

3



PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, PARLIAMENT HOUSE, 16 MAY 1990

E & O E - PROOF ONLY

JOURNALIST: Well, how are you feeling, Prime Minister?

PM: I'm feeling very well indeed and I'm very pleased to report that my specialist and physician report that I'm in excellent health and I'm just going to go and have this routine operation which is a subject which has caused a certain amount of ribaldry, if I may say so, amongst my staff who are showing in these matters even less discipline than Ministers and they are putting up alternatives as to whether it requires the, as they put it, the introduction of a Private Member's Bill or, alternatively, the suspension of Standing Orders. So the talk such as this I find should be kept off the record, but there's no chance of that is there? Now, OK, I'm afraid I'll be back amongst you even more vibrant than ever before.

JOURNALIST: Prime Minister, how many lives does Senator Button have to have?

PM: Does he have to have? Now that assumes that there is -

JOURNALIST: (inaudible)

PM: Well, I think he is like all of us. He only has the one. I had reason to have a yarn to John last night and I believe that he will adhere to injunctions I gave and issued and that we won't be having any further public airing of the differences that had occurred between him and the Treasurer.

JOURNALIST: But nevertheless he's guilty though, Prime Minister, of telling truths not lies. Things aren't, things aren't too good.

PM: Well none of us have tried to say that things, in the economic sense, are perfect. But if we, if we go into the question of the state of the economy, just let me make a few points about that. Two issues of course, which are properly concerning all of us and not only in Government, but amongst the commentators, are current

account situation and inflationary pressures. Now you've got to understand that there are certain fundamentals against which those questions have to be considered and those are that in recent years, as both the Treasurer and I have been stressing, we've been seeing record investment levels, we've seen the public account ... public sector in surplus and we've seen a very significant decline in real unit labour costs. Now those fundamentals reflect the strategy that we have been pursuing and also another factor which both Paul and I have been referring to, we made the point before and during the campaign, is the very significant increase in Australian investment overseas which has gone as, I think I recall the figures precisely, some \$7 billion when we came to office and have gone up to \$49 billion. Now, of course, if that hadn't taken, taken ... account, hadn't occurred, the impact upon the current account figures would be and our debt situation would be very, very different. But I'm making the point that if you're saying things aren't good and particularly that's in terms of inflationary pressures and the current account situation, those observations need to be against the background of those formidably impressive and favourable circumstances. And let me say this, that we in fact believe and not only do we believe but the OECD observations that have been made about the Australian economy, we expect this situation to improve. The OECD, for instance, has made these observations - it's said in respect of the savings investment imbalance, which is at the heart of the current account problem, said firstly in regard to housing that you could have a situation in Australia where housing investment as a proportion of GDP could fall in Australia and still meet your underlying demand and they've also recently said that our, our capital stock could continue to grow faster than GDP. In other words, have a significant addition to your capital stock, but with lower business investment figures than we have had in relation to GDP at the present time. Also, looking to the savings situation, let me say that as a result of two factors, we expect the private saving situation to improve in the period ahead. Firstly because of the impact of the changes that we've made in regard to superannuation and I and the Treasurer have spelt those out in considerable detail before and we also expect there'll be a more sober use of credit in the years ahead. So, when you take into account the fact that we are going to see continued public sector restraint, we believe that the current account has considerable scope for improvement in the period ahead. You've got to remember that, as I've said, that the public sector is in surplus compared with what has historically been something like two and a half percent of GDP demand upon community savings and that fundamental shift in the public sector, of course, has fundamental significance for the current account deficit. So I apologise, in a sense, for taking so long, David, in going to what you're saying but it's not a question, in other words, of Senator Button having a view that things

are tough and others not acknowledging that fact. I am saying that this Government has a strategy to deal with the two fundamentals of the current account and inflation and we believe that that strategy is going to work and that has, of course, implications for us presently. It means that we, if we are going to continue to be able to claim the benefit of those circumstances, there's the obligation which is upon us now to ensure that in this period ahead fiscal policy remains tight. And, of course, that's the very period we're getting into now as we begin the preparatory processes for the Budget and I can assure you that fiscal restraint will be continued.

JOURNALIST: Did you find it surprising that Mr Keating did not consult with you before launching his attack on Senator Button -

PM: No -

JOURNALIST: And what was the explanation if you didn't find it surprising, why not ...

PM: Well, I didn't regard it as an odd thing to do. Paul and I have a very, very close and, I believe, effective working relationship which has been demonstrated particularly in the area of economic management over the seven years that we have been in office and it wasn't as though we haven't had discussions about these sort of issues more generally and I felt that he was entitled to make the observations that he did and I've said that before - I'm not now saying something new - but it having happened I've tried to make clear to all of the Ministers in terms of what I said in the Caucus, Michelle, that I think the time has come for an end to this public airing of differences of emphasis.

JOURNALIST: ... get back to Warwick's question. If Senator Button is again publicly critical of the Government's performance or policy, will he stay in the Ministry?

PM: I would think that the Senator understands full well that there is to be no repeat.

JOURNALIST: Do you expect ... to be in your Ministry at the end of the year, Mr Hawke?

PM: Yes, I would expect so.

JOURNALIST: Mr Hawke, ...

PM: Sure.

JOURNALIST: ... Rand Corporation report in the Telegraph this morning. Would your Government be prepared to speak with the United States Government on possible relocation of equipment and personnel to Australia -

PM: Well, I notice, Amanda, that your paper headlined the story today as though they'd found something new and exclusive and I - with the great respect which I mean that I have for your paper, I must point out and I hope it's done gently and is a bit of a ... down that not only am I aware of the report, but I'm advised that that Rand report is more than a year old and has been available publicly since last December.

JOURNALIST: (inaudible)

PM: No, no but nor however is it quite entitled to receive the, the exclusivity of a scoop that was suggested by today's headlines. Let me just make these points about it before going directly to answer your question, Amanda. Let me make the point, the obvious point that the Rand Corporation is, of course, a private organisation and it doesn't, can't speak for the United States Government and in any case the report does not identify Australia as a preferred option, but it dominates Australia as a number, as one of a number of possibilities. But the fact is this, Amanda, that there have not been any approaches to the Australian Government by the United States Government on the issues raised in the report. No approaches at all and the negotiations between the United States and the Philippines Government are at a very, very early stage of discussion. There is no reason to believe at this point, no reason to believe at this point, that they won't lead to a conclusion that would mean a continuation of agreement for United States bases in the Philippines beyond 1991. But this is a totally hypothetical question.

JOURNALIST: Mr Hawke, do you accept the OECD's view that Australians spend too much on their houses?

PM: Well, the, from the OECD perspective I can understand that because Australians have a, as those of you and that includes all of you who have travelled to Europe will have noticed we have a quite different perspective about housing. We essentially have been brought up on the tradition of the separate quarter acre block and, by definition, that involves expenditures and outlays greater than a pattern of housing which is more of a medium density type. Now I don't think it's a question really of saying ... for the OECD to say we spend too much, but I have said before - as you know, I'm on the record, so are some of my other Ministers as saying it makes a lot of sense, I believe, for Australia to examine whether we should so automatically almost be locked into the traditional housing approach. Now we've gone further than to say it's a sensible thing to look at it. We, in discussion with the States and Local Government who share that view with us, have initiated processes whereby we will be testing out in Australia the acceptability for people of more medium density housing. This has obvious advantages of placing people closer to places of employment and closer to places of recreation

and entertainment. Now I don't mean by that that for those for whom this is the, the only acceptable form of housing that it won't be the way for them, but I think if there's one thing that's certain, it is that in the period ahead in Australia - the rest of this century and as we go into the next - you will see a change in the, in the pattern of housing. You'll still have separate quarter acre blocks, but I think you'll have more medium density, density housing.

JOURNALIST: You are reported as having told Caucus yesterday that because you didn't kick heads, this was not to be seen as a sign of weakness. Would you say that that was the case and why you felt the need to say it?

PM: Yes, I've examined with a great deal of amusement, particularly of course in the Financial Review whose writer in particular has a propensity to raise this issue about leadership more often than others, been doing it, people have been doing it for seven years. But this gazing at the entrails picking over the words, now why did he say that? Why ... this amuses me, but I, when I go into Caucus usually have a few notes prepared. Notes that were prepared had nothing on this subject - I just scribbled a couple of things on the bottom of that myself as a, just ... thought prompts to lead me to say a few words to the Caucus at the end of my comments on the economy. Now that was it, you know, just a couple of notes. There was no premeditation in making the observation about my style of leadership. It was just in the course of making what I thought was required of me as leader in talking to my Caucus some observations about recent events. And I just wanted all of the Caucus, including Ministers, to understand in the course of making that point that although, as was now well established after seven years, I am not a person who is a martinet, I don't try and get the best out of my Ministers in that way, nevertheless that I was concerned about this issue and that people should know. Now that's the beginning and the end of it, but I suppose anything for a headline and anything for a story.

JOURNALIST: On the bases question, Mr Hawke, is the Government open to approaches from the United States on the upgrading of military facilities here or relocation of facilities ...

PM: Look we have a very close relationship with the United States. They can raise any matter with us they like, they can raise any matter they like, but on this issue just let me make the obvious point if you are talking about bases - just one obvious point apart from anything else because I don't think the issue will arise. Let me make that quite clear. I don't think there will be any suggestion of the United States approaching us. But if they want to raise any question, the nature of our relationship is that they can and should raise any question on it. I don't think they will, I don't think

the question of bases in Australia will arise. Let me make one obvious point that our adherence to the South Pacific Nuclear Free Zone Treaty would preclude, as you would appreciate, the stationing of nuclear armaments on, on Australian soil.

JOURNALIST: Prime Minister, one of the unfortunate aspects of Monday's slapping-down of John Button by Paul Keating is that in saying that the Minister has failed with his car plan he's really saying that the Government itself has failed in this key area of microeconomic reform.

PM: Well, no, Paul if you're going to say that you've got to look at everything that Paul Keating said, both at that conference and what he said subsequently. On the Monday itself Mr Keating went out of his way - admittedly it was on the third page of the transcript and not the first, but nevertheless it was there in the same conference - he went out of his way to be laudatory of Senator Button's achievements, including in the car industry and in industry generally. And of course as you know in the Parliament yesterday he went further. So there has been significant achievements in the car industry. You'll recall the figures that the Treasurer used yesterday that when we came to office effective protection in the motor vehicle industry was 250% and we've brought that down from 250% to under 100%. I think it's about 80-odd per cent. Now you can't have that massive reduction and talk about a lack of achievement. But the important point for the future is that all of us recognise, not only Paul and myself but Senator Button and the rest of the Cabinet, that more has to be done. And more will be done.

JOURNALIST: ... you haven't spoken to Senator Walsh in the same ... as you've spoken to Senator Button, why is that given the -

PM: A very simple reason. Senator Button is a Minister. Senator Walsh is not.

JOURNALIST: But he made some very damaging comments about ...

PM: You do understand that there is a certain thing called Cabinet solidarity and so on and Cabinet responsibilities which by definition don't have the same application as someone who's not a member of the Cabinet or the Ministry. I've had a discussion with Senator Walsh and I made clear at the time that discussion, as far as I'm concerned, is private. I said to Senator Walsh the things that I thought were appropriate to be said to Senator Walsh.

JOURNALIST: Are you satisfied that Mr Keating understands that distinction too, Cabinet solidarity and all that?

PM: Indeed. If you want to look at Mr Keating's record, Mr Keating's record I think is impeccable in the seven years of this Government in terms of confidentiality about proceedings of Cabinet and of public as well as private commitment to the decisions of the Cabinet.

JOURNALIST: But you acknowledge that he breached Cabinet solidarity on Monday.

PM: You can describe it that way if you wish. I'm saying that, as I said before, I understood the circumstances in which, confronted with what he was confronted with, he felt it necessary to make a rejoinder. I've said that.

JOURNALIST: Do you concede that all this could have been prevented if you'd stepped in earlier and silenced your Ministers?

PM: Well, if I'd attempted to impose in the first, second, third, now into the fourth Hawke Government some trappist, vow of trappist silence, if I'd attempted to do that - it was open to me to attempt to do that - but it's simply not my style of leadership. I believe that it's appropriate for Ministers to be able to speak. But I've tried to impress upon them that they should essentially - it's not always the case - but essentially they should adhere to their own area of responsibility. I simply say here now as I go into my eighth year of Prime Ministership that I'll stand on the record of how that has worked. It has worked well in terms of the processes of decision-making, the actual decisions themselves, and generally speaking the communication of those decisions to the public. Obviously you can always do better in communications than you have actually done. There's always room for improvement. But over the seven years it's, I think, been remarkably successful. And may I say basically there's been a remarkable cohesion in the Cabinet. Importantly that's not only my judgement but it's the judgement of your comrades. In fact if you read the press in the last day or so they are saying really why this sticks out at the moment is because it's against the background of a remarkable degree of cohesion in the period of the Hawke Government, and it stands out the more. Now it having been a strength in the past, I'm not going to see that strength dissipated. Enough is enough and I've made it clear and I won't tolerate any egregious breaking of the injunction that I've given to my Ministers.

JOURNALIST: Why do you think it has happened at this ... Prime Minister? Why do you think this lack of discipline has occurred?

PM: Well as I said, we're now going into the, as I put it to the Caucus, the unchartered waters of a fourth successive government. I don't know whether some

Ministers may have felt that there was an invincibility about us or that now we didn't have to exercise the same sort of disciplines we had in the past. It may have just been the post-election let down - probably the answer more than anything else. But it's not going to be accepted by me, it's got to come to an end.

JOURNALIST: What are you going to do if the wool industry decides to leave the ... exactly where it is ...?

PM: Well I would hope Paul that the wool industry will understand that they have a responsibility to the whole of their members and to this country and that they have got to be making decisions which are valid for the medium and to long term. That's what underlies the approach that we've taken in decisions we made and which I understand that the Opposition now supports. Mr Kerin will be talking with the industry and I would rather at this stage assume that they are going to see good sense in this matter. If they don't well then we'll have to consider it at that time. But I would hope that when they're confronted, as I understand they will now ... situation of a common Government and Opposition position that they will understand what needs to be done.

JOURNALIST: Post-election, did you offer Senator Button the position of High Commissioner to London and is that offer still open?

PM: The answer to that is, very simply, whatever discussions I have with my Ministers on this or any other sort of matter is confidential between the Minister and myself.

JOURNALIST: Returning ... medical.

PM: Oh yes, yes.

JOURNALIST: Very often when these reminders of our mortality come to us we take a longer term perspective. Now you are committed to what will be ten years in the Lodge.

PM: Yes.

JOURNALIST: It's a long time, hard yakka. You've got an able replacement ... Time for a rethink ...?

PM: No not at all. I'm thrilled actually with the diagnosis that's been made of me by the gentlemen who are professional and expert in this matter and -

JOURNALIST: Are you talking about doctors here or politicians?

PM: I'm referring to the guts, if I may say so, of your question. It's a matter of pride to me the diagnosis

they made of my physical condition. Modesty forbids me from telling you exactly, either in the general or in the specifics, about their diagnosis. But I'm an extraordinarily fit 60 year old. So there is not only no reason, medical reason for rethink, but on the contrary the analysis that they've made of my physical condition gives me cause to, if anything, to think of longer reflectives. But not necessarily in The Lodge.

JOURNALIST: ... don't have any spine problems ...?

PM: No, they discovered one and they thought it was in very very sound condition.

JOURNALIST: ... stay full term.

PM: Yes.

JOURNALIST: But Prime Minister has it been troubling you, did it trouble you during the election campaign?

PM: Amanda, these things get somewhat delicate, and you know I have a long record of delicacy. Let me put it this way. There was one very very crowded function where I couldn't give them my immediate attention. I needed a little bit of relief before I was able to concentrate fully upon them.

JOURNALIST: (inaudible)

PM: It was at a hospital. It was at the Repat Hospital in Sydney. ...

JOURNALIST: Do you have any advice to Paul Keating as to how to handle the ... of Acting Prime Minister?

PM: I think low-key is what - well did he not act low-key. I mean he's done it once and I think he did an excellent low-key job while I was representing the country in Gallipoli. I would imagine that he would, I would be very surprised if he wasn't low-key actually.

JOURNALIST: Is it going to be possible for the Government to ... living standards generally and real wages in particular in this next three years and ... you find any specific point that Senator Button made over the weekend objectionable?

PM: I'm not - just going to the last part of your question first - I'm not reviving the weekend's events ... It would be a very unintelligent thing for me to do. But as to the first part of your question, what you've got to understand is that as far as the question of living standards is concerned, they are determined by essentially these matters. They are determined by employment - whether you've got a job or not. Secondly by wages. Thirdly by taxes. Fourthly by pattern of social service expenditures. If you look therefore in

respect of those in employment, we are in the midst of the '89-90 wage-tax deal and so with the combination of the wage increases that will flow out of that and the reduction in taxes for those in employment and given the assumptions about prices, which is of course the other element in real living standards, one can see some marginal real improvements taking wage movements, tax movements, prices together. Now if you therefore want to move to the next step and try and get some sort of aggregate figure you've got to ask yourself what is going to happen to employment. Well obviously there is going to be a slowdown in the rate of employment growth. We had a situation 12 months ago where employment was growing at five per cent per annum. That's not sustainable. The 12 months to April figure are 2.7%. That's the latest annualised rate of growth. So it's still a significant rate of growth and is consistent of course with the analysis that I and the Treasurer are making of how we see the soft landing outcome. That is consistent with some marginal increase in the unemployment rate. You can't in the end be dogmatic about that because it depends, you know, the bit variable in that is the participation rate which is quite a volatile figure and which is currently at a very high level. So those in employment, you would see a marginal improvement in living standards. And of course as far as the rest of the community is concerned, you are aware of what we have in inflation terms of the significant improvements over the past in the value and then the maintenance of the value and the real benefits of those entitlements.

JOURNALIST: Mr Hawke, the changing pattern in housing that you mentioned, over what period do you see this happening and do you foresee redevelopment in ... areas?

PM: That's in fact going on and I referred to decisions that we've made with the State Governments actually to fund pilot projects of that sort. Now this is in fact happening and the interesting thing from my point of view is that there has been a positive response both from State Governments and Local Governments to the need to make the changes necessary to facilitate this sort of development. Barriers to it in the past have been regulations of Local Government and some attitudes of State Governments. But there is an acceptance of the need for change in that area and there is cooperation with State and Local Governments in the development of these pilot projects. Now my assumption is that as pilot projects come into being and are seen to be successful, I think you will see a growth in this movement. Now to try and put a precise figure on the rate of change is not sensible other than to say I'm sure that it will move in the direction that I've been talking about.

JOURNALIST: Will you sack Senator Button if he steps out of line again?

PM: That question's already been asked and answered.

JOURNALIST: Mr Hawke, do the recent comments by Senator Button and any number of other Ministers reflect a growing uncertainty or loss of faith in the Cabinet about the effectiveness of the Government's economic policy?

PM: No, I don't believe so. Let me say that, as I think I indicated before, Julie, that there is no doubt that the country faces the sorts of problems that I talked about which essentially come under the headings of the current account problem and the inflationary pressure problem. I think Ministers are aware that it's a bit disconcerting to them that it is the case but they are aware of the fact, I think, that we face in this upcoming Budget round some more difficult decisions in expenditure restraint. It is the case that they get harder each time by definition and we've done the relatively easy expenditure cutting in the early years and so each year you get on and you've got to do some more, it gets harder and I think they find that a little bit upsetting and disconcerting. But I think there is a basic faith in the members of the Cabinet and indeed of the Caucus that the essential strategy that we've got is right and we're just going to have to have the courage to keep on making the necessary decisions in the current period to sustain that strategy and an essential part of that is a maintained fiscal restraint, and we'll do it. We'll require it of ourselves and of the States.

JOURNALIST: Not including fiscal restraint.

PM: Continuing fiscal restraint.

JOURNALIST: Does that mean a Budget surplus of more than the current -

PM: It means a significant Budget surplus.

JOURNALIST: Do you think you've out Senator Walsh in that process?

PM: If you've got a question about Senator Walsh's physical condition then you should address the question to him.

JOURNALIST: One of the other problems that's been getting more of an airing is the -

PM: One of the?

JOURNALIST: Immigration's been getting an airing by Senator Walsh and others. Do you welcome any new public debate and what about the suggestion that the ethnic groups have got too much power with the ...

PM: I welcome any informed and unprejudiced debate in this country about immigration. Probably more than any

one in this Parliament, I have been associated with the development of Australia's immigration policy. I say that on the basis of the fact to my earliest days of the ACTU as a research officer then as president. I was very much involved with the trade union movement, in cooperation with the then conservative governments, in trying to have a bipartisan policy. I did a lot of work both as research officer and then as president of the ACTU in ensuring that the labour movement, in its broader sense, would be supportive of an expansionary immigration policy. I played an important role in that and as you've heard me say before, indeed one of the things that impelled me into joining the Labor Party back in 1947, my first year at university, was the sense of excitement that I had as a young man then in what the then Labor Government was doing in undertaking that vast immigration policy. I saw it as something in which was going to be fundamental to the future of this country. So more than anyone in this Parliament I have a commitment to immigration and what it has meant for this country. But that doesn't mean that I think that there is a sacredness about this issue which precludes debate - that this is merely a matter for the Government on high saying here's what the figure is, all the rest of you people accept it. On the contrary it's because I understand what the importance of immigration has been to the very nature and quality of Australia that I welcome discussion and informed and non prejudiced debate in the community. I will expect my Minister to come to the Cabinet with detailed proposals about next targets and I look forward at the end of the year, it's in November, to the conference which is being organised by the research unit of the Department of Immigration and Ethnic Affairs. We can only as a country, in my judgement, be improved as a society if, as a society, we discuss this issue, understand what the contribution of immigration has been in the past to Australia, to understand that that contribution has been not merely economic but it's been social, it has gone to the whole question of what sort of country we are. We are a richer, more diverse, better country now because of the fact that we have been a country of large immigration. Now we've got to ask ourselves what's the best way on that magnificent basis that we've built in now getting on for half a century of this sort of approach, what's the sort of decision that is best called for now and always in that debate economic considerations are going to be important. From the very beginning when the concept of massive post-war immigration was conceived by the Curtin and Chifley Labor Governments, economic capacities and economic implications were at the very centrality of their consideration and they must remain so. There is legitimate room for difference about the economic implications of immigration both in the immediate term and in the medium and the longer term, very legitimate grounds for differences of opinion as to economic implications. We'll be better off as a society if we have these discussions out in the open without rancour

and with respect to the opinions of one another, there is only one factor in which I will ... no discussion and that, as far as I'm concerned, and that is any proposition based upon racism. Any proposition, any element in the debate that some people, some group of people are second class or third class human beings. That element of the debate as far as I'm concerned will not be tolerated. Everything else is legitimately and properly on the table and I will encourage it.

JOURNALIST: How well informed and unprejudiced is the current level of debate?

PM: I think generally speaking it is unprejudiced. I think those who have a racial prejudice are in a minority in the country. In the area of economic debate, there's always room for improvement and indeed it is the case simply that economists are divided upon the issue and that's why as far as I'm concerned the more debate, the better about this.

JOURNALIST: What about the second part of Amanda's question when she ... apparent influence of the ethnic lobby?

PM: I'm sorry, yes I overlooked that. No I don't think they have an undue influence. It is appropriate that governments and oppositions as they have in this period which is ... now nearly half a century old in this country, I think governments and oppositions have always listened to what representatives of their community have got to say, I think that's a proper part of the democratic process and indeed this should be of special encouragement to our newer citizens to make them know that we want to hear what they've got to say. But as far as I'm concerned they won't have an undue influence. I and my Minister will want to hear what they've got to say. In the end their voice will be one of several in us coming to our final decision. I must go I'm sorry.

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