



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH KEITH CONLON, ABC RADIO 5AN
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CONLON: Prime Minister, Bob Hawke, good morning.

PM: Good morning Keith.

CONLON: Welcome to 5AN.

PM: Thank you very much indeed.

CONLON: It's been a campaign that many people are complaining about in terms of getting off the issues and now we've got another one. But with the promise that we will get back to some of the fundamentals that I think the electorate wants to hear about, have you introduced racism as Mr Peacock says?

PM: On the contrary. I've gone out of my way to say that I have not and would never accuse Andrew Peacock of racism because it's not a warranted charge. What I have said of Mr Peacock though is that he's engaged in reckless adventurism.

CONLON: But don't we get back to semantics again? What you mean is he's really gone into an emotional and -

PM: I don't believe that he is racist. But what I do believe is that you can't make sense of what he's done in this issue at all. This matter of the Multi-Function Polis has been on the public agenda for the best part of three years. He's had the opportunity to be, his own federal president, Mr Elliott, has made it quite clear that he is enthralled by the idea, he's vigorously urged it, his NSW counterpart has also done it. One week before Mr Peacock made this decision the relevant minister, shadow minister, Mr Howard, said that it should be looked at on its merit and not be sunk in a sea of hostility.

CONLON: Would you accept -

PM: If I could just go to this - and in the week before this is what the Opposition officially said in response in the Sydney Morning Herald to a request as to what their position was, this is what they said a week before.

'The proposal is unique for Australia and deserves extensive consideration.' That was the official position of the Opposition. Then just a few days beforehand they go off on this proposition.

CONLON: Would you accept Prime Minister that perhaps it has been ill-sold at the least because what people have in their minds is not what the MFP proposes, even at this ... stage.

PM: Not ill-sold, not ill-sold at least. Look at what Mr Will Bailey, I mean Mr Will Bailey is no stooge of the Labor Party.

CONLON: No, but Will Bailey is a person who's going to read the reports. I'm talking about the electorate at large.

PM: But what he is saying is right, that this is not a proposal in regard to which a decision has been made. What you've got is a set of principles, one of which principle specifically, Keith, specifically spelt out there shall be no concept of an enclave. This body of highly responsible people, top leaders in business and from Government, have been working on a proposal to do what? To try and have some arrangement whereby we will have brought to Australia the very best of technology from Japan, from Europe, the United States, so that Australia can meet the challenge of the major issues that you talk about. What are the major issues? The major issues - is Australia going to be able to be competitive in the future? Exports, substitute imports - what's the key to doing that? The key to doing that is getting the best technology married to a better trained Australian workforce. And you've had the best brains in industry and the most considerable figures, including the president of the Liberal Party, John Elliott, working on this issue.

CONLON: Prime Minister, would you accept that Professor Garnaut has warned about perhaps a different kind of enclave from the other people. He suggested that there is danger with the MFP of it turning into an enclave of internationalism of excellence amid a sea of mediocrity.

PM: No, but you know, what Professor Garnaut said was in a statement which he produced, a statement which was in outrage against what Mr Peacock had said. And he was pointing out that in regard to what Mr Peacock had done was not only dangerous in regard to the proposal for a Multi-Function Polis, which Professor Garnaut properly said has to be decided on its merits. No decision has been made about it. This is why the work is being done. But Professor Garnaut's point went much further and he was outraged by what the Leader of the Opposition had done. He was saying that the approach of the Leader of the Opposition was very dangerous in terms of the relations of Australia with Japan.

CONLON: Do you accept in the meantime that regardless of why it was raised that this issue might be the one that sees the election won and lost on talkback radio?

PM: I don't believe so. You've got to have a very very poor judgement of your fellow Australians if you'd come to the proposal that this could win the election for Mr Peacock. It is undoubtedly true - I've acknowledged this over the years - that in Australia there are some people who are racist in general and some who are anti-Japanese in particular. But I would've thought that people who had that sort of thinking, I wouldn't have had their support anyway. But I will not, in this election or any other occasion, compromise the commitment I have to Australia's future. And if there's one thing that is absolutely critical Keith to Australia's future, it is that we be enmeshed with our region. Japan is part of that. Japan is our largest trading partner. If we in Australia are going to be able to move away from total reliance on what we grow and what we dig up out of the ground to develop our competitive manufacturing industries, we have to be meshed into this dynamic region. We've got to get the best technology from there and other parts so that we can compete. And anything which directly or indirectly involves a derogation from that position is the worst thing that we can do for our children and their children.

CONLON: Let's come to economic management. What do you say to the people who say it was actually missing from your policy speech?

PM: I say they don't know what they're talking about, simply don't know what they're talking about. In a campaign you have your policy speech and you have your whole range of other statements. Now in February, the 22nd February, I made a major speech on micro-economic reform and our program for the future in which I set out the ten areas of reform in the future period. On the question of the economic future, it is Hawke and the Government which has been available to and has answered all the questions that have been put.

CONLON: Given the concern about micro-economic reform, about an export culture being developed, about changing our ways, why wasn't there more of that in your speech?

PM: There was. I mean you take for instance - what could be more critically important to the future economic structure of Australia than the creation of 50 co-operative centres of excellence, scientific research excellence. I mean nothing could be more critical. Here we are, I'm going to establish and have to be spending \$100 million a year within five years on the creation around Australia of 50 co-operative centres bringing together the best of CSIRO, our universities and private industries to get to the leading edge of research, as I

said, to transform excellence in ideas into productive output. Nothing could be more central than that.

CONLON: No-one would deny that. But it's not the only central issue. People would say when are you going to tackle the waterfront, when are you going to get down to the real micro-economic reform?

PM: The answer to that would be, given in this last week by the industry itself. I mean have you read what the industry itself has said in this last week? The industry has praised the Labor Government, said for the first time a government has tackled these issues, tackled it effectively and that the Labor way of tackling it has proved effective and is to be preferred to the alternative, the Opposition. That's come from the people in the industry itself. And look at the facts. As a result of what we've done, already, by 1992 manning levels in the Australian shipping industry will be at the OECD average. All you ever had before was talk and bluster, no action from the conservatives. We've done it.

CONLON: What about train drivers though.

PM: Now let's go to the waterfront. A plan which is already producing significant increases in productivity which will remove 3000 of the elderly people from the wharves, bring in 1000 younger people, substitute the system of pool employment which you've got now, which is not conducive to productivity improvement, and substitute particular employer/employee relationships. Now the people in the industry and the users in the industry have come out in this last week and praised us for doing that, said nothing's been done before and that what the Opposition is talking about would be counterproductive. You can't have much better than that.

CONLON: While we're talking about productivity, the Accord is about steady change. Is that a reasonable description?

PM: I think steady change is a fair way of putting it, but steady and effective change. It's very interesting that just within the last 24 hours or so the figures have come out from research ... the National University which suggest on their calculations that as a result of the Accord real wages are some five percent lower than they would otherwise have been and in regard to employment that employment is somewhere between 300 and 700,000 higher than it would've been in the absence of the Accord.

CONLON: So we've traded off.

PM: Of course we've done ... That's what the essence of the Accord has been, that the trade union movement has been prepared to substitute higher money wage increases

for lesser money wage increases and improvements in the social wage. They've taken comfort from the fact, for instance, that the Government has poured an enormous amount of money into educational opportunities so that now instead of having one in three of our kids staying on in school we have nearly two in three of our kids staying on. Now for a working man, nothing can be more important that the Government act in a way which increases the likelihood that his boy or girl is going to be able to stay on in the education system.

CONLON: Prime Minister, on the Accord, on apparent industrial peace -

PM: Not apparent, a 60% reduction in industrial disputes. A 60% reduction. Now that's not apparent. Not by anyone's judgement. 60%.

CONLON: I kept the broad figures. Can I put to you a couple of questions, particularly for our state-wide listeners who are concerned about a couple of disputes that go on. GTS Freight in our Riverland is being affected by TWU pickets that are in defiance of a federal court order - they're looking for higher wages. There's an abattoirs dispute which some people say will start affecting metropolitan meat supplies some time shortly. There are strikes, lightning strikes happening with the Meat Industry Employees Union in support of a 38 hour week. Now are they signs that the Accord really is a bandaid affair?

PM: Of course it's not. I mean, what do you say to the proposition, look at the seven years, that under the Accord you've had a 60% reduction -

CONLON: But what about these issues for the state-wide listeners.

PM: Wait a minute -

CONLON: They don't want to know about the past, they want to know about now.

PM: This is the present. This is taking the whole of the seven years. It's not the past. It's taking the whole of my seven years under an Accord system. Now if you want to wipe away Keith and say oh well a 60% reduction, we'll forget that, that's got nothing to do with it.

CONLON: No -

PM: Ok. Well then let me go to the next point.

CONLON: What about these.

PM: Well I'll tell you about these. I'll tell you about these. If you want a society which is going to be free

of strikes then you move to a left wing dictatorship or a right wing dictatorship. If you want a society which is not going to have strikes, that's what you've got to have. A communist dictatorship which fortunately are disappearing now, and right wing dictatorships, they haven't entirely disappeared but let's hope they do. But in a free society there are going to be strikes. The question is are we going to have an Australia in which you have a system which minimises the possibility of strikes, not eliminates them, minimises them, or encourages them. And what Australia is faced with now, you point to these two disputes. I'm telling you, I will not produce an Australia where there are no strikes.

CONLON: Ok, but what about producing an Australia where people aren't trying for less hours a week at a time when you're talking more productivity.

PM: I'm talking more productivity and the answers are being produced. Have you noticed how the Opposition has dropped off what was a lie, where they were saying productivity was stagnant, it hadn't increased. Of course the figures that are out now from within Australia and within the OECD show that the productivity improvements in Australia under this period have been very very considerable, of the order of three percent per annum. Now of course you're going to have much greater co-operation in a situation where the attitude of the Commonwealth Government is this. That is that there is a role for Government and the Arbitration Commission to intervene. Against the words of Mr Peacock last year, which is still his philosophy, he said that Government should withdraw from disputes, there's no place, what Australia needs is the Government out of disputes and out of wage fixing as such. That is why Mr Peacock would've let the pilots get their 30%. And if the pilots had got their 30% so everyone else would've gone for it. In other words you can go back to what you had in the past, a free for all rather than a fair for all situation.

CONLON: Can we look at the fourth term, the Hawke term as you hope to see come Saturday night. The Accord is based on really a soft landing, isn't it. It'll work for everybody if the soft landing comes in. Isn't that what you're saying?

PM: No, the Accord is not based on a soft landing.

CONLON: The goods are, the goodies are, the results ... workers are based on a soft landing.

PM: Not based on a soft landing. What we did was inherited in '83 - this is what the Accord came out of - the hardest landing this economy had had for 50 years. We had the worst recession in 50 years in '83, the hardest landing ... ever had.

CONLON: But this is the next Accord that you ...

PM: It's another version of the Accord. The Accord is adapted to changing circumstances. Now for this present situation, what we negotiated at the beginning of this year was a lower money wage increase than the trade union movement could've negotiated. What Bill Kelty and the ACTU have been doing over the last 12 months is knocking back offers of very substantial money wage increases, because they took the view that that would be against the interests of the economy. We've negotiated a wages outcome of the order of seven percent. Also as part of the agreement, instead of a money wage increase, is a three percent improvement in the superannuation factor over three years. Which will mean that at the end of this three years which has been now negotiated that every worker under an award will be having paid into his or her fund \$30 a week by the employer.

CONLON: That's the good news for the people in work. But what if, as many people are now predicting a recession comes, the trade-off is out of whack isn't it?

PM: You're simply wrong. Would you point to me the many people who are predicting a recession. Who are the many economists or many people who are predicting a recession?

CONLON: I'm not in a position to list them. ... I'm asking a question about a recession.

PM: I'm not trying to be difficult Keith. Would you tell me one economist who's predicting a recession, one.

CONLON: No, I can't -

PM: Of course you can't.

CONLON: But I can talk in terms of business confidence. What about the Chamber of Commerce figures today?

PM: But that's a different proposition about business. Of course business is saying that activity is slowing down. But I hope you'll admit to me that that is different from your assertion that many people are predicting a recession. You can't name me one economist who's predicting a recession.

CONLON: No, but I can say that the Chamber of Commerce today in the Advertiser is reported to find that 40% of businesses which responded to their most recent survey expect to cut staff numbers in the next year.

PM: That is not a recession.

CONLON: It's pretty tough if you're one of the blokes out of work.

PM: Well wait a minute. Let me tell you what the average rate of employment growth has been under my period of Government.

CONLON: Excuse me a moment, I've just got someone playing with my microphone. Just make a bit of noise out there in the electorate.

PM: The average rate of employment growth under my Government has been 3.5% per annum. And may I just contrast that with what the average rate of employment growth was under my predecessors. It was 0.7%. In other words I've created, with my colleagues and with the cooperation of the trade union movement and of employers, we've created jobs five times faster than they did.

CONLON: But you're also presiding over record bankruptcies.

PM: Not record bankruptcies. We've got a situation where in that growth of jobs that I'm talking about, 1.6 million new jobs, 93% of them have been in the private sector, 93%. Now what I'm saying is that the rate of employment growth will slow down somewhat. The rate of employment growth will slow down somewhat. In that sense we will have the soft landing. And that's what's been expected by the banking industry, it's what's been expected by economists. There's all the difference in the world. But in doing what the Government has to do, we've had to slow down the rate of economic growth. The simple statistic was in the previous year we increased our consumption by eight percent, increased our production by four percent, and that gap of four percent was made up of extra imports. So we've had to slow down, had to slow down the rate of growth so that we can deal with that excessive level of imports.

CONLON: ... brakes aren't on too hard and it's too late to take them off.

PM: I'm certainly guaranteeing that. But more importantly in a sense in an election period I guess people might say oh well, the Prime Minister will want to put the best gloss on it. I understand that reaction if people want to say that. I'm asserting it. After all, we've been in charge of the economy for seven years and had record growth. Growth, may I recall, our rate of growth has been almost twice as fast as the growth in GDP as under our predecessors, employment five times as fast. So I have the authority to talk about relative performance. But in a sense now, more importantly than what I'm saying Keith, the banking sector, not only here but overseas, you've got the position where the assessment overseas is in our favour. You heard what's been said this morning on AM - it's part of your network.

CONLON: Indeed.

PM: And there you had a New York analyst, Lisa Cinstrom, ... saying that the market would be shocked by an Opposition victory, an Opposition victory would be more negative for the currency. Everybody here is looking for a Labor victory.

CONLON: Is it sort of the bad news or the bad news because the Commonwealth Bank has just raised it's five year fixed interest rate.

PM: What are you trying to suggest from that? What's the general implication of that?

CONLON: Well, it -

PM: What's the general implication -

CONLON: That maybe the interest rates aren't coming down as promised by Mr Keating.

PM: You are the only person in Australia, apart from Mr Hewson, who's put that. There's not one economist, not one person in the banking industry -

CONLON: Well can you explain to people who are concerned out there about their mortgages -

PM: Certainly can.

CONLON: - why it is that a fixed interest rate goes up at the same that they expect it to come down.

PM: Ok, I'll tell you exactly why. There's a thing called the prime asset ratio. That was the requirement that we had upon the banks as to the proportion of their assets they had to hold and what we call prime assets, which specifically referred to longer term Government bonds. We reduced that prime asset ratio. In the result the banks sold off their longer term securities and particularly Government five year bonds. When there was a lot of selling of the bonds, by definition, the yield on them went up. And that was the security by which the banks financed their five year mortgages. So when the cost of that particular instrument went up as a result of selling following the reduction in the prime asset ratio, when the cost of their financing instrument went up, they correspondingly moved up their fixed mortgage rate, their fixed five year mortgage rate. And in doing it said specifically, they said it, that it had nothing to do with what would happen to variable mortgage interest rates. So there's your complete answer. That's what happened. And you've had the banking industry itself saying that mortgage rates will come down, variable mortgage rates will come down. There's your answer. And for you to suggest that for a very specific technical reason why a five year fixed rate went up that that has any meaning for variable interest rates is, I'm sorry

Keith, but just flying in the face of what the bank itself said.

CONLON: Did they not also say that mortgage rates will stay at these levels for months?

PM: No, they didn't. The banking industry is now saying, the banking industry is saying that it's their expectation that in the relatively near future mortgage rates will come down. And why? I mean they're not saying it because they want to help me politically or help anyone politically, or to take a political role. They are reflecting two simple economic facts. The first is that there has been a reduction in the level of activity. And with that reduction in the level of activity, some reduction in the level of demand for money, but it's also secondly associated with that first point, been a reduction in the cost of money to the banks. And they are simply saying there's an economic fact which follows from fact one and two. The third fact follows that there will be a reduction in mortgage rates.

CONLON: So on -

PM: ... argument.

CONLON: So on the third fact, how much and when?

PM: As I've said, I'm not in a position to say how much. I can say, in terms of when, I believe very soon after the election, in a matter of weeks after the election. What the amount of reduction will be Keith will depend upon the decisions that's made within the banking industry.

CONLON: Is that another way of saying it might be one percent and then stay there for a long time?

PM: No, it's not a way of saying that at all. I believe that there will be a reduction in the short period and the important point is, for the reasons I've put, I think they'll be sustainable.

CONLON: But is John Howard perhaps the person being most honest in this campaign by saying that whoever gets in, interest rates will remain relatively high?

PM: Well it just depends when you sort of clock into John Howard and hear what he's saying. I've just noticed in the paper, I think it was yesterday, that he said they'd come down by two percentage points in a relatively short time.

CONLON: Would you go with that?

PM: No - depends on who wins the election. Well, no, that's not a laugh.

CONLON: Would you go with it with a Hawke Government.

PM: With a Hawke Government I believe that is a reasonable prognostication. What is certain is that if there were, and I think this is quite hypothetical, if the Opposition win it is certain that interest rates would have to rise. Why? A very simple reason. I mean again, these are not opinions, it is a factual analysis. Under the Opposition there would be a wages explosion, there is no question about that because they would say off you go boys, use your strength, and wages would skyrocket - fact one. Fact two is that one of the reasons why we can predict with confidence a fall in rates is that we have got a budget surplus which we've protected. We are now four days from an election Keith, four days from an election and Mr Peacock still hasn't answered the question, where's the money coming from? He has got the best part of a \$7 billion unfunded promise to the electorate. Now that will blow the budget surplus, that is on the outlay side. On the revenue side he's going to give back billions of dollars by abolishing the Capital Gains Tax and shovelling billions of dollars into the pocket of the wealthiest 1% of the community. So by his blowout on the outlay side and by giving away billions of dollars he is going to destroy the surplus. If you destroy the surplus and have a wages explosion interest rates must rise.

CONLON: Talking promises for a moment. At the beginning of the campaign I think there was perhaps an understanding in the electorate that this shouldn't be about promises, it shouldn't be about hand-outs, about fist full of dollars and all that stuff because there is an understanding by the electorate that we are still on a hard road. Why is it then that we get these sort of bits and pieces coming out, even as late as yesterday, where you are really handing out promises with dollars attached?

PM: No. The first thing I did at the beginning of this year with my colleagues, I said to them we will not be making a promise of one single cent in this campaign unless beforehand we have identified additional savings. The scoresheet was put out at the beginning of the campaign, there was the amount of savings over three years and identified for each year which would enable us to fund commitments. And as I have gone through this campaign and journalists are probably getting a bit sick of it almost, but there they accept it, there is the scoresheet. Up it goes, there was the savings beforehand and there against that the promises.

CONLON: But that is the other side of the coin isn't it Prime Minister, that last year we were told things were as tight as a drum, they couldn't be tighter but now you find over a billion dollars in cuts?

PM: In three years, three year's of savings, three year's of savings - not in one year. And we have done that, not something new, look at what we have done. We have had four successive years, four successive years of real cuts in outlays, something that the conservatives never did. In the last three years because of our responsibility in conducting the affairs of the Commonwealth Government we have had a \$17 billion surplus. Never been done before and we have used that to pay off every cent of Commonwealth Government overseas debt. So I haven't done something new now, before this election campaign, it is what I have been doing for over the period of seven years. We believe there were certain additional things that we should put to the people which required outlays but I said to my people if we are going to do that let's find the savings, and we have done it. Not something new, a continuation of what we have been doing for seven years.

CONLON: Prime Minister, finally today can we talk about what might happen after Saturday. Do you see a real possibility of Ted Mack and Janine Haines on the cross benches in a very tight parliament?

PM: A much greater likelihood of Ted Mack being there Keith. He is obviously a remarkable campaigner

CONLON: This is in North Sydney

PM: That is right Keith, against Spender

CONLON: Do you reckon he'll win?

PM: Well the indications seem to be that Mack will beat Spender. I mean you have got the two things operating there. You've got Mack who is a proven performer in getting into lower house seats - he got there in the NSW parliament, and an encumbant who hasn't got a very impressive record.

CONLON: Well what about I can hardly expect you to give a completely unbiased opinion about Kingston but what do you think will happen?

PM: I think that Mr Bilney will win. You have got the position that has been put very clearly by Don Chipp, the founder of the Democrats, who made it quite clear that he thinks it is wrong for the Democrats to be going into the House of Representatives. Because he said their house really is the Senate where they have the capacity, according to his analysis - I mean after all he should know he founded the Democrats - it is within that house that they can honestly, according to Don Chipp, discharge their function of watching the other parties. You see you try and get into the House of Representatives, he said you've got to pander to every group. That's, I think, a fair analysis on his part. And on the other side you've got Gordon Bilney who's been been an

outstanding Member. He's been an outstanding representative. I mean you ask -

CONLON: He's got the problem that he's been very good in Canberra but not so good in Kingston.

PM: All I can say to the electors of Kingston, that there's no member who more vigorously pursues the interests of his electorate and does it without fear or favour than does Gordon Bilney.

CONLON: You mentioned Don Chipp Prime Minister, is it a bit cheeky using Chippy to suggest that the Australian Democrats should put their second preferences to Labor. You didn't get his permission ...

PM: Wait a minute. Let's be fair about this. The advertisement was shown to Chipp. He did not object to its use.

CONLON: So you asked him after you'd made it.

PM: But before it was put to air. And he raised no objection to it being used. So let's be fair about that.

CONLON: He was a bit testy about it wasn't he?

PM: No, he didn't appear to me to be testy. I think he knows, I mean it was very interesting the issues that he raised, wasn't it, as to what Democrat voters should take into account in casting their determinative second preference. Because he knew, he knew that on each of those issues that Labor was a country mile in front of the conservatives.

CONLON: It's an interesting election though isn't it Prime Minister? It's certainly -

PM: All elections are interesting.

CONLON: This is perhaps the most interesting for the apologists who will be still scratching their head maybe days later. Because this surely is the first time that you've actually had to spend a lot of money and time chasing second preferences.

PM: The non-major party vote will be higher in this time than in any previous election, that's right.

CONLON: Newspan today says 21%. Do you think it's on target?

PM: If Newspan is right I'm happy. It will give us a higher second, a higher two-party preferred vote than we got in 1987. I could settle for that.

CONLON: It's a kick in the pants though isn't it, 21% who don't want to vote for either major party.

PM: It's a kick in the pants up with which I'll be prepared to put to get an increase in my majority. That's the sort of kick in the pants that I can cop.

CONLON: Prime Minister, thanks very much for your time today.

PM: Thanks very much indeed Keith, I've appreciated it very much.

ends