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PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, PARLIAMENT HOUSE, 6 SEPTEMBER 1990

E & O E - PROOF ONLY

PM: Cabinet tonight has made a number of major threshold decisions on micro economic reform. Going to telecommunications first, the Cabinet agreed to the introduction of effective competition as fundamental to any policy change that'll be finally decided. The Government will regulate effectively to ensure that such competition delivers the lowest possible prices to consumers and the highest possible quality of services and the early introduction of new technologies and community service obligations, particularly to rural and regional areas and to pensioners, will be guaranteed. Telecom itself will be retained in full public ownership and in the implementation of these changes, every attempt will be made to ensure the maximum participation of Australian industry.

In regard to the airlines, it was agreed the Commonwealth would sell equity in both Australian Airlines and Qantas and that the extent of that divestment would be decided by Cabinet before the 24th of September. We will ensure in this way that the airline's capital needs are adequately met and obviously in that way, consequently take pressure off the Budget. As I say, the Cabinet will finalise its position on these issues before the 24th September, although you will see that we have, as I say, made major threshold decisions now in this regard. It was recognised that out of the processes of asset sale or licence sales, there will be potential for the Government to tackle high priority national infrastructure projects.

Now, may I just make a couple of general comments about those decisions and the background to them. I know that it's been a matter of considerable comment by you all as to the extent of the processes in which we've been engaged, including the less than perfectly kept state secret that there are some divisions of opinion and emphasis amongst Ministers on this subject. I want to make the point that it's not in any sense surprising that there should be this extensive debate and these differences because what we're dealing with are issues which have been of fundamental philosophical importance to the Labor movement for a very long period of time. The suggestion that there could be serious change in the Party's position on these issues has aroused, naturally enough, very considerable discussion, debate, concern and fairly deeply held differences of opinion in the Party. The important thing is that the debate has been conducted in a serious way and there is no doubt that very many people in the Party have moved from what had previously been quite deeply entrenched positions and as far as the Government is concerned we've welcomed those discussions.

We have believed it's appropriate for us at this point to give these indications of principle as to where we stand. We will take account of the discussions that will go on in the next week or so, but before the conference is held, there will be a final indication of the details of the Government's view in these matters.

JOURNALIST: Prime Minister, what do you mean by effective competition?

PM: Well, it's a statement that, of principle, there must be effective competition. It is the case that still there would be differences of opinion as to what constitutes effective competition. For instance, and I'm not going to debate the issues and I don't think you're inviting me to, but for instance, some would say that without network competition you won't have effective competition. Others say that there are ways of getting effective competition without going to that point. Now that's still an issue which is going to involve some discussion within the Party, so we're not trying to dodge the issue, we're saying as a principle there must be effective competition and by the time the Cabinet comes to make its final decision we'll spell out what we believe is involved in effective competition.

JOURNALIST: You've talked about equity in Australian Airlines and Qantas -

PM: Yes.

JOURNALIST: Do you have a figure on that at this point?

PM: Well, the Cabinet hasn't. I think it would be fair to say that overwhelmingly Cabinet has a view as to what is appropriate in regard to Australian and in regard to Qantas, but we're not going to finalise that position until we've had the opportunity of some further discussion within the Party, but I can say that there's a fairly clear view and it wouldn't necessarily be the same for each airline.

JOURNALIST: 49 percent ... for example?

PM: Well, I think it's at least 49 percent.

JOURNALIST: Prime Minister, if Cabinet takes detailed decisions on these matters before September 24 and the special Party conference on that date -

PM: It sounds like ... a hypothetical coming up.

JOURNALIST: Bit of a hypothetical, but should the special Party conference decide differently, can those Cabinet decisions be reversed?

PM: I would believe that the view that Cabinet comes to would, because of its merit, be accepted by the Party conference. I understand and say to my Government colleagues that we have an obligation to listen to what the Party is saying. It's a bit of a reciprocal. I mean, they have an obligation also, I think, to listen

to what the Government is saying and thinking and I am optimistic that we'll get a mutuality in the process that will mean that the merit of the decision that's come to by the Government will be accepted by the Party.

JOURNALIST: Mr Hawke, you said that these were threshold decisions, but in relation to telecommunications didn't you announce at the Press Club virtually those same principles yourself as very firm principles that you were already committed to?

PM: Yes, although that's true to some extent, but I think it's, it should be noted that we are indicating in the decision that there will be a sale of some assets involved in the Government position in Telecom and that, to this point, has not been a position which is consistent with the Party policy as it stands.

JOURNALIST: But the competition decision really was taken quite a while ago wasn't it, by you at least?

PM: Well, that's true, but it's also equally true that since I made my statement to the Press Club that there are significant sections of the Party who've said they don't agree with that. They've said there shouldn't be any competition, it should be left as it is and what the Cabinet has confirmed in its decision tonight is that there shall be effective competition.

JOURNALIST: ... decision is in relation to the future of Telecom and OTC. Are they coming together in a merger?

PM: Well, that hasn't been so decided.

JOURNALIST: Why has there been a delay in ... decision making?
I understood -

PM: Well, that - could I just finish in answer to Paul - that the Cabinet will, I think, come to a specific decision on that next week. In other words, we won't be waiting right up until the eve of the conference to make that decision.

JOURNALIST: Why couldn't you make it tonight, Mr Hawke?

PM: Because there were good reasons in our consideration not to, which were not unrelated to the view that there was still room for some further discussion in that area.

JOURNALIST: (inaudible)

PM: Beg your pardon?

JOURNALIST: Is one of those reasons the discussions that Minister Beazley had with the ACTU the other day?

PM: That was one of the elements, one of the elements.

JOURNALIST: So there'll be further talks with the ACTU?

PM: The further talks that will take place, I think, could well include further discussions with some elements of the ACTU.

JOURNALIST: Foreign ownership, Mr Hawke -

PM: Sorry.

JOURNALIST: Foreign ownership.

PM: Yes.

JOURNALIST: Was it discussed in any of the telecommunications or airlines -

PM: It didn't, it had some passing discussion in regard to telecommunications. It was part of the discussion there, but in regard to the airlines, we didn't go to that in detail. It was really the very broad discussion that we had there. Although, let me say this, that in regard to the airlines we talked about that and it was quite clear that there will be limitations upon the level of capacity of foreign ownership of Australian airlines.

JOURNALIST: On telecommunications, Prime Minister.

PM: Yes.

JOURNALIST: On telecommunications we haven't got any more detail tonight than we've had in a long time. Doesn't this make the Government look paralysed?

PM: Well, I have no doubt that if that's what you think that's what you'll write. It will be incorrect. We're not paralysed. It was the point of making the comments I did in my opening remarks. We are not dealing with some peripheral issue in the affairs of the Labor Party here. We are dealing with something which, by anyone's standard who knows anything about the Labor movement, goes to deeply held issues on which there are very, very profound feelings. We could have been cavalier about it if you like, and said, alright we'll just say this is the decision of the Government and say there's been enough discussion in the Party, that's it. It's been sensible, in our judgement, to recognise that there's room for further discussion although what we felt we needed to do was to, as a Cabinet, indicate certain basic positions of principle. I think will be of some assistance in helping the process of discussion that will continue to go on up to and including the conference. Now, if you don't think that's intelligent, that it's a more intelligent way, a Ramboish way of saying to the Party, well you've had your turn, you've had enough time to discuss it, here's what we're going to ram down your throat and that that would not look a position of paralysis, well you write that if that's your interpretation. But permit me to say it would be a very inadequate analysis.

JOURNALIST: You started walking down this path three years ago. It's a long time.

PM: Yes, it is a long time. It will mean that when we do make the decision culminating in the conference that there will be a fundamental change in the position of the Australian Labor Party. If I've been responsible for initiating that, as I believe I have been, if it's taken three years, so be it. I would simply point out that in a period of seven and a half years in Government we have, as I've said before and you've heard me say, undertaken more micro-economic reform in that period than has ever been undertaken in any comparable period. Now we're setting ourselves to go further down that path which stands in the starkest of contrast to the absolute paralysis, if I can use that word, of the conservatives in power who never changed anything.

JOURNALIST: With all proceeds Mr Hawke, will all the proceeds of the assets ... be used on infrastructure or will some be used to pay off our debt? And what mechanism do you have in mind for bringing that about?

PM: I've made my position quite clear that I don't believe that it is responsible to say that you can just get a lump of money from the sale of assets and apply them to some particular area of expenditure. I believe that what you are certainly able to do with responsibility is to use the savings in respect of public debt interest in this area. It is very likely that out of the decisions that will be made by the Party there would be considerable amounts of money which would fit into that category.

JOURNALIST: Mr Hawke, Mr Beazley has been going around the Party, presumably with your acting consent, in the last few weeks promoting that option. Does he still have your support in that option?

PM: I think you will have seen reference to the fact that I've expressed views as to possible alternatives to the model that the Minister has put. I happen to believe that his proposal would bring in significant competition and profound changes into the system. I think there are arguments as to whether an alternative may also have advantages, some different advantages. But if the decision in the end is the Beazley model it's my view that it will involve very very significant and I think irreversible changes for the Australian economy.

JOURNALIST: Can you indicate whether your own position is still support for Mr Beazley?

PM: I have no reason to change what I've said and that is that I think there is room for argument that an alternative proposal could bring other advantages. But I recognise that this is an area in which that is clearly capable of argument. Certainly I know that Mr Beazley

profoundly believes and will so argue that his model is the best. Now there is still some further discussion to be had on that but I want to make it quite clear that if out of those discussions it is in fact the model that's been proposed by Mr Beazley that is the one that is adopted, I firmly believe that that would involve very significant improvements for Australia in that it would mean real competition introduced into the telecommunications industry.

JOURNALIST: Do you think it would have been in retrospect better to have had this Cabinet discussion started the process rather than when Mr Beazley had gone this far with the Party?

PM: Well you could perhaps argue that. But I don't have a strong feeling about that. It was inevitable, if you go back to what I said at the beginning of this conference, you had to know that you were dealing with issues of very very deep concern in which there were going to be profound differences of opinion. It would have been an exercise in self-delusion if you would have thought that simply by adopting some particular technique of discussion at the beginning you were going to sweep that under the table. There is no way, whatever your technique that you adopted, that you were going to be able to avoid first of all a conference. Because you couldn't have changes without a conference. If you think that you're going to have a special conference of the Labor Party and wave some magic wand and in the period between making the decision have the special conference and the time of that special conference you weren't going to have profound discussions within the Party, I mean you're deluding yourself. You know nothing about the Party.

JOURNALIST: You said that you wanted to keep Telecom, Cabinet wanted to keep Telecom in full public ownership. Are there any aspects of Telecom, assets of Telecom which could be sold off, and if so, how? And what has Cabinet decided on who should own Aussat and OTC?

PM: I would think that you could say that there is I think within the Party generally the question of Aussat is not really an issue about it being disposed of. There is still some debate in certain sections of the Party in regard to OTC.

JOURNALIST: Prime Minister, could I clarify the position of the airlines? I'm not sure what you meant. Has Cabinet made a decision about the proportion of privatisation and -

PM: No. The exact words Laurie. Cabinet agrees that the Commonwealth should sell ordinary voting shares in Australian Airlines Limited and Qantas Airways Limited. The extent of this divestment to be determined before the 24th of September.

JOURNALIST: Mr Hawke, do you expect Mr Keating to push on with his option, and should he?

PM: Well I think that within the decision that's been made it will be open for anyone, Paul or any others who may have a different version or a different emphasis, to do that. When the Cabinet makes its decision next week on form then all Cabinet Ministers will be bound by it.

JOURNALIST: You talked about competition. Does that in your view mean competition on the basic network?

PM: That's the view I have.

JOURNALIST: Can you clarify the process for the Party ... resolution as far as the National Executive is concerned and will the final resolution still give Cabinet some flexibility?

PM: I believe from the discussions I've had today that you won't have a firm detailed decision from the National Executive tomorrow. Rather you'd have a form of decision I would think and expect that it was broad enough to say that there would need to be changes in the Party platform to achieve certain broad positions and then leaving the detail of that still to be the subject of the sort of discussion for instance that we'll be having in the Cabinet and other sections of the Party will be having before the conference.

JOURNALIST: Mr Hawke, Martin Ferguson today made some statements basically embracing the Beazley option. How important will that be in your view in terms of the internal factional debate in the ALP?

PM: It will have different importance for different factions and for different parts of different factions.

JOURNALIST: (inaudible)

PM: I think the answer to your question is that different parts of the Left would attach different emphasis to the views of Martin Ferguson. I don't think that's a particularly clever answer. I think it's just the correct answer.

JOURNALIST: How soon will people get cheaper airfares or cheaper phone calls out of this ...?

PM: I think the question of the level of airfares will be in part a function of the decision that's already taken which is going to ... with effect with the end of the two airline system. In fact you're already starting to see the effect of that. So the disentanglement of causes in reductions in airfares will be a bit difficult to take.

JOURNALIST: (inaudible)

PM: I would think quite quickly. I mean you would have to obviously work out a tender process and we would clearly be wanting to do that as quickly as possible. I would think it would be, I would hope certainly it would be within this financial year.

JOURNALIST: Does that apply ... telecommunications?

PM: No, that was in respect of - I thought your question was in regard to airlines there.

JOURNALIST: Well what about telecommunications?

PM: It's conceivable that it might take somewhat longer in regard to Telecom. But I would need to be advised on that.

JOURNALIST: When you said competition means competition in the basic network, is that your view?

PM: I answered that question there. I was asked specifically the question then, just a moment ago, did I think that it meant that. My answer to that was yes. If you'd noted my earliest answer, I said that for some people in the Party it means network competition. Others believe that you can have effective competition with something less than that. I've answered what I think.

JOURNALIST: So what I wanted clarified was the Cabinet decision in favour of competition refers to also those people who believe you don't need network competition.

PM: Yes I've already said that in my earlier answer.

JOURNALIST: Prime Minister, on the proceeds you've said that Cabinet will make detailed decisions before the 24th. Will it go to Caucus before the 24th as well?

PM: I would think not. I would think not. But I haven't specifically addressed myself to that. I don't know that there's any expectation that that would be the case. But I wouldn't think so.

JOURNALIST: ... concern Mr Hawke is the privatisation of OTC one of the issues still before the Cabinet?

PM: Yes, that is something which is in a sense still on the table. That will be determined next week.

JOURNALIST: Do you think the Party might be prepared to go that far?

PM: Some parts of the Party would.

JOURNALIST: How concerned are you at the divisions and how confident are you that consensus can be reached by the 24th?

PM: I meant what I said earlier Michael that I'm not in any sense surprised at the divisions that have transpired. It would have been an exercise in ignorance for anyone to expect that you could go to the issue of the possible privatisation of Government-owned airlines or the introduction of competition into Telecom without having significant debate and division within the Party. Just impossible. That was what was going to happen. The fact is we've been prepared to face up to that, have fairly prolonged processes which are inevitable. Once the conference was set that was going to happen in the period up until the conference. But as I've said before, the important point is this, that at the end of that process the political debate, the real political debate will be set. And it will be the debate between the Australian Labor Party which believes, in the area of Telecom, in retaining a fully-fledged Telecom facility within full public ownership. That will be the position of the Australian Labor Party. Against that you will have the conservatives of this country who would dispose of the totality of the telecommunication industry to the private sector. That will be the debate. It will be a clear debate and it will be a debate that we will win.

JOURNALIST: PM, you said that the process looked inelegant, I think were your words, once before -

PM: Sure, sure.

JOURNALIST: Do you agree that it's looking even distinctly messy at the moment?

PM: No. I mean I'm sure that that's the way you want to write it. But I just go back, I mean you seem to want me to say it five times. I must sound good in saying it so I'll say it the fifth time. It was inevitable. You cannot go to an issue, a sacred issue in the Labor Party like the ownership, the public ownership of its assets and the airline industry and the question of uncompleted against Telecom, you can't go to those issues if you know anything about the facts of political life and expect that there will be other than pretty vigorous debate and argumentation. Anyone who thought that you weren't going to have that simply doesn't know their politics and doesn't know their Labor Party. I just come back to the point I made in which ... and which I hope I walk out now, that having gone through what you might want to describe as our mess or our trauma or our exhilarating experience, whichever way you want to look at it and however you want to describe it, what the realities will be at the end, we will have made up our mind and it will be in this telecommunications area unequivocally in favour or a fully publicly-owned telecommunication facility operating across the spectrum internationally

and domestically. And against that the conservatives who want to throw it all over to the private sector. I repeat, that will be the debate and it's the one we will win.

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