



## PRIME MINISTER

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JOURNALIST: How much more difficult does the Democrats decision on preferences going to make your task in Western Australia, particularly in seats like Stirling and Cowan?

PM: If it were to stick, it would obviously I think have some marginal impact but I doubt very much whether the Democrats can in all seriousness stick to this decision because it obviously means that the Democrats are asking people to accept that it makes sense for a Democrat vote to be a vote for an enlarged uranium mining industry, for a uranium enrichment industry, for mining in Kakadu Park, the abolition of the capital gains tax. Now if the Democrats of Western Australia are saying that's what they really believe in then their proposal could stick. But if they don't believe in those things, if they are against mining in Kakadu Park, if they are against the uranium enrichment industry, if the Democrats in Western Australia are against those things, then they can't expect people to give a Democrat a primary vote and then a preference to the Liberals and Nationals who are in favour of all those things.

JOURNALIST: Prime Minister, ... has the banking industry blown any hope of interest rates coming down ... two rises ... Spencer on the AM this morning say he doesn't believe there'll be any change.

PM: The Commonwealth Bank is of course, in regard to fixed rate, it has no impact upon variable rate mortgages and is so acknowledged. All the statements of the banking industry remain in line with what I've been saying, that they expect conditions are such that mortgage rates will come down.

JOURNALIST: That's not what they said this morning, Prime Minister.

PM: Well -

JOURNALIST: ... for some months.

PM: Who said that ..

JOURNALIST: Mr Spencer said home loan, home loan interest rates will probably remain steady for some months, there are no immediate plans ...

PM: This is the man from the Commonwealth Bank?

JOURNALIST: That's correct.

PM: Yes, but I'm saying, if you listen to my answer I'm saying that the banking industry generally is saying that they will come down. I just do not accept that what he said. Let's just go to the, what's being said by the bank industry more generally. I'll just read you a number of statements from the Age, Age of 20 February, the economist ... the conditions already exist or are falling for an easing of rates, Sydney Morning Herald, 6 March, housing interest rates should fall to 16 percent by .... according to economic forecaster, BIS Shrapnel, 12 March, the ABC's PM Program, within Australia almost everything points to lower rates, .....Bankers Trust, I wouldn't be surprised if the current Government's re-elected we see another drop in short term interest rates within a couple of weeks after the election, another percent or so. So there you've got it. These are what's being said by the market generally and simply because you have a decision here in regard to the fixed rate mortgage of the Commonwealth Bank and one statement of the Commonwealth Bank simply does not negate what the banking industry generally has been saying. The banking industry has not changed its statement or have the economists generally changed their position, that as a result of the policies in place under this Government there is expectation that interest rates will fall. I believe they are correct.

JOURNALIST: Prime Minister, these comments certainly suggest a revision of those earlier quotes ...

PM: They don't suggest anything of the sort, because that statement, just one person in the Commonwealth Bank has come out in relation to a position of a fixed interest, five year fixed mortgage and that is determined by what they in fact, the interest rates on those five year securities, particularly the the five year Government bond and the fact is that that decision doesn't in any way affect what will happen to their variable rate mortgages. There is no position from the banking industry as a whole, or economists generally which changes what they have been saying and nor should there be because the conditions are unchanged. The conditions are that the level of activity is easing and that the cost of money the banks is falling, the two conditions which will bring about a fall in interest rates.

JOURNALIST: Regardless of what it applies to Prime Minister, surely when the country's biggest bank takes that sort of action it does not send a positive message ...

PM: On the contrary, do you understand the difference between a fixed five year rate and variable rates. I mean, if you don't then you're in difficulty.

JOURNALIST: I certainly do. It hardly sends a positive message -

PM: On the contrary, you may be trying desperately from your position to send a different message to what the banking industry generally and economists generally are saying.

JOURNALIST: (inaudible)

PM: Just a moment. Those statements that I have read out, which are based upon sensible propositions, have been unchanged by anything that's occurred in the last 24 hours. Those statements by banking industry generally and by economists are not plucked out of thin air because they decided they wanted to go on AM or be reported in the newspaper, wanted to see their name in print, they were based upon two propositions, the two propositions are unchanged or do you suggest that are? One, that the economy is slowing, two, that the cost of money to the bank is declining. Those two fundamental propositions are the two propositions upon which economists and the banking sector have said that rates will come down. They haven't changed.

JOURNALIST: Sir, Mr Spencer was not discussing fixed interest rates, he said indication rates might fall, was ... crystal ball gazing, I believe they will probably stay somewhat where they are

PM: He said that and against that I have read out to you the statements, extensively, I mean, I will go on with them if you like but I don't think you want to be .... I've read out the statements from within the banking industry and economists as to what their expectation is and I repeat they haven't made those on the basis of deciding whether on day X they wanted to see their name in print. They made the statements on the basis of two fundamental propositions which remain unchanged. I mean, to refute that position that has been put by economists and the banking sector you would have to point to two things haven't changed. You would have to point to evidence that the economy was not slowing down, do that if you can. Secondly, you would have to say that the price of money in regard to variable rate mortgages is going up - you can't because that is not the case. The two fundamentals remain unchanged.

JOURNALIST: Well why did the Commonwealth put up what is essentially a long-term rate?

PM: For a very simple reason. I mean, if you can't understand this you have a little bit of difficulty and no wonder then in those circumstances you can't understand it, you get a bit excited. The fact is that in regard to the fixed five year rate, basically financed by instruments, fixed term instruments, five year, and basically the Government five year bond rate. Now when we make decisions to reduce the par ratio, the private asset ratio, then there was not so much need for the institutional ... they sold off - it is a simple basic arithmetical economic fact. If there is an increase in selling off of bonds the price falls, the yield rises. So the yield on the five year term bond rose and that was relevant to one thing, it was relevant to the cost they paid in the financing instrument for their fixed five year term. Now, lets -

JOURNALIST: Mr Hawke, you'll appreciate that a lot of people won't believe what any politician said on interest rates until home loan rates actually do fall?

PM: Well I suppose you'll always get people out there who won't believe what politicians say. I mean, even whether it is interest rates or who is going to win the footy. There's a bit of scepticism about politicians ... suggest, by the end of this campaign, there will be a bit of scepticism about political analysis too if they look back over what's been said.

JOURNALIST: Mr Hawke, Mr Keating earlier today said that in his judgement monetary policy would be being relaxed now if it wasn't for the convention of not making major decisions during a campaign period. Does that mean that if Labor's re-elected there'll be an immediate easing of monetary policy?

PM: I would believe, and let me read so that you have the whole text as to what Mr Keating said. I'm not implying that you're going to ... but what he said which is relevant - he got asked the question are you saying if it had not been for the election the conditions were there for immediate ... ease in monetary policy. He said, answer, that would be my judgement, but I would need to talk to my own advisers, including the Central Bank, and it's ... which is consistently in line with what the Treasurer and I have said in a period before the election. ... we would obviously discuss these matters with the Reserve Bank and its Board. It's judgement and the judgement I share with the, the Treasurer that the conditions are there, the conditions are there. I share Paul's judgement completely, but when we, when the election's over and we're back there in the decision making process, we'll obviously have a discussion with the bank and we would be putting the position obviously, as the Treasurer has.

JOURNALIST: Prime Minister, you appear to have been careful with your language during the campaign .

PM: Always careful with my language ...

JOURNALIST: Whenever you've been asked about interest rate falls you've said the banks say interest rates are coming down. Are you prepared to say that you guarantee that there will be interest rate falls after the election or are you still relying on banks -

PM: What I am saying is consistently in line now with what the Treasurer has put today the we believe and I put this quite clearly, the Treasurer and I believe that the conditions are there for a reduction in rates. I mean, we are not living in a vacuum, we are living in a real Australian world and that real Australian world is characterised by these facts - that there has been two easing in the prime rates, that's happened, so the cost of money to the banks is decreasing. Secondly, we're living in a world where the evidence is increasing that the economy is slowing down, that is that the purpose for high interest rates has been effective. That is we have had interest rates high to get a slowing of the economy and the economy is slowing down so when you take these facts into account then what I am saying is that we believe that we have got the circumstances for a reduction in rates that you're talking about.

JOURNALIST: So no guarantees though?

PM: Well I agree completely with what the Treasurer said - that we will discuss this matter with the Reserve Bank, but we ...

JOURNALIST: But you're saying the banks

PM: No I am not saying that because I have made it quite clear and I'm sure Paul did as well that during the election campaign, Tony, it was a bit much to expect that they would bring them down during the election campaign in a sense that ... very different position ... transcript, something I said some time back, they were in a difficult position that if they brought them down they would be accused of trying to help the Government, if they didn't bring them down, they'd say you should have brought them down ..... rather difficult position. So I indicated from the beginning of the campaign that I didn't expect that they would be coming down during the campaign.

JOURNALIST: Are they helping the Opposition by

PM: No, no, I certainly don't make that accusation. I repeat I think that they are in a rather difficult situation in an election campaign. I mean, damned if you do damned if you don't sort of thing. I am simply saying

that I believe that the circumstances are there once the election is over and we win, for them to come down. The opposite of course is true, in the hypothetical situation of a coalition ..... but in those circumstances obviously the interest rates would be set to rise because you must, you don't need to be an economist to know this, you must have a situation of rising interest rates if you have a wages explosion and a blowing of budget surplus. And you must have a budget surplus blowing exercise because we still have the situation where the Opposition is trying to bribe the electorate with this six billion unfunded set of promises and that means from that source that you either float a surplus or have massive spending cuts which of course they will not detail. And on the other side of the budget outcome you have given back billions of dollars under their capital gains tax proposal. So inevitably what the markets can see in that hypothetical situation would be a position of rising interest rates but under us they will come down.

JOURNALIST: Mr Hawke, how soon after the election would you envisage having these discussions with the Reserve Bank?

PM: Well I think they would happen - I would imagine that the Treasurer would be having them reasonably, reasonably soon after the election.

JOURNALIST: So then we could assume that reasonably soon after the election -

PM: Well you can't, you can't make any assumptions other than what I say, in the end, what I say and one's got to be very circumspect about this, I'd say no more than this, which I've already said and I'll repeat it again and it should be quite clear then, so it's fruitless to go any further. What I say is this - that we had high interest rates to get a slowing of the economy because, at that level of activity, the economy could not sustain the level of imports that went with that level of activity. Next I say that all the evidence is that those high interest rates are working, that the economy is slowing down. Third, I say that you have had, as a result of discussions that we had with the monetary authorities earlier this year, a lowering of prime rates. And it follows from those things that I've said that, in the judgement of the Prime Minister and Treasurer, the circumstances exist for a lowering of rates. After the election we will have a discussion with the authorities on the basis that the Treasurer and I have that view. Nothing could be clearer than that.

JOURNALIST: But people want some indication of when we can expect interest rates -

PM: People have got the clear indication from what I've said and that is -

JOURNALIST: No they haven't ...

PM: On the contrary. The election, as I understand it and I don't think anyone can change it, is 24 March. The decision then is obviously one for the Treasurer and myself to have discussions, as I've said, we'll have them quite quickly, with the authorities and we will be putting to the authorities what I've just said - that it's the view of the Government that the conditions are there for a reduction of rates. Now you really are, are battling ... say that you can't understand timetables on that and the thrust of the Government's intention.

JOURNALIST: I'm not saying I can't understand -

PM: Well -

JOURNALIST: I'm saying people want ...

PM: ... Well, all I'm saying to you is that if you -

JOURNALIST: (inaudible)

PM: All I'm saying is if you faithfully transcribe and transmit to the public what I have unequivocally said, timetables shouldn't be difficult to understand.

JOURNALIST: Mr Hawke, regard to, if I can take you back to the Democrats decision, regardless of the wisdom or otherwise of that decision, what effect do you see that having on the, on your prospects here in Western Australia and on the overall outcome?

PM: We, I believe, are going to win the election and I'll say that as I've always said during this election, not with complacency or cockyness. I've always had that view, as people who've been travelling with me or been in Canberra before we started, people know that I've based that view on a very simple proposition, that I have faith in the intelligence of the Australian electorate, the majority of the Australian electorate will understand the very important distinction in prospects for Australia that flow from voting for us or voting the Opposition. I've always been steadfast in my thinking on that and in regard to Western Australia, and I've been over here before, I have said consistently and I repeat again on this visit, that I don't think that West Australians are mugs. The proposition that West Australia was going to be a different land on the electoral landscape is a proposition which never convinced me because it meant a very simple thing. It meant, implicitly, people saying that West Australians were mugs, that because they were upset about some aspects of earlier West Australian State Labor Government activity, that they were going to kick themselves in the backside by voting against Federal Labor. They were going to vote for the abolition of Medicare, they were going to vote for the abolition of the capital gains tax and the loss of billions of dollars

from the public revenue to be shovelled into the pockets of the wealthy few, that people in West Australia were going to do that to themselves to punish for the previous actions of Western Australian State Labor Government. Now I've never believed that when it got to the ballot box on 24 March, that West Australians would do that. Never. And I've said that consistently and I've got no reason to believe now. Now you've got to ask - well, with the Democrats, the Democrats have said at this stage that they are going to suggest that preferences go against sitting Members. I mean, intellectually, a brilliant concept, isn't it? I mean, intellectually brilliant concept - our idea of how you cast your preferences is vote and give your effective vote against sitting Members. If it's Labor against them, if it's Liberal against them. I mean, the, the intellectual basis of it is staggering. But more importantly than that I believe that the Democrats will erode their vote. The Democrats in the eastern States, the Federal Democrats are appalled by the decision. They're appalled by it for the obvious reason, that it makes nonsense of all the propositions that the Democrats have put about what they believe in. That they have this fundamental belief against uranium mining, they have a fundamental belief against mining in Kakadu, very fundamental here in Western Australia because they were cast votes in favour of those things. So I believe that in fact people who may have been going to vote Democrat, that is if the Democrats adhere to this position, just think very seriously about any wisdom in adhering to that advice.

JOURNALIST: Mr Hawke, what will be the effect on your credibility of the report of Senator Richardson's office fudging answers to the -

PM: Now, I was hoping that someone would come to that, hoping someone would come to that. Now, the, the fact is that the answer was yes to an increase in fundings for urban public transport. Should have been a qualified yes, I concede that, but the answer, quite clear. This was the answer - the Hawke Government has provided \$30 million per annum for urban public transport. Over the next few years the Hawke Government expects to increase the attention given to urban public transport needs. We've delivered on that already because in the, in the policy statement you know that what I've done is to commit \$85 million extra funding for urban public transport over the next three years, so we've delivered on that. If you think that there's going to be any move to the Liberals as a result of that little story, it means that you think that people are going to say, yes it is the case that Labor answered yes to 65 of the ACF questions and the Libs answered yes to only 32 and that this little story is going to change those fundamental statistical facts and that somehow people interested in the environment are going to vote, either directly or indirectly, for the conservative parties who opposed the saving of the Franklin, opposed our decision to stop



mining in Kakadu, opposed our decision to stop logging in the Daintree and opposed our decision to save the tall forests of Tasmania, I mean, it's a joke.

JOURNALIST: So the impressions of fudging answers doesn't have any negative impact?

PM: Well, I've said it would have been more appropriate to have a qualified, yes, I think that would have been more appropriate. But the fact is that we have delivered in terms of the indication of doing more for urban public transport. \$85 million and, as I say, fully funded.

JOURNALIST: Prime Minister, just come back to the interest rates for a moment... are you saying that the statement by the Commonwealth Bank this morning doesn't throw a spanner in the works even psychologically of the expectation that interest rates are going to come down?

PM: I'm saying it doesn't because, in fact, that was made in the context of a decision by the Commonwealth Bank in regard to fixed rate mortgages - five year fixed rate mortgage - and that is financed by a particular instrument and the yield on that instrument has gone up. There is nothing being changed by anything in the past 24 hours which affects the fundamentals of why interest rates should go down. That is firstly, that high interest rates have had their effect and the economy is slowing down and, secondly, that the cost of money to the banks has declined. Those are the two fundamental facts unchanged by anything that's happened in the last 24 hours and those are the two fundamental facts which underlie the basis of the judgement by economists, the banking industry and the Treasurer and the Prime Minister that rates will come down.

JOURNALIST: Mr Hawke, what is the Government's forecast for inflation ...

PM: I beg your pardon.

JOURNALIST: What is the Government's forecast for inflation over the next three years?

PM: Over the next three years? Well, our inflation forecast for the next year is public, it's six percent and our judgement is that it will come down after that. We haven't put out an estimate for the period after that, but obviously I should put why I think it will go down further. My answer is this - that under the wage tax agreement that's been negotiated with the ACTU, the pipeline outcome as you appreciate, Steve, at the end of this next period will be lower than the one to which we're going. So it's a legitimate expectation for that reason that the inflationary rate should come down and I also think that we're going to have the situation ... that period of increasing competitiveness in our industry ... but what Paul and I have been trying to make clear is

that we're going through this restructuring period and one of the features, one of the facts of the growth in debt has been this enormous increase in investment in our industry. Now what we've got are the fundamentals of the Australian economy changing. We've got more people in employment - with each passing year they're becoming significantly better trained and educated, you've got restructuring going on under the award system. Now it's very difficult to overstate the impact of the sorts of things that you and I are talking about of, of those changes in restructuring. I means that your workforce is going to be more efficiently employed and the training of your workforce is going to be much easier because you're not going to have it stultified by an award structure based upon the concepts of 50 years ago. The award structure is going to reflect the realities of ... modern day ... processes. So you're going to have better trained workforce, better structured workforce, working with better equipment. And these things, together with, as I say, with wages outcome, all those things together I believe will lead to a decline, decline in the rate of inflation.

JOURNALIST: The reason I ask the question is because Mr Paul Keating on the weekend said that the Government would deliver real wage increases for the next three years. Given that we don't have inflation forecasts out that far ...

PM: Funny thing that he should be saying that? Obviously what Paul stated was based upon a set of assumptions the same as I'm making - that the fundamentals that we've got in place, including the wage fixing arrangements which will lead to ... pipeline in that next period, plus the ... as I say, these fundamentals that I'm talking about should lead to that result. Of course, as far as the welfare of Australian workers, wage and salary earners with dependents are concerned, there are the two things that we talk about standards. I mean, there are standards, present standards, which are reflected by what happens to wages and taxes and prices ...

JOURNALIST: Mr Hawke, ...

PM: Just let me finish ... those present values, but very importantly what is emerging now in the campaign as an increasingly important issue is their future welfare. Because now we have the situation where Mr Peacock has at last, made it absolutely clear what was to some extent had not been ... before as ... to the future welfare. Wage and salary earners in this country have just got no choice as to what they do. Because Mr Peacock has said, explicitly, his words, we're not in favour of award superannuation. They're remarkable - unequivocal statement by the Leader of the Opposition who wants to become Prime Minister - we are not in favour of award superannuation. So as Paul has indicated, now what that

simply means for an employee aged 35 years who expects to be working for the whole of the normal working life, that is a straight statement from Mr Peacock to that person that he knock a quarter of a million dollars off him in superannuation. In other words, under Labor, there's another fifteen dollars a week going to be paid into superannuation under what we've agreed and Mr Peacock says no, that's out. So both in terms of present standards and, importantly in terms of the future, choice is stark because Mr Peacock is saying if you vote for us we will be knocking, in respect to that, reasonable sort of person ... a 35 year old, out - \$250,000 down the drain.

JOURNALIST: EPAC apparently has got consumption tax on the agenda ... re-elected. Now does this reflect the ... you know, opinion in non-political circles that it's necessary and could this be, you know, part of your thinking, if not ...

PM: This is a beauty. I mean, it's a good one to finish on with the half an hour up. I mean, I've had some long bows, some long bows in this election, but this has got to be vying now for the blue ribbon prize for the longest bow in the election. That EPAC has mentioned the consumption tax, therefore it's on the hidden agenda of the Government. My friend, let me tell you this - that when I set up EPAC I meant what I said about EPAC. That is that it would be a body in which the Government would have representatives from big business, small business, the States, local government, welfare organisations and that there would be discussed in EPAC a whole range of issues and that the Government would not seek to put any inhibition upon what was discussed in that body. That's why it has been a very useful institution over the life of this Government. Now, it's quite appropriate if the director of EPAC has gone on the agenda a mention of the consumption tax - well and good. That's in line with the way EPAC is operated. But if you want to talk about consumption tax and the likelihood of how it might come in under either a Labor government or, we'll say this hypothetical question, of a conservative government, let's look at the facts. The President of my Party is not advocating the bringing in of a consumption tax but Mr Elliott who, if you look at his statement in May of last year, said that of course he discussed the question of economic policy of the Liberals with the then Shadow Treasurer, ... the Shadow Treasurer, Mr Peacock, he has been urging and urging and urging - and he's not without influence, he says so - you have Mr Howard, now one doesn't know how much influence he has with Mr Peacock because they don't trust one another, but he's in favour of a consumption tax. Dr Hewson's in favour of a consumption tax, he tried to get it into the Economic Action Plan. The Liberal Party is riddled with consumption tax advocates. Not my side. OK, last question.

JOURNALIST: Mr Hawke, could I ask one more question on that EPAC paper?

PM: Yes.

JOURNALIST: They also raised the issue of privatisation, could you ... can you tell us whether or not you'll consider at least some sort of selling off of Qantas and Australian Airlines?

PM: I've got nothing to add to the answer I've given. Let me, if we're going to go through this historical exercise, well that's alright with me, it's the last one. The position is quite clear. What the people of Australia are faced with is on one hand the conservatives who have an ideological hatred of the public sector, an ideological hatred of the public sector, and I reject that. I have the view that there are things which must properly in this country be in the hands of the public sector. There will never be any flirtation under a Hawke Labor Government with privatising things like the Telecom, Australia Post, as there is such flirtation under the conservatives. Because the people of Australia, particularly the people of non-metropolitan Australia, would pay an extraordinarily heavy price if the conservatives were allowed to inflict their ideological obsessions upon the people of this country. In one area I said that it is appropriate that the questions of funding of the public sector should be looked at, and that is in regard to the airlines. Now I simply have said there that the process is being investigated by a committee of the Party. I'm in no great hurry about the reception of their report. I'll be interested to see what they've got to say when it comes but ...

JOURNALIST: (inaudible)

PM: Well, you've got to get some idea of my priorities, and I'm not jumping up and down. I mean, I don't get on the phone every morning ... to the secretary and say when am I going to see that report. It just means ... what I've been saying - this, in terms of the management of the Australian economy, is a peripheral issue. What will determine the future of this country is whether you've got, first of all, an effective wages policy. Secondly, whether you've got a government which is going to be prepared, with ongoing terms, to fund its outlays. And thirdly, whether you've got a government which is going to be prepared to undertake microeconomic reform and I recommend to you to look at what's reported in today's Press, by the meeting of the interest concerned with the Australian waterfront. All the talk that's been going on from the conservatives about how they would get in and take action to fix up the waterfront. The interests, the users, the shippers, they had their meeting there yesterday and they said quite clearly that the Federal Government was to be congratulated for what they were

doing in this area, that that was the only way to go about it and that the Opposition alternative was hopeless. Now it's these things that are going to determine it - it's wages policy, it's the broad settings of macroeconomic policy, a commitment to proceed with microeconomic reform - those are the are the questions that you raise ... possible privatisation enterprises is totally on the periphery of the future welfare of this country.

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