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PRIME MINISTER

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JOURNALIST: One particularly topical area of differing regulations is non-bank financial institutions. What is your reaction to recent calls for uniform regulations and do you think the recent troubles in Victoria are attributable, at least in part, to inadequate regulations there?

PM: Thanks, Don. That's obviously a very, very relevant and timely question in relation to the sorts of things I'm talking about. Let me say this, that I think it's neither necessary or practical or efficient for all deposit taking institutions to be supervised centrally and particularly by the Reserve Bank because, as you will appreciate, there is indeed a myriad of small institutions around the country. In fact some institutions indeed operate exclusively at a local level, regional level, even at the level of a firm and they are in no sense, those sorts of small institutions, part of the national financial system. It should be noted that many building societies that did want to operate at a national level have done so by making the change to banks. However, having said that, I think it ought to be said that, doubt if anyone in the country would argue against the proposition that non-bank deposit taking financial institutions must be effectively supervised and that this should be done in a uniform basis in this country. I believe that the Commonwealth and the States need to work together to develop effective uniform supervision and I say here, quite unequivocally, that the Commonwealth will assist in that process where it's like other areas that I've mentioned in the speech today. I think, to be precise, that this issue should be on the agenda for this first Premiers' Conference that I've set and, indeed, I think there should be and I will undertake that there will be prior discussions on this issue so that we can come to a consideration of it at that conference well prepared.

JOURNALIST: The Australian Manufacturing Council found that the level of return required by an Australian company raising funds in Australia for a no risk investment in Australia to be at least 20 percent

compared with about 10 percent for a Japanese or German company raising funds in their own country for investment in Australia. In these circumstances, what's the rationale for privatising OTC, Telecom, Aussat, Qantas, Australian Airlines or any other Government business enterprise? Surely, in the present economic circumstances, privatisation of these assets would be the sale of them abroad, rather than presenting an opportunity for Australians to become their owners. Do you think constitutional reform would overcome, would remedy the impossible situation of Australian companies, as identified by the AMC?

PM: Well, let me take the last part first, David. Obviously I don't accept that Australian companies are in an impossible position. That proposition is repudiated by the evidence. If you want to look at the - and I don't want to bore you with statistics, you know I'm capable of doing that, so I refrain from it, but I ask you to recall, without me going to the detail - the move, that is the dramatic move that's occurred in this country over the last seven years, the move from wages share to profit share, that we've had investment at record levels and so on. I can go through those, but you know them, I've given them before. I don't want to take up the time in repeating them. I'm simply making the proposition, David, that it is an inaccuracy to say that Australian companies are in an impossible position and, indeed, it's a matter of a very considerable pride to me to be able to look at a range of Australian companies which are in fact in the manufacturing sector showing their compacity to compete internationally, take on the best in the world and beat them. Now that, however, having said that David, I'm not saying that with any sense of complacency because it would be absurd for any Australian Prime Minister, or any political figure in this country, to just sit back and say that we haven't got challenges - we have. Now, you led into that question by talking about the issue of privatisation. Now I don't want to go into any detail about that other than to say this, that I don't think on either side of politics that we should allow ourselves to be locked into assumptions and attitudes of the past. And I say this to my own Party and, with deference, I say it to the other side of politics, it's absurd to be approaching, in my judgement, the question of the ownership of public assets on the basis of some blind ideology of the Right that public ownership is intrinsically bad or, on the side of my Party, to say that it is necessary to have in public ownership today, everything that was there in the past. I think what we've all got to do is approach this issue in terms of saying, well, there are priorities for Government and there will be increasing demands on Government for services in the field of health, education, welfare and so on. And particularly, we must in this country remember that one of the most important statistics is the aging of the population and with that aging of the population there are going to be demands

upon the services of Government, which the private sector will not provide. Nor is it proper that we expect of the private sector that they will. So my judgement about these things is a quite non ideological one. It is based upon the premise that I believe that governments should put themselves in the position to be best able to discharge those functions which only they, the Government, will discharge and consistent with a protection of the public interest. Now, if you have that framework, then it seems to me that there are some institutions which are currently publicly owned that would stay within public ownership because the public interest is best protected in that way. There are others that should not remain in that form. Now, I think if we make the right decisions, as a community, according to those criteria and on both sides of politics we are prepared to adopt that approach, then we'll all be better served and included in that will be the creation of a better environment within which Australian companies are going to be able to prosper.

JOURNALIST: Following up from Don Woolford's question, the Treasurer has claimed that supervision of building societies has been tight in all States. How can this be reconciled against the fact that Pyramid was involved in relatively high risk investments for some time before its difficulties were revealed and, secondly, you talk about working towards a unified national approach - that is obviously something that's a fair way down the track. The problems show no sign of stopping yet. In fact, there has been increased nervousness in New South Wales with the Aust-Wide group. What can you do now to restore investor confidence?

PM: Well, the first thing I can do is to just remind you of what the Reserve Bank, which is, after all, the Federal Government's relevant institution in this respect, we've had the situation where the Reserve Bank has announced its intention to assist banks in providing liquidity to building societies that might, might be adversely affected by the fall out from the Farrow collapse in Victoria. So the Reserve Bank has said that and we should, in answer to your question, emphasise that as the first point. And going on from that to the rest of your question, what Paul has said and properly said, that there should not be panic, there have been different approaches in different States and my answer, which I gave was to the effect in which, I repeat, I believe that while it is not appropriate for the people of this country to expect that the Federal Government is going to overtake the, undertake the supervision of every deposit taking institution. I mean, it's just unrealistic in concept. What we do need, however, is to make sure that there is effective supervision. By definition, it must follow that not every State has been as effective as others in that supervision. So what I was just saying, in answer to the question was this, that we ought to put this on the agenda and not simply have it on the agenda

for the October Premiers' Conference, but ensure that work is done and I will ensure that that is undertaken, so that we can, as Premiers and as a Commonwealth, discuss what are the most effective sorts of forms of supervision to have within the States and to try and get that uniformly applied around the country. Now that's the challenge that's before us - I think it's one that's easily capable of being met.

JOURNALIST: Prime Minister, do you have any sympathy with a suggestion from the EPAC paper today from Dr Ken Wiltshire, that what should be done fairly early in the piece, perhaps at the first Premiers' Conference, special Premiers' Conference, is that an inventory be drawn up of areas in which there is overlapping and then a Senate Committee be charged with the job of overseeing the dismantling of this duplication and the assurance that efficiency is on-going?

PM: No, I don't think there's a need for the Senate Committee, I'm not here to denigrate the Senate and all it's good works, but I think that the process that I have suggested is the appropriate one. That is, I've indicated in very specific terms, I mean, whatever one says about the Hawke speech today it can't be accused of being unspecific, I've said now here are the areas, here are the processes that I see as appropriate. I've written, as I say, to the Premiers today, asked them to put on the table what they want to talk about. Now no-one knows better than the Commonwealth and the States where the problems of duplication and overlap occur. Now we will, before we meet at the end of October, as a result of the processes that I've established and the request I've made to the States to nominate a person to work with Mike Codd in getting the papers prepared for the conference. By the time we get to that conference a great deal of work will have been done, Paul, in identifying very precisely, the areas and the nature, the dimension of the problems and then our responsibility, as leaders, then will be to say alright, here we can identify the areas of problem, now what are the things we want to work on first? What are the priorities? And may I say, in that respect, that I want to emphasise again what I said in the speech, I don't see and will reject any proposition about saying we're just going to have one long inquiry and wait for a report at the end of that process. What we should do is to say we are going to work on it case by case, deal with it issue by issue and more than, by definition, more than one issue being dealt with at a time and where you're in a position to make decisions, make them and not wait for the end of some long unspecified period. Now, if the Senate wants to, you know, address this issue I'm not here to say, you know, don't look at it. But I think the reality is that it is the Commonwealth and the States working cooperatively together, as I have proposed, that is the proper process of dealing with this problem.

JOURNALIST: Prime Minister, you have promised that no oil exploration will threaten the Great Barrier Reef. Greenpeace today have asked you to clarify this pledge. How can you ensure that any exploration near the Great Barrier Reef Marine Park, particularly in the event of an accident such as an oil spill, will not threaten the reef? Would you need to look at legislation or special regulation in this area?

PM: Let me make these points. As you will have seen from the press today I've already indicated that I will not countenance, simply will not countenance any drilling which would in any way endanger sensitive marine environments. That's not just the Great Barrier Reef area but also there's the Lord Howe Island, there's the Shark Bay area in Western Australia. Now let me, before I go on from that, let it be understood that of course no drilling is proposed and wouldn't ever be contemplated - no-one would be silly enough to put it up in our presence - that there would be any drilling within the Great Barrier Reef Marine Park. But as to exploration in the Coral Sea or other places near environmentally sensitive areas, it may simply be that exploration is too risky. So what I'm saying is that any proposal that may be made in the future, any proposal to be made in the future, would be subjected to the strictest scientific and environmental analysis which assess relevant considerations such as, without being exhaustive, ocean currents, tidal movements. Let me say this, that at least, at least a year before any permanent area in the Coral Sea was considered, I say even considered for release, we would ask the Great Barrier Reef Marine Park Authority for a full assessment of the proposed declaration before any such exploration could even be further contemplated. Now I hope in spelling that out that I've made it crystal clear to everyone in this community, whether they be in the exploration industry or whether they be ordinary Australians concerned with the environment, that this Government will absolutely ensure, and rigorously have the processes to ensure that there is no way that these sensitive World Heritage areas can be endangered.

JOURNALIST: Could you just expand on your comment here in the speech that the imperative of national economic management need not preclude worthwhile change in Commonwealth-State financial arrangements?

PM: I'll try and put the setting for this. I think it is true that the States themselves accept and understand that in this modern day and age that there must be a central responsibility for macro-economic management. You can't in this interconnected world have a situation where Australia hasn't got within its national government a capacity for the control of the macro economy. They accept that, and as you know, when they were given the opportunity for getting back into the income tax field, which was offered by my predecessor, they didn't take

that up. Now having said that, the real challenge is to try, and it's a political and economic challenge, is to try and ... this imbalance that we have, this vertically integrated imbalance we have in the area of fiscal responsibility. Just a few statistics of interest in this regard I think. If you look at the total Government revenue raised in this country, the Commonwealth raises 77% of it and spends 50% of total government expenditure. The States raise 20% of all government revenue and they spend 40% of all government expenditures. There's the imbalance and the other statistic, which is interesting, is that 51% of all States' government budget revenue comes from Commonwealth grants. That briefly is the problem. You have this imbalance between revenue raising responsibilities and obligations and the expenditure pattern. What therefore we've got to try and do, it seems to me, is to make sure that we don't do anything that is going to in any way effectively derogate from the capacity of the national government to conduct micro-economic policy, but to do what we can to give the States some opportunity of having a greater sense of involvement in their revenue raising. There may be a limit to how far you can go there but that's why in fact I've announced today that we'll get out of BADT, the Bank Accounts Deposit Tax - that's currently bringing in some \$400 million. We will get out of that, obviously with the adjustment of the FAGS, the Financial Assistance Grants, because we're not here - FAGS and BADTs, and FIDs. But the States are not expecting a bonus out of this. But what that will mean now, that by us getting out they will be able to operate that tax and put it at a level which they believe is consistent with their needs and with their other economic considerations. So that's the challenge we've got and I think that what I've said is indicative of the fact that we are serious about this approach. May I say Paul, when I raised these matters, really adumbrated them at the Premiers' Conference, there was a very very positive approach from the States. In other words they accept the sincerity of what we're about, that is to get a more effective co-operative basis. But they also, that's within the framework where I'm sure that they accept the fundamental point I make about the need, in terms of the interests of every citizen in this country, to have the capacity for macro-economic management firmly in the hands of the national government.

JOURNALIST: Prime Minister, is there any basis, I should say is one of the reasons now for the push for reform in both Federal-State relations and the Constitution anything to do with the fact that some of the greatest impediments to change - I'm talking about Joh Bjekle-Petersen and Premier Gray of Tasmania, are now left the political scene. Have we in place now a set of Premiers that you will find personally conducive to change, including Nick Greiner?

PM: I guess one should say they politically de mortis nihil nisi bonum, which means for those that are politically bugged, don't say anything ill. So Joh and Robin have departed the scene and I speak no ill of them. I just speak positively and say that I believe there has not been a more propitious time, looking at the States, and may I say looking at the Federal Government as well, there hasn't been a more propitious conjunction of political circumstances that we have today. I think the quality of leadership at the States is high. I think there's a very serious commitment to the processes of change and there certainly is at our level. Let me say in fairness, so that there'll be no implication that I'm simply reflecting on the fact that there's an overwhelming majority of Labor Premiers, let me say in fairness to Premier Greiner that both at the Premiers' Conference and in the observations that he's made and the attitude he's expressed, I believe that in Greiner we have a very responsive Premier. So it hasn't happened because of the changes to which you've referred, but having said that I don't think there's ever been a more congenial political environment for change of the sort that I'm trying to initiate.

JOURNALIST: Victoria's become something of a disaster area for the Labor Party both at a State level and federally. What do you think John Cain can and should do to try to revive State Labor fortunes there and what will be your strategy to try to get a better result federally in Victoria next time?

PM: I can't embrace the exact language of disaster area Michelle. Let me say this, that it would be absurd for me to try and deny the fact that Labor's fortunes in Victoria are not low. They are. But what I have to suggest to John Cain and his government, and obviously it will be something that I won't address via the Press Club but more directly in private conversation with him.

JOURNALIST: (inaudible)

PM: Likewise.

JOURNALIST: I want to just clarify something in your speech in relation to your willingness to make the issue of untied grants a matter for review. Now in parts of your speech you acknowledge the need, a continuing need for uniformity, or the drive for uniformity in the delivery of services. On the other hand you recognise the frustration of the States about the fact that some 50% of their grants from the Commonwealth is now in the form of tied grants.

PM: It's just over 40 per cent Milton, now.

JOURNALIST: Right. And the reason of course for those tied grants has largely been the drive by the Commonwealth Government to achieve uniformity in the

delivery of services. But at the same time it's the strings attached to these grants which of course has led to a lot of the overlap and duplication. How do you resolve that sort of dilemma?

PM: Just to give you some idea of how this picture has changed over the years, as I said interjection to ... Milton, it's just over 40% of our payments to the States now are tied grants. And that's quite a massive increase. If you go back to 1948-49 it was then only 20%. So that's a very, very significant increase. Now obviously we want to have a situation that if in a particular area we believe that there are certain standards and approaches that ought to be kept, but that the delivery of a program is better done by the States, then the challenge that we'll have in these discussions is how, through discussion, we can get an acceptance of certain standards and concepts, without having for them the stringencies that are associated with funds being tied. So that will be one area. There may simply be other areas that will come out of discussion Milton where we would simply come to the conclusion well it's best that we're out of it. You deal with that as you will. But as I say, in other areas where we think we have a responsibility for having some sort of national standard or approach, it will simply be a question of saying well, can we get an acceptance of these sorts of standards, but without the stringencies of a tied grant? Now I don't think that that is beyond intelligent and committed political leaders to achieve. And it's also, the other side of it, there may well be some areas Milton, in which the States may say, I don't know, that their view is that it's better that they be out and it will be over to us and then that sort of problem doesn't arise.

JOURNALIST: There seems to have been a fairly conspicuous silence from Government members this week in response to the increasingly loud calls from senior members of the Government controlled airlines. I wonder if you could tell us what your position's been on the calls from Australian Airlines in particular, from Mr Harris, involving a 50 sale of it's island resorts as well as partial buy out or equity swaps involving foreign airlines?

PM: Well I haven't been exactly silent on this issue over the years, but I'll really just do two things. I'll refer to the answer I gave earlier here Palita. I think both parties have got to be prepared to look at these issues without the blinkers of the past. I think that certainly applies to my side and the other side of politics on this issue. I have said before I think, that running airlines, having a total government involvement in running airlines, is not my sense, is not my sense of proper priorities. But I have gone out of my way to make clear that I want to conduct this discussion within the Party. There are signs that that discussion is going ahead in a fairly constructive way at the moment and not

just in terms of the committee that has been set up to consider some of these issues at the federal party level. And I think there are groups right throughout the Party who are discussing this issue quite constructively and rationally and I welcome that. But I don't think I would help those processes by going any further than that.

JOURNALIST: Another national issue of micro economic reform is that of telecommunications. It seems that the Government is headed towards some form of megacom arrangement in that area combining Telecom and OTC as the major player, with competition from Aussat and perhaps some private capital from overseas. Many critics have suggested this is a second best solution and that competition would be enhanced if OTC became the basis of the second player. Do you agree with some of this criticism and do you believe the Government could be ambitious in it's reform of telecommunications?

PM: Let me make it clear what the ambitions of the Government are in this area. The ambitions go to what you deliver. And I'll give you this assurance as to what will come out of the processes of consideration by the Government. I can guarantee that out of the processes that we are going through there will be across the board effective competition to Telecom, involving both appropriate interconnection arrangements into Telecom's network which is a critical issue for anyone who knows anything about this. And there will be also a pro-competitive role for a regulatory agency. And the third guarantee I give is that in regard to rural and household users, they will not be disadvantaged. So there are the three ambitions. There are the three commitments. Now there is obviously discussion around the issue of possible co-locations of the three existing carriers, vis a vis any new private competitive forces that may come in. Now those issues will be discussed and decided within the Cabinet and the Party in the very near future. But I repeat Steve, the three things that are important, which I eluded to at the beginning, will be delivered.

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