservatives it wasn't a question of what interest rates were, the money wasn't available. You ... people under the conservatives simply by locking off the supply of money. There was no money available. If you want to test it over the period of government I suggest you test it by the number of houses built. The fact is that under my Government on an annual basis there's been 9% more homes, 12,000 per annum more homes built under my Government than under the conservatives.

JOURNALIST: The Master Builders at the moment are saying the industry is stagnating.

PM: The Master Builders are wrong. It's certainly not what the Housing Industry Association is saying. It's very difficult to say that in the light of the figures I've just given you. The statistics do not support it.

JOURNALIST: On another issue, one in four country children in poverty, living in poverty in country Victoria.

PM: No, the question of child poverty is I guess best answered in this way. Don't rely on my assertion that the commitment that there be no financial need for a child to live in poverty has been met. Rely on these three statements, I suggest to you. I don't know that you would want to question the integrity of the Brotherhood of St Laurence, I don't know that you'd want to question the integrity of Julian Disney of the Australian Council of Social Services, I don't know whether you'd want to question the integrity of the Australian Institute of Family Studies. But what have they had to say? Let me quote them. Bishop Hollingworth from the Brotherhood of St Laurence in 1989 said that 'in strict income security terms, there's no doubt that the Prime Ministerial promise will be achieved'. That is

Bishop Hollingworth. Mr Julian Disney of the Australian Council of Social Services - 'it is without doubt', his words, 'it is without doubt a remarkable achievement first to have set and then to have achieved the payment of the benchmarks to the children of low income families'. And thirdly the Australian Institute of Family Studies - 'by these means', they said, 'the benchmarks sent by the Government have been met'. Now if you want to question the judgement of those people who are working in the area that the financial commitment that I made has been met then do so. The fact is of course they are saying that on the basis that in this year over \$2 billion, over \$2 billion have been paid in the Family Allowance Supplement to low income families. An example of what that means - a one income family on \$320 a week with three kids, that means that under the scheme that I have brought in, indexed, they get \$110 a week tax free which is equivalent to a wage increase of \$170 a week. Having said all that, in discussion with the Brotherhood of St Laurence, the Australian Council of Social Services and the governments, we realise that more has to be done. What we've got to do is to make sure that services get delivered where they are needed. And that includes in some country areas where they don't have the same access to services as they do more readily in the cities.

JOURNALIST: Mr Hawke, you've said you're prepared to answer questions about your economic policies. We know where the conservatives stand on privatisation. Can you tell me whether you support the sale of airlines?

PM: I can tell you what I've done there. I've set up the Committee of the Labor Party to look at that and that is being looked at. I obviously will wait till those processes are followed through. We'll get their reports as what's the appropriate way of dealing with the capital needs of the airlines. But let me make the point, you know, the quite fundamental point, that what is done or not done there is entirely peripheral, entirely peripheral to the fundamental issues of economic management. The issues of economic management in this country, the most important issue is wages policy. And there you still have the situation where we are now just over two weeks away from the election of this man who would be Prime Minister still saying that he doesn't know and can't tell you what the wages outcome would be. At the same time as he's also giving you a \$6 billion funding hole.

JOURNALIST: Dr Hewson did a rather skillful job presenting economic problems and his solution. Do you accept that the Government has a presentational problem in trying to explain to the Australian people what's wrong with the economy?

PM: I don't accept that we've got a presentational problem. But I would say this, that it's always



difficult to cover the whole gamut of considerations that are involved and the complexities of running an economy as large as the Australian economy, and covering all the issues. There will always be a chance of doing it better. I mean I don't claim perfection in any way in terms of being able to present all these issues. But I do say that I'm entitled to ask the Australian people to compare and contrast the presentation and analysis by Hawke and Keating with that of Peacock and Hewson on the issues. I mean the fundamental issue that will determine the future welfare country are these things. There's wages policy. Now you don't have to be theoretical about that. I mean we've had the decade of the '80s. Australians going to this election are fortunate in being able, in a sense, to test Hawke and Peacock against the experience of the '80s. What Peacock is offering is a return to the beginning of the '80s. Let the strong exercise their strength. He would've let the pilots have their 30%. No wonder that the pilots, everywhere I go, they are out there barracking for Andrew. So they should. They'd be out of their cotton-picking minds if they weren't barracking for Andrew Peacock because Andrew Peacock was barracking for them and said you have your 30%. That's what happened at the beginning of the '80s and that's what gave us the worst recession in 50 years. Now against that our wage predictions are always right there in the ball park. And where we say the wages outcome will be seven percent, that's what it will be. And therefore workers and wage and salary earners and employers and governments can plan accordingly. Now that's an essential you can compare and contrast Hawke and Peacock on that. You can compare and contrast Hawke and Peacock on fiscal responsibility. I am the first Prime Minister with my Government ever to run the business of the Australian Government in profit. I inherited an enormous accumulated deficit, Commonwealth deficit from the conservatives who'd never been able to run at a profit. We've run at a profit of \$17 billion in the last three years and we've used that to pay off debt. But now he's promising a return to the past - \$6 billion hole. Give away capital gains tax, the surplus blown. So with wages explosion and surplus blown, interests rates through the roof, collapsed economy.

JOURNALIST: Following on from that, are you concerned by comments suggesting that the wage-tax deal has made little impact?

PM: That what?

JOURNALIST: That ... suggestion that the wage-tax deal has made little impact.

PM: If you look in detail at the polling they show that clearly more are impressed by it than are not. I would've hoped - obviously you'd always hope that you'd get a bigger impact than apparently there is. But I have no doubt at all that the message is coming quite clearly

through. And our polling shows it, shows it unequivocally that the people out there believe that Labor is more competent at economic management than the Opposition.

JOURNALIST: Would you be willing to relax global borrowing for Victoria ...? ... if you don't do you acknowledge that it's going to have to mean big cuts ... program.

PM: That issue simply hasn't been addressed. We've made no commitment to that. It hasn't been addressed.

JOURNALIST: Are you worried about seats in Victoria, about losing seats?

PM: The polling shows that Victoria is our weakest area but I believe that as the campaign comes to conclusion Victorians are going to be influenced by the same sorts of considerations as the rest of Australia is. I mean Victorians, just as much as the rest of Australians, are surely going to be concerned about a \$6 billion hole. Victorians, just as much as the rest of Australia, are going to be worried about a wages explosion. I think that when we get down to the line that the degree of discontent that there may have been in Victoria, for particular Victorian issues, will tend to, I think, be ameliorated by their concern as Victorians for these fundamental issues. As Victorians they would suffer like the rest of Australia if there's a wages explosion. As Victorians they'd suffer like the rest of Australians if there's a \$6 billion blowout in the Budget.

ends