



## PRIME MINISTER

INTERVIEW WITH JOHN STANLEY, RADIO 2UE, 22 AUGUST 1990

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STANLEY: Good afternoon Prime Minister.

PM: Good afternoon.

STANLEY: Well the stage performers I guess like to check their reviews after opening night and I know that politicians, whatever they think of the media, like to do the same on the morning after the Budget. Now your reviews today - you've got 'Keating slashes social welfare', 'Keating savages battlers', you've also got another one, 'slugger Keating, old, sick and jobless hit'. Is that a fair representation of the Budget?

PM: Yes, but if you look at the same one you read from about Keating savages battlers, you look over to the left hand column and you get their economic correspondent, Ross Gittins', 'welcome to Paul's pop gun'. Now that one page really characterises the reaction I think. What you have as on the one hand - people saying that we've been tough - on the other hand, people saying we've not tough enough. So that typifies the reviews, in a funny sort of way it also points to the internal contradictions of Dr Hewson's reaction. He put out a statement last night that even Peacock would have been ashamed of at his best. He started off saying we've brought in further cuts in living standards, hammering us for that and then goes on to say that we haven't hit hard enough. So it just goes to show I think that we've probably got it right. I mean we've had to do some hard things, but we haven't been ruthless.

STANLEY: Yes, but a lot of people are saying you should have been tougher particularly at the beginning of a three year term, when you are this far away from an election?

PM: Yes, that's fair enough. But there is no merit either economic or political in being hairy chested for the sake of saying everyone look at my great hairy chest. I mean what budgets and economic policy are about are bringing down decisions which are appropriate to the economic and social needs of the country. And what we have committed ourselves to - last year and this year - is not to plunging this economy into recession. We've tried to lower the level of activity and at the same

time, however, keep a level of growth there. Now if you're going to do that you can't just go massively surgically operating on the economy.

STANLEY: Well you're a punter, a lot of this budget is predicated on a punt on where the oil price is going to be during this year?

PM: That's part of it and as you know we've used an assumption of \$23 - oil prices are in US dollars. Now just let me make a couple of points on that, I alluded to it in the House yesterday. I'll just go to it briefly. The price before the crisis arose was just about \$20 a barrel. It shot up to thirty at one point and is now back to the mid twenties. Now that of itself shows volatility. The statistics are these. The loss of Iraqi and Kuwait crude equals about four million barrels per day. Now this has happened at a time when the stocks in the world are higher virtually than they've ever been before. Now those stocks could easily be run down for quite a period of time at about one million barrels per day. That would leave about three million barrels a day to be made up by OPEC and non OPEC, and that's easily capable of being done and the signs are that they are doing it. So you could have oil prices peaking in the December quarter and then running down in the second half of this financial year. So I think that \$23 is a not unrealistic figure.

STANLEY: But if it is wrong, it could push up inflation. The unions are saying that they would want to be compensated for that. Should they be compensated through wage increases or through tax cuts, or neither?

PM: Well that's a speculation as to what might happen. I think we've shown in the past that there is a flexibility within the Accord arrangements, both on the part of the Government and of the trade unions, and I think the unions have been tremendously responsible in the way they've restrained wage claims at times of very high levels of economic activity. We're not going to abuse the restraint which they have exercised. I'm confident that if we get a difficult situation arising that we'll be able to talk through with the unions an outcome which is in the best interests of the country.

STANLEY: Yes and would it be in wages or in terms of some tax cuts?

PM: Well we've shown in the past there's a flexibility in regard to sort of delaying implementation of wage increases or in looking at tax cuts. We've shown a flexibility in the past, I believe we'll be able to do that if it's necessary in the future. Of course I think it's all our hope in that we're going to see an early end to the crisis.

STANLEY: I want to get onto that in a moment. But on the question of the budget, can you understand there'd be a lot of fear and trepidation among pensioners today, maybe misplaced for many of them, but they -

PM: Yes I can, I can. For instance, it's helpful in trying to analyse a situation like this to look at experience. In some sense you can go back to the assets test. Remember when we brought that in, as I've said, everyone was saying it's the end of civilisation as we know it. Well of course that wasn't so. It was a correct structural decision. In this case the two major decisions we've taken affecting pensioners are the correct decisions and will not adversely affect pensioners. If you take firstly, in regard to pharmaceuticals, by definition no pensioner will be worse off. But the fact that price signals will be introduced should mean that there'll be a very significant cutting in the unnecessary accumulation of drugs. The rate of cost increase for the community was unsustainable. The most important statistic in this respect in the budget was the one that Paul referred to. It took almost 40 years up until 1985 for the cost of the scheme to get to half a billion dollars. It only took another four years from '85-'89 for the next half a billion. It was exploding and so we had to do this. And it's interesting that independent commentators generally have recognised this fact. But because we're compensating with that pension increase no pensioner will be worse off. Now in regard to the deeming, we have a situation there where unfortunately what was happening in the community was that so many of our elderly citizens were simply subsidising the banking system, putting tens and tens of millions of dollars in low deposit rates with the banks and the banks, they're putting ... three to four per cent and the banks lending it out at 18. This was against their own interests. So the important thing is that no pensioners will lose their benefit cards which are of importance to them, and why they were doing this sort of thing. They won't lose that, existing pensioners. It's a change that had to be made.

STANLEY: Now you've had structural reform in the social welfare system over a number of years. A lot of people are saying today, and the expectation was created by your own government, that micro reform would be the primary goal during this term and yet we've seen very little of that in this budget.

PM: Very little in the budget. That is true. But there are two things to be said. In the areas where we don't need any change in our Party policy the work is going on. Substantial work is going on particularly with Senator Bob Collins who I think is very quickly earning the respect of the whole community for the assiduous way in which he's accelerating reforms in his area and the waterfront and so on. That work is continuing. But the second point was that in regard to the telecommunications area

and anything we might do further in regard to the airlines, we do need to get a change of Party policy. I've been quite open about this. And therefore we'll go to our special Party conference at the end of September. I believe we'll get a sensible outcome from that and that will enable us then to quickly move in that area. So the promise I've made about very significant micro-economic reform in this fourth term will be delivered.

STANLEY: But the economic benefits won't come through until the next financial year?

PM: No, it is the case quite possibly that if we get the decisions I hope to get in September, that we can see some impact in this financial year. But it would not have been appropriate or statistically acceptable to conjecture those figures into these budget figurings.

STANLEY: No, but it is possible that if you were to get some money from sales of some of those assets it would be in this financial year?

PM: Yes.

STANLEY: And it could affect this budget with some adjustment?

PM: That could happen, yes.

STANLEY: Alright, just on the question of foreign debt. It's at record levels and then we have Paul Keating back in 1988 saying we're going to bring home the bacon with this budget. We've got foreign debt at record levels, interest rates are still at very high levels historically. I mean when are Australians going to start reaping the rewards of all the rhetoric that we've been hearing about bringing home the bacon?

PM: In a sense we already are. If you look at the question of debt, and you've got to understand that as far as the Commonwealth is concerned as a result of the financial fiscal stringency which we've imposed, we've changed the situation from one where the Commonwealth, the nation of Australia in its federal capacity was a ... we were a net international creditor. We've done that. We've been able to significantly pay off large amounts of foreign denominated debt. In this budget as a result of what we've done we have the situation where the total public sector has a zero borrowing requirement. That is the public, that government is making no demands upon our savings. Now that's, you know, an absolute essential condition for tackling the problems that you're talking about.

STANLEY: Alright, now I can't let you go without talking about the Middle East -

PM: Of course.

STANLEY: - because that's the principle concern of everybody. Is there any more news at the moment on Australian citizens in the Middle East, any more news you can give to those people who may have relatives or friends who they haven't been able to keep track of.

PM: I wish that I were able to say to those people, the relatives and the loved ones of Australian citizens detained in Kuwait and Iraq that I had good news. I haven't. I have nothing to add to really what I said in the Parliament yesterday and that is that we have this horrific situation where Saddam Hussein, the leader of Iraq, is pursuing a course of behaviour which is horrific and unacceptable by international standards of behaviour and by the codes which should determine the relations between nations. There is evidence that foreigners are being dispersed to strategic targets. We've got, at this point, no evidence of any number of Australians being in that situation but one would honestly have to say that that is a possibility and I'd be misleading your listeners or the people concerned if I tried to hide that fact. It's our very very strong hope that the increasing repulsion and repugnance that has been exhibited around the world will reflect itself in even more determination on the part of nations to make it clear to Saddam Hussein that this is not acceptable and that he will understand that the best interests of his own people can only be served by withdrawal.

STANLEY: I know hypothetical questions are not really the types of questions you should ask in these situations particularly, but a lot of people have been looking at Mr Bush's situation, a lot of commentators suggesting that Mr Bush if he were to engage in a strike against Iraq would regard the hostages as expendable. If he were to seek your counsel about military action against Iraq and ask you for your view, what would you say?

PM: A terribly hard question. Fair enough to put it of course. You've put an hypothesis, I mean I normally don't answer hypothetical questions, but let me say to you in that it's an incomplete hypothesis. I mean I would need to know the total intelligence situation. I mean if I were being asked - and let me interrupt myself by saying that we do get excellent intelligence, our own and our allies share much of theirs with us. The point I'm making is that if I were being asked to give advice on that most fundamental of questions then I would need to be in possession of every single piece of information that was relevant to making a decision.

STANLEY: Do you expect to be consulted?

PM: I would hope that if the United States is contemplating any significant escalation of action that we would be. I would hope that that would be the case. You've got to understand that really as far as the United

States are concerned there are two aspects of what they are doing. Firstly they have sent forces to Saudi Arabia and now to the United Arab Emirates to answer requests that have been specifically sent to them for forces. Those forces were essentially sent in a protective capacity because all the evidence looked as though Saddam Hussein was going to make a strike against Saudi Arabia from Kuwait. It looks as though the very prompt action of the United States in answering those requests has limited the likelihood of the Iraqis making such a strike. Now that's one aspect of what the Americans are doing. The other of course is that they have sent their naval forces in to attempt to give effect to the sanctions of the United Nations. It is in association with the United States and other countries that our naval forces have gone in that exercise. It would be a matter really of in what capacity and in what respect the United States was contemplating any further action, but I've made it quite clear, and I'm sure that this is what the Australian people would want, that if in fact any upping of the Australian involvement was to be sought, then I would obviously consult as widely as I could, not only within my own Party but I would consult with the Leader of the Opposition and the matter would go to Cabinet.

STANLEY: Alright Prime Minister, I know you've got a very busy day. Thank you very much for joining us this afternoon.

PM: It's been my pleasure. Thank you very much.

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