



PRIME MINISTER

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JOURNALIST: Have you been able to speak to Mr Kelty yet about the problems with the metalworkers?

PM: I did have a yarn with him on the phone last night and understand there'll be meetings tomorrow and I hope that the matter can be resolved without a dispute. Now I certainly hope that's the case, but as I've said even if there is some short stoppage, there's nothing that can detract from the record of the Accord - the 60 percent reduction, 60 percent reduction in industrial disputes since my Government's been in office and that will continue and particularly so will the reforms of Australian industry with award restructuring. I hope there's not a hiccup with the dispute and I hope out of the meetings tomorrow that that can be resolved.

JOURNALIST: What was the nature of your discussion? Will Mr Kelty be, be urging the metalworkers not to go on strike?

PM: I don't think it's appropriate for me to go into the details of the discussions with Mr Kelty, but Mr Kelty would share my view that it's better for these things to be resolved without disputes.

JOURNALIST: Who will the meetings be between tomorrow?

PM: There'll be discussions involving the unions and hopefully some further discussions between the unions and the employers, but I don't really want to say any more than that. They will conduct their affairs.

JOURNALIST: Would you say this is all unhelpful during an election campaign?

PM: I've said I'd rather that there is no stoppage this week, but the realities are quite clear. The Australian people have got the starkest of choice when it comes to the conduct of industrial relations in this country. You can have a return to the past - that's what they're promising, a return to the past where you had the free for all. Now I've introduced, in cooperation with the

trade union movement, the process of consultation. The simple indisputable fact is that under our approach there's been a 60 percent ... 60 percent reduction in industrial disputes. That doesn't mean in a democracy you're going to be disputeless, but it does mean that you can have a massive reduction in disputes and that's, that's the alternative. Basically consultation, cooperation, reduction in disputes or a return to the industrial jungle of the past.

JOURNALIST: Prime Minister, have you - speaking of jungles - been able to get yourself briefed on that Burma Railway issue?

PM: I've done more than get myself briefed on the, on that issue. As soon as I saw the story I instructed my people to get in touch with our Ambassador in Thailand and ask him to get in touch with my friend, the Prime Minister of Thailand, Mr Chatichai. They have done that and I'm very pleased to say that Mr Chatichai, the Prime Minister of Thailand, in his words which he's asked to be sent to me, directly to me, his words are he would never allow the glorious memory of Australian soldiers who died on the River Kwai to be desecrated in any way and he has instructed the Thai Minister of the Interior to ensure that nothing is done or permitted which would in any way allow such a desecration. So as a result of my intervention, I had that direct personal message from the Prime Minister of Thailand.

JOURNALIST: ... project still go ahead?

PM: No it would not. If it involved any, any of the sort of suggestions that have been put forward and I have the word of the Prime Minister of Thailand for that and this is another example of the, of the benefits that come to this country from the fact that I've been able to establish direct close personal relations with all the leaders in the region. I've been able to get in touch with the Prime Minister directly in this way and he realised, as soon as he had the message from me, that, that anything of that sort would be unacceptable and ... he's undertaking.

JOURNALIST: Prime Minister, Graeme Campbell said that Senator Richardson wasn't genuine on the environment and should be sacked as the Minister. Has Graeme Campbell got any case for arguing that and will any action be taken against him by the ALP?

PM: Well, we're having history ... it's Sunday. That happened days and days ago -

JOURNALIST: There hasn't been any real response to it though has there?

PM: Of course there has been, I mean, that's history.

JOURNALIST: Is Mr Campbell entitled to make those sort of comments in the middle of an election campaign?

PM: I think he's very silly to make them.

JOURNALIST: Prime Minister, why is it inevitable that we'd return to what you describe as the industrial jungle under a coalition government? Why in the 1990s couldn't a coalition government work with the union movement?

PM: Well, let me put it this way. I will rely on the words of Mr Peacock, reported on 31 August last year, relatively recent words. His exact words were, if it's in the interests of Australia that governments withdraw from industrial disputes, there is, they should withdraw from wage fixing as such. So those are the words, not my words, the words of Mr Peacock. In other words, he's saying let it be decided directly between the parties. Now that's what they did at the beginning of the eighties, that's what gave you your 17 percent wages explosion, that's what gave you your worst recession in 50 years. They are the people who are condemned to repeat the failures of the past because they will not learn from the lessons of the past. I am merely telling you what Mr Peacock's words are. It's reinforced by the fact that having said that at the end of August, that is governments get out, let the parties fight it out, in other words take control of disputes. Let them win their 30 percent as they would have if it hadn't for the Government intervention, the airlines would have given them their 30 percent, the economy would have been wrecked. That's what Mr Peacock recommends. That's why the pilots have been urging his election. Now, if you're going to have that situation there's no wonder that just a few months later, at the end of November, on 30th November, when he was asked well, what will be the wages outcome under your policies? The famous answer 'who's to know'. Now, it's Mr Peacock's own words which is saying that in the 90s you'd have a return to the disaster of the early 80s. His words, not mine, saying I can't tell you what the wages outcome would be, but I'm telling you that governments should stay out of disputes, governments should stay out of wage fixing. Let's get back to the jungle, let the strong exercise their muscle and push up the wages to an unsustainable level.

JOURNALIST: ... will you be seeing Mr Cain today?

PM: No I don't plan to see Mr Cain today.

JOURNALIST: It's Moomba time in Melbourne, doesn't it look a bit as though you're avoiding him, not ...

PM: You've got to have a fervid imagination my friend to say that I'm avoiding Mr Cain ...

JOURNALIST: Well, he wasn't at the Party launch.

PM: We, I mean, we've got historians here today. We've got, I mean, we've got something that happened about a week ago with Mr Campbell, we've got a question that's been asked and answered. Mr Cain had his Parliament on down here and he was in his Parliament. He was invited, but of course he had to be in the Parliament and have we got any more history?

JOURNALIST: You're not avoiding Mr Cain?

PM: Well, it's obvious I'm not avoiding Mr Cain. Why would I be avoiding Mr Cain?

JOURNALIST: Do you anticipate playing any further role at all in this metalworkers matter?

PM: No I wouldn't think so. I've had the discussion with Mr Kelty. I don't see that I've got anything more to do.

JOURNALIST: Let's move from history on to forecast. Do you think the Opposition's going to stage a scare campaign on capital gains tax and superannuation industry?

PM: Yes, what we've got is the classic conservative fortnight coming up. They never are able, in a campaign to sustain a positive campaign. Why? Because they've got no positive policies. So the classic case. What do they do? They try the scare campaign. They've done it before and they will do it, try it again. But let me say this in regard to their classic scare campaign. They're going to try and do it on capital gains. Well, we'll be ready and waiting for them on capital gains. As I just said earlier today, the classic quote in regard to capital gains comes from Professor Russell Matthews at the end of their previous period when he said the problem is to get the rich to pay any income tax at all. Why? Because of the absence of a capital gains tax, the rich in this country were able to rort the system, they did. They made the ordinary taxpayers of this country pay billions of dollars more because those with the greatest capacity to pay didn't. I brought in the capital gains tax and that means now that billions of dollars over this decade will go into the public revenue to be paid out on education, to be paid out on health, to be paid on roads, to be paid out on all the things that the great mass of Australian people want. But Mr Peacock says no, we'll abolish that tax, we'll take you back to the land of the tax rort, the tax evasion where his own Royal Commissioner said under them, tax evasion was the fastest growing industry in the land. Well if they, if they want to say that that's what they want to go back to, then I'm quite happy if that's their tack in the last fortnight of the campaign.

JOURNALIST: (inaudible)

PM: Just a minute.

JOURNALIST: You do concede that some ... surely will be worse off because of the ...

PM: No it's clear that under the arrangements that were brought in in 1988, which imposed a 15 percent tax on super funds to cover income which they'd get from dividend income, interest income and some capital gains, that under that we also allowed them to have imputation credits. That is there was a deliberate policy for the future of Australia that would encourage these quickly growing superannuation funds to invest their funds in Australian enterprises and to the extent that they do that, they get imputation credit because the company tax that is paid by the companies is then allowed as a credit and with a proper management of the funds there can be a total offset of the 15 percent tax. Now any -

JOURNALIST: ... use those credits which ... offset other taxes?

PM: They can totally use the imputation credits to offset the 15 percent. Their income doesn't come just from capital gains. It comes from dividends, it comes from interest income as well and if they manage their funds in a way which involves investment in Australian equities, then those imputation credits can totally offset. There is no way, there is no way however you or anyone else try and beat this up, that you'll avoid the facts. And the basic fact is that this country was ruined, ruined totally through the absence of the capital gain tax. It was ruined because it was inequitable. I meant that your ordinary Australian paid more. They walked out of office in 1983 with a top rate of 60 cents in the dollar, a bottom rate of 30 cents. Why? Ordinary Australians had to pay more because the rich weren't paying. That's Matthews' contention. That is the contention of every economist in the country. The ordinary Australian paid more because billions of dollars weren't being collected from the rich, as Matthews said. There'd been a revolt of the rich against the poor. The problem was to get the rich to pay anything at all and that happened because you didn't have a capital gains tax. We've brought it in and what Mr Peacock says is that they'll abolish that. That will mean inequity, it will mean the billions of dollars will not be paid by those who, who should pay. Less than one percent of Australian taxpayers pay the capital gains tax and -

JOURNALIST: Is Mr Peacock telling fibs when he says it will affect 4 million Australians through their super plans?

PM: Well, let's test whether Mr Peacock is telling, is in a fib telling mode. What have we had this, this week? We had this fantastic, in the literal sense of the word, this fantastic proposition that we have a \$14 billion hole in our forward estimates. Now you don't

need to be an economist - and certainly Mr Peacock isn't, we all know that - you don't need to be an economist to know that that was an outright lie because what he did was to look at the forward estimates and, and subtract '89 from '92 and get this 14 billion. ... was a funny thing, because under the forward estimates which are talking about outlays, there are assumptions there about inflation. We had this marvellous proposition that you can assume inflation applies to one side, that is to outlays but it doesn't apply to the other side, revenue. The fact is if you apply the same assumptions which finish up with a \$9 billion surplus at the end of '92, within a half a day, within half a day, Mr Peacock - because he'd been told by his own people, Andrew, you've been fibbing boyo - ... notice how he dropped off that? At the same time he also tried the furphy about we're going to bring in a consumption tax. Within half a day that fib got put away because he was told, look, Andrew, this fib telling will go against you. The only people who are talking about a consumption tax are these people. Firstly, the President of the Liberal Party. My President is John Bannon - he's not talking about a consumption tax, but it's the same Mr Elliott who in May of last year, after the coup, when he was asked whether Andrew Peacock would be a better leader than John Howard and he said yes. And he said, gratuitously he said, and I had a lot to do with Andrew when he was the Shadow Treasurer. I've talked to him about economic policy and he said, I think you'll like the economic policy you see coming from Andrew. Now that same John Elliott, the President of the Liberal Party, is advocating a consumption tax. Hewson wanted to include it in the Economic Action Plan, but he was talked out of it and ... couldn't have it then, but you know, might do it later, but you can't have it in the Economic Action Plan. The only area where a consumption tax is being talked about is by the Liberals, but what does Mr Peacock do? He gets up and says we're talking about a consumption tax. So Mr Peacock, because he's desperate, because he's got nothing positive to talk about is in the fib telling mode. The fib telling about the \$14 billion hole which every economist has laughed him out of court on, down the gurgler, a consumption tax fib down the gurgler. So what he's saying about the capital gains tax - in the same mode.

JOURNALIST: Mr Hawke, but surely you've accepted the fact that interest rates have cost you votes and that basically you can't predict -

PM: No, no, no. Let's get it straight. I didn't say that interest rates would cost us votes. I said that in fact interest rates was an issue. Of course it is and I made the point that people who are thinking about interest rates, they will vote for us because our policies have been indicated by the banks as being policies under which interest rates will fall. Against that the policies of Mr Peacock must inevitably mean an

increase in interest rates. Why? The two things that governments can do which affect interest rates are - can you control wages and what do you do about your budget. If you're going to have a wages explosion and if you're going to dissipate the budget surplus as the \$6 billion hole of the Liberals will, then inevitably, wages explosion, busting your budget surplus means a rise in interest rates. And I'm saying that as far as the question of interest rates is in the minds of the electorates, I don't like what's happened but I think they understand. As I've said, if there'd been an easy way, we wouldn't have done it. If there were some other way, obviously would have. There was no way other than by tight monetary policy that you could slow down the level of imports which was unsustainable. We had to do that and the banking sector is saying that under these policies, mortgage rates will fall. Against that, people are thinking about interest rates, they must rise under the policies of the Opposition.

JOURNALIST: Sir, you don't think interest rates will cost you votes?

PM: I am saying that to the extent that interest rates are thought about as an issue, then people will vote for us rather than the Opposition. I'm not saying that there may not be some people who are simply going to take the view, there've been high interest rates, we're hurt, and they'll vote against us on that. I'm saying that on balance, on balance, when people understand and they're thinking about the future. Which way are interest rates more likely to move - under Hawke or under Peacock? Those people will realise that the banking sector is saying under our policies they're going to come down, whereas under his policies of a wages explosion and blowing out, blowing away the budget surplus, they must rise.

JOURNALIST: But you said this morning you couldn't predict the outcome so it doesn't leave the electors much confidence in you.

PM: No, and you seem - may I say, with respect - you are a partial quoter of what I say. What I said this morning is that I can predict about those areas which I, within Government, control. I can do something about wages. As I have predicted now over the past seven years on wages, we have been either spot on or the wages outcome has been somewhat lower than what we've talked about. Now we can say in regard to wages what the outcome will be. Mr Peacock can't. He shrugged his shoulders and said 'who's to know'. Everyone's to know, that is the wages will explode. The second thing that I can control is the budget outcome and under my proposal, in this election campaign, before we have promised to spend one cent we first of all fixed the savings so that whatever promise I make is fully funded. Against that Mr Peacock has a situation where he has at least \$6 billion of unfunded

promises. So the two things that, that can control as a government which will affect interest rates, it goes my way because we'll have wages predictability and we'll have the preservation of the budget surplus. The other? Can't do it.

JOURNALIST: Prime Minister, just on dividend imputation, one final question.

PM: Yes.

JOURNALIST: Is it not so that dividend imputation was designed to remove what was effectively a double tax rather than, as you seem to be implying, designed to offset the impact of CGT on superannuation funds?

PM:

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