



15

PRIME MINISTER

TRANSCRIPT OF JOINT NEWS CONFERENCE AT THE CONCLUSION OF THE SPECIAL PREMIERS' CONFERENCE WITH THE FEDERAL TREASURER PAUL KEATING, PREMIERS NICK GREINER, JOAN KIRNER, WAYNE GOSS, JOHN BANNON, MICHAEL FIELD AND CARMEN LAWRENCE, CHIEF MINISTERS TREVOR KAINÉ AND MARSHALL PERRON AND THE PRESIDENT OF THE AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION, GRAEME FRECKER, PARLIAMENT HOUSE, BRISBANE, 31 OCTOBER 1990.

E & OE - PROOF ONLY

PM: OK ... I'll be making a brief introductory statement, then asking my colleagues to follow, then we'll be available for questions.

At the outset of course I want to thank my colleague the Treasurer and Deputy Prime Minister for his involvement and cooperation and then particularly to thank my colleagues from the States and the Territories and the representative of local government for their participation and the attitude that's been displayed and involved in this Conference. No doubt in the lead up to and during this Conference there's been a lot of jargon, some rather complex concepts tossed around. Today very simply what we can say is that out of this Conference there has been introduced a new commonsense constructive dimension into Commonwealth-State Federal relations of a kind that I certainly haven't witnessed before in my period of Prime Ministership and which I think none of us can probably recall in recent memory. And again, as I say, I thank all those who have contributed to that both at the level of leadership and I believe we also owe a considerable debt of gratitude to our officials at the Commonwealth and at the State level as well. Their contribution should be recognised and it is.

What we have done in this Conference is to have jointly accepted responsibility for doing these things. Firstly for creating a more efficient, competitive infrastructure in this country. Without being exhaustive, you've seen what we've done in the area of rail freight, roads and electricity and reform of Government trading enterprises. We have accepted the responsibility for reducing the vast regulatory overlapping and overlay that exists between Commonwealth and States. We are going to simplify that situation which will be of benefit to consumers and to business. We have committed ourselves to the more

effective delivery of a wide range of services to the citizens of this country. We have committed ourselves to getting a more effective and efficient cooperative relationship and identification of roles and responsibilities in the increasingly important area of the environment. And in the area of industrial relations we have committed ourselves to continuing to improve the increasing cooperation which is existing between Commonwealth and State Tribunals. Let me make this important point that what we have done is to make already certain specific decisions - that's done. In the area, for instance, of having signed together the Heads of Agreement for the establishment of the National Rail Freight Corporation; also in regard to uniform food standards. But importantly what we've done then is to establish a process with deadlines, with specific time frames. As I said briefly in the press conference I had yesterday, if you look at the range and the complexity of the issues with which we've dealt, it would of course have been beyond any intelligent analysis to assume that in that whole range of issues you just sit down and make decisions today on those issues. What we had to do was to identify the issues and then establish not simply a review system but a process of dealing with these issues with specific firm deadlines to come to conclusion. And that's what has been done. Importantly, of course, from the point of view of the States, we have agreed to address the issue of Commonwealth-State relations with a commitment on our part to aim at a reduction of the fiscal imbalance with the States accepting in that process the obligation which must be with the Commonwealth to retain the capacity for proper macro-economic management. But that's a commitment on our part to aim at the reduction of the vertical fiscal imbalance with that condition there in everyone's mind and we have also given unqualified commitment to a reduction in the proportion of grants that go from the Commonwealth to the States which are in tied form.

So, if I can bring all those things together, what we've been about is accepting and discharging the responsibility of creating more efficient and more effective government in this country. Put very simply we all recognise that there is a need in the community for Australia to become more efficient and more competitive; that we've accepted the reality that neither the Commonwealth or the States, separately or together, can be going to the community and saying - and that includes business and trade unions - saying we want you to be more efficient and more competitive if we don't accept on our part the responsibility of making our own operation more efficient, more cooperative, more effective and that's what we've been about. So that from the point of view of Government, we can create the more efficient, more competitive infrastructure and delivery of services to citizens through better government and better relations and from that basis say with authority to the community

that in totality we want a more efficient, a more competitive community.

Now let me finally make this point that when I announced this initiative in July of this year I made the point then that I wanted to see two streams of action going on in this period of the last decade of the first century of Federation. There was this process which was started then and which with the magnificent response of my colleagues we have efficiently started with the results already there and with future results guaranteed within an established time frame. But the next time that I meet with my colleagues will not be at the next Special Conference in May. We'll be meeting in April and that is when we have that centenary meeting if you like, that is the meeting which will deal with the question of the Constitution. What we're doing now is to make the decisions which are necessary within the existing constitutional framework, that we are committed at the Federal level, and I believe that the States are going to be cooperative in this, to having a process of review of the Constitution. We will be having that Conference in April which will be the centenary of the first meeting of the colonies in April 1891. So that together, not by way of imposition but together, we can examine whether there are amendments of our Constitutional compact which we can agree on to make for better governance in this country. So we are working within the existing system, as we must do, to make it more efficient but we are also going to be looking I hope to whether we can get in some respects a more relevant constitutional framework for the future.

So, ladies and gentlemen, I conclude as I began. I had great hopes in July when I launched this initiative but I said then that success was going to depend upon cooperation and a commitment of leadership. And in both those respects my expectations have been more than exceeded and for that, colleagues, I extend to you my sincere gratitude. Nick.

MR GREINER: Thank you Prime Minister. I think the most significant potential gain is actually not in the communique. It's the first point the Prime Minister made and that is that this Conference has, I hope, irretrievably changed some of the political mindsets in Australia. And we've consistently, over our history, had a mindset that was adversarial rather than cooperative, that was negative rather than positive, and that's bedevilled so much in politics and public policy in Australia. And I think it's certainly started a dramatic change as far as those attitudes go and I think the change in attitude is very consistent with the feelings of the public in Australia. I hope it's also started to break down some of the shibboleths about Federal and State. The word 'national' appears quite often in the communique. I think it is important to say that 'national' isn't the same as 'federal'. National means that everyone's cooperating. In some cases it may mean

its going to be 'done' by Canberra. In many other cases it will be 'done' by the States. But the point is that there is a national perspective and that's very different from the normal black and white approach that we've consistently had - is this Canberra's or is it the State's. I think that's a significant change as well. It goes without saying that this is only the first step. In many ways the first step is the hardest. I think I should warn that I suspect the empires will strike back. I don't think any of us believe that the next Federal stages of the process are likely to be easy. I believe the empires include some of the Ministers, some of the bureaucracies and some of the private vested interests, and none of that's at all surprising, in fact its all obvious. But there is no doubt that the process of change, which is undoing what are often narrow vested interests that have been long established and well established, is going to be difficult. And I certainly want to say as far as I'm concerned that I don't propose to brook any opposition from any of those empires within New South Wales and I would be confident that will be the attitude of the Heads of Government because the process depends, fundamentally depends, on maintaining the political momentum from the top. The only other point I'd like to make, Prime Minister, is that I'd also like to thank the bureaucracies - I'm not always known for being the greatest booster of the public sector, I think the bureaucracies at each level have done a tremendous job in laying the groundwork for this Conference and they deserve some plaudits for it. But I do think it has been the most constructive thing that I've done in two and three quarter years as Premier, certainly the most constructive meeting of this kind. I hope that in a year or two we'll be able to genuinely say that its historic as well.

PM: Thanks very much Nick. Joan...

KIRNER: Thank you Prime Minister. May I start by saying Prime Minister again thank you for having the vision and the leadership and the patience to enable this conference to happen and to thank your officers and our officers and advisers for the work they've put in in ensuring that there was a cooperative framework and real results from the Conference. I always think I'm very fortunate that as a new Premier at this Conference, to have been denied by the Conference for ever the misfortune of attending Premiers' Conferences which are about division and no results, and so I'm very pleased that we've now got a framework which will enable future Premiers' Conferences, whether on these issues or in the financial area, to be productive. And I'm quite sure the Australian community will welcome that as well. For Victoria, there are three very important issues. The first one, Commonwealth-State financial relations will - as Nick Greiner said yesterday - the result of that will really only be seen at the end of twelve months' hard work. And I can assure you Prime Minister that Victoria

will put in the hard work on that issue. The two other areas are national rail freight and road reform. Victoria has been important as the largest manufacturing industry state, requires that, as the nation does, that those two reforms and we're well on the way to being part of that historic reform. The third area is the area of urban consolidation and we look forward to working with the Commonwealth and the private sector to ensure that the kinds of cities we have in the year 2000 are the kinds of cities that people would want them to be.

PM: Thanks very much Joan. Wayne

GOSS: Thanks Bob. I'm not sure if there's any historic or original lines left. I'll just make two or three points. And that is that I think just as important as the Agreement itself today is the approach that's been brought to bear, the cooperative approach, the approach of striving to seek agreement rather than make a point, and that's important because it not only represents a fundamental change in the way in which these Conferences proceed, but its absolutely vital to the program of work that we've set ourselves. As has already been pointed out, some of the very big decisions come from the Special Premiers' Conferences next year and its going to be vital ... extent of the achievement of those big decision that the cooperative approach, an approach based on, I think, the national good, is maintained. The second point I want to make is that this could not have occurred but for the Prime Minister's initiative and it could not have succeeded but for the fact that not only did all their ... take a very responsible and cooperative approach, but the Commonwealth was prepared to put on the table - the Prime Minister and the Treasurer were prepared to put on the table more than has ever been put on the table before. And I think that was vital to the securing of the cooperation of the States which I think this State was very much inclined to do, but I think, of course, very conducive to that. And lastly I suppose, as the ... point out, how the warm sunny climate of Queensland is so conducive to friendly agreement.

PM: Thank you Wayne. And Carmen, Western Australia.

LAWRENCE: Thank you very much. Just to pick up on Wayne's last point, given that the next principal one will be in Perth in November. I expect that the hard work that we all know has to be done for negotiations to detailed discussions will come to fruition of a kind that we believe is possible as the result of decisions that were made in the last day and a half. Like the other Premiers and the Prime Minister, I think its important we all recognise that this is a beginning and that all of us have a responsibility to break down some of the barriers of the past, those ideologies, those inflexibilities that have meant that we've been rivals rather than partners. What we've seen here is the development of a partnership where ideology and sectional interests have

been set aside and I think set aside for ever. I don't believe that we can now go back to those old positions. It will mean that many of us have a hard job in selling the initiatives that we have set in place today and, as has been said, there will be resistance, there will be difficulties. We're talking about substantial reform of the entire government in Australia. We're talking about changes to finances, we're talking about changes to work practices, we're talking about changes to our organisations of a very fundamental kind and I think what's needed here is a maintaining of that political momentum. So that what is I think a break through, will result in tangible benefits in addition to the few that we've seen coming out of this Conference. Significant benefits I might say, but they need to be built on and they need to be built on firmly. In the end what we're all talking about is a more effective government, more effective services at a reduced cost both to business and families. If we can't deliver on that then we will have raised expectations unhelpfully. I believe we can deliver and I know the commitment is there from Western Australia to ensure that we are, perhaps for the first time in heart, part of the Federation.

PM: Thanks very much Carmen. John.

BANNON: Prime Minister, in its own way I think this Conference represents one of the most rapid and far-reaching changes we've seen in Australia. Reflecting in a sense ... twelve months or so in Central and Eastern Europe. And I say that because you may recall that its just four months ago that a similar Conference of the Heads of Government was being held in Canberra after the Premiers' Conference, with two notable absentees, the Prime Minister and the Federal Treasurer, and certainly with a very different tone and attitude. How we got to this stage so quickly I think the answer lies obviously in a number of areas, but I'd just like to mention three. I think at last we are waking up as a nation to our place in the world. How vulnerable we are, how international trading, political and other relationships are changing so quickly that Australia is going to be left behind and badly behind if we can't internationalise. We can only internationalise if we are operating as an efficient Federation. If we continue to produce the division, the lack of national approach and national unity here we are in diabolical trouble. That message is now I think getting across generally in our community but certainly very apparent at this Conference. The second thing, I think, is that experience of four months ago. That Premiers' Conference, and I've been to more than any of those sitting along this table, I'm a sort of relic of the Fraser age in fact, which is a dangerous thing to be in politics. But the fact is that I've seen a consistent and steady deterioration over the last few years, after initial first flush of enthusiasm when Bob Hawke and his Government was elected, relations have deteriorated sharply. They've got tense, some were difficult. The

Premier's Conference has been a less and less satisfactory procedure and it reached its nadir in June of this year. Thank goodness its now picked up and I think the taking stock that followed that Conference resulted in all of us thinking we cannot see a repeat of that, we've got to pull ourselves together and make this operate better. The third factor I'd like to mention is the leadership the Prime Minister has shown which we all very much acknowledge and the willingness of all the States and Territories to cooperate in that project. This is just a beginning. I talked about the pace of change a minute ago. We've really got to maintain the sense of urgency and pace in the working tasks we've set ourselves. If we can't show tangible progress within the next six to twelve months then all this goodwill and the beautiful climate in Queensland will have been wasted.

PM: Thanks very much John. Michael Field, Tasmania

FIELD: Thanks. Just a couple of comments. Its very difficult to try and be original at this stage. But a few things. It does represent at this Conference a change in mindset that I think is obvious to every observer at the Conference. That for the first time Premiers are talking beyond give me and the Federal Government saying no we won't rather than constructively trying to work through solutions to problems. That's what's happened here and everybody here recognises the urgent need for Australia to address problems that the political will hasn't been capable of even coming together to talk about them and certainly not trying to resolve them. So its important that that change in mindset continues and continues back in the States and at a national level where there's a lot of people who would be looking at alarm at what's happened here because their mindsets And so its up to the Premiers to go back to their States and convince those cynics back in the States that there can be great achievements made and we have to keep the momentum going and we have to authentically lead our States through to where these issues have now ... openly discussed can be resolved because, as I think John Bannon said, given the nature of Australia's place in the world it is essential now that we work as one nation to resolve the emerging issues that are putting such pressure on all of us in Australia, every State and, of course, the national Government.

PM: Thanks very much Michael. Trevor Kaine, the ACT.

KAINE: Well, the question is how many different ways can you say it. But in my opening remarks yesterday I noted that this Conference had the potential to make decisions that would lead to fundamental change in the way government was performed in Australia. And I think that with the Prime Minister leading the debate we have taken the decisions that now can potentially fundamentally change the relationship between government in Australia and the way government is performed. It has to do with

accountability. If all of the changes are put into effect it could put a higher level of accountability on the States for what they do and the Territories. It has to do with the better use of resources, it has to do with eliminating duplication and in effect that can lead to reduction in the expenditure of public money. I think they are decisions that collectively can do something for the Australian economy and if its good for the Australian economy its good for the States and it doesn't matter whether an Australian lives in the ACT or in Perth or in Brisbane, whatever is good for the economy directly or indirectly, is good for the individual Australian. And I think, Prime Minister, that we've laid the groundwork. It has yet to be put into effect. I think the establishment of two more Special Premiers' Conferences next year where we can review, these are the things that we've decided are in fact being put into effect, its a good thing to do to monitor and to ensure that our decisions are in fact carried out. I'll be looking forward to seeing the results. I think it has been productive, we've had a spirit of cooperation, we've had a positive approach to our collective problems. It's been a great Conference.

PM: Thanks Trevor. Marshall Perron from the Northern Territory.

PERRON: Prime Minister. Yes, despite it being the last decade of the first century of Federation, the remnants of colonial administration are still alive and well in Australia today but hopefully the new founded infectious spirit of cooperation that we all have - and there is certainly a new atmosphere about this Conference which hasn't been to the previous ten Premiers' Conferences that I've attended - hopefully that new spirit will mean that from our point of view the Commonwealth will seriously look at the remnant powers that it has in the Northern Territory which it does not have in the States and put us on a true footing as equal Australians, setting aside the Federal political representation question. I think that the decisions that have been made today, providing they are followed up properly by the working parties they've all been referred to, and I'm sure they'll be monitored very closely, can produce a significant step forward in more efficient administration for Australia and that's what we're all here for.

PM: Thanks very much Marshall. And finally, the representative of Local Government, Graeme.

FRECKER: Thank you Prime Minister. I guess you keep the best till last and if you want a symbol of the change in attitude towards Federalism that's the very presence of local government in these discussions for the first time. Local government has a great deal to offer and the States and the Commonwealth have to recognise that in this Conference and we owe particular thanks to the Prime Minister for having the ... to see that coming about.

Local governments stand and deliver services to the people of Australia and my 9,000 colleagues would have me say that they are working in the national interest as Premier Greiner has said, working in the national interest to see if we can't be more efficient. And you need better relationships if you are to be more efficient and that is what we are on about. There is a world-wide movement of localism and the Premiers and the Prime Minister have captured that thought and in our presence here and the work that must flow from this I believe that we can build a better Australia.

PM: Thanks very much Graeme.

JOURNALIST: ... seriously address the degree of vertical fiscal imbalance.

KEATING: Yes, I think that's yes but the part of that has come about by virtue of the fact that, well, the operation of policy under this system over a very long period of time. So it's not a fact, it's not about the fact that the States have been starved of funds. It's just that their discretion over the funds and the growth of the funds is the issue. I think that's an issue we're prepared to look at. But it is important, as both the Prime Minister and I have said and the Communique says, to at the same time preserve Commonwealth macro-economic options. In relation to the national expenditure and revenue effort which has been such an important part of building national savings. Now within that constraint I think it's highly desirable to look at the issue in a basic way to see if some of that imbalance can be redressed. Now, a number of Premiers have talked about maintaining the principle of equalisation. Equalisation can't be maintained without some vertical imbalance. Because if there is no vertical imbalance there can be no equalisation. So nobody's talking about an absolute abolition of the vertical imbalance but a redressing of it and I think, you know, we're happy enough to look at in in that context.

JOURNALIST: ... substantial and do you see any scope for new State taxes? What is your view to the Commonwealth moving somewhat out of the income tax field to give the States some -

KEATING: Well that's what the inquiry's about. That's what it's about. It's not about what my view is.

JOURNALIST: What are your views?

KEATING: Well it's not about my views. Not now anyway.

JOURNALIST: But can you just answer the first part of the question. Do you think there's much scope ... the substantial change ... opening remarks yesterday I think the mood is one of substantial change. So as Treasurer do you think that is possible?

KEATING: Well I think it's about - we've now got to the point where macro-economic policy is really cast into a set of optimums in terms of the size of the general Government recurrent surpluses, the discipline on Commonwealth and State recurrent budget outlays, the operation of monetary policy and wages policy. So micro-economic reform and change in the way in which the micro areas of the economy function are very important. The largest new issue, the largest new issue, coming issue in Australian economic policy is the infrastructure of the States. So if, as a result of these arrangements, we see improved performance in the infrastructure - particularly in transport - and much of what's been done here yesterday is about that - road and rail - then we're going to end up with a more efficient economy. And that kind of an economy, I think, one which is operating better and operating more with a national complexion rather than the complexion of a number of States, I think provides certainly some scope - economic scope and political scope - for having a perhaps more desirable balance from the States' point of view in this question of the revenue and expenditure efforts.

JOURNALIST: Won't any ... imbalance though reduce your macro control?

KEATING: Well not necessarily. That's part of the examination.

JOURNALIST: Mr Greiner, last week you set four tests ... the Liberal Council ... to be judged on whether or not its success. Has it met those four tests? So what will you be saying to your federal counterparts?

GREINER: I think the meeting has clearly jumped the first hurdle of those tests. And those tests were the major agenda items and I think any realistic assessment is that significant progress has been made in terms of setting direction, establishing principles. So I don't think you could reasonably say that any of those four or five tests that I set have been failed. As far as my federal counterparts are concerned, I've got no doubt at all that they would be supportive of the process that has been started here. And whilst they'll no doubt have their own differences of emphasis and nuance, I would be amazed if they were other than supportive of the change which as I said in my earlier remarks, the best part of the change that's been started is that it is out of the framework of adversarial politics.

JOURNALIST: Mr Hawke, you've had the opportunity to canvas certain opinions of the other Premiers on constitutional reform. Do you think you can get agreement for a four year term over the next couple of years?

PM: I haven't specifically addressed that with each of the Premiers. But my answer is yes I believe we can. Reasons? The majority of States themselves have four year terms. At the federal level the Opposition is in principle in agreement. The problem we have at the federal level - and I hate bringing politics into it, Nick - but the problem that we have at the federal level when it comes to constitutional change we get a conceptual agreement from the Opposition. But when it gets down to the line they start to find problems. But that's precisely why I'm initiating and supporting a new process. I mean the realities of political life in this country when you come to the question of constitutional change is that you've got to have agreement across the major parties and within major community organisations. So the processes of constitutional conference that will start in April of next year and which I see as a continuing process through this last decade of this century, will be aimed to establish basis of agreement for change with the States involved, with all the major political parties involve and with community organisations. In regard to your specific question, I would think yes that we can get agreement of the States and of the major political parties. It's quite clear that major community organisations like the Business Council, trade unions and so on, they all agree that it's appropriate so I'm very optimistic on that one.

JOURNALIST: Mr Hawke, if you ... try and achieve bipartisan support will you bring Mr Hewson into that process?

PM: In the constitutional change. Yes, that's been made quite clear that we want the Oppositions in that and that's a matter of public record.

JOURNALIST: Mr Greiner, did you also have the Treasurer in mind when you talk about the Empire strikes back?

PM: It's Empire clocks not Empire.

GREINER: I was going to say I've never thought of the Treasurer other than in the context French Empires. But the -

PM: Borrowed my line.

GREINER: The Treasurer's got a legitimate interest which has been common ground amongst everyone at this table in preserving - and it would be common ground with Dr Hewson and Mr Reith. If I was Peter Reith I would want to make sure that I had the control of the levers of macro-economic policy. I mean I think the starting presumption, as I did say to the Treasurer during the Conference, the starting presumption given that Australia is at one end of the spectrum in the world in terms of this imbalance, the starting assumption is that you can in fact do better without any serious way undermining

national economic policy. But that is what the process of discussion is going to be about over the next twelve months. So I'm sure the Treasurer shares in that spirit.

JOURNALIST: Premier Kirner, could you to an election selling a dual income taxation system? ...

KIRNER: Well we're not going to an election, Vic, so it's really a hypothetical question.

JOURNALIST: Within two years you might have that decision in place.

KIRNER: Within twelve months we'll have an agreed Commonwealth/State financial set up and we'll go to an election twelve months after that.

JOURNALIST: Prime Minister, how would you rate the likelihood of a State income tax twelve months down the track?

PM: Well I've got to go back to the point again that both Nick and Paul have gone to. I just don't think it's terribly helpful for any of us having agreed to establish a process where our officials, under the guidance of our political leadership, are going to examine all the ramifications for us to sort of pre-empt or pre-judge. I mean what you've got to understand is it's an enormously complex issue. I mean there are constitutional issues involved, there are institutional issues involved, there are political issues involved and for either me or Paul or Nick or anyone to say well I think that's what ought to happen or I think there's a chance this is happening, it just seems to be a futile exercise. I think the truth is that from the point of view of Paul and myself, we as political leaders will be instructing our officials to go into this with an open mind. Say to them, anything that the States want to put onto the table or we want put on it, should be there, should be examined, look at what the impact is and I think we'd share the major criterion between us. What in the end is going to be best for the citizens of this country? Now I don't mind in that context frankly that if they want to say well let's have a look at whether some sort of State income tax, if they want to say that, OK, let it be looked at. I don't think it's helpful if any of us in advance say well I think that's the way it ought to go or that's the implication if you look at that. But it's a very complex issue, you can't look at one sort of tax without saying well what's the implication of that for the other area of revenue raising. I just don't think it's helpful.

JOURNALIST: Do you believe that at that process there may arise great disparities if there were services offered between the States and less of a role from the Grants Commission -

PM: Well what you have seen - I mean it's a very important point. I'm glad you've raised it again because it enables me to supplement what I said before and what Paul's gone to. You will see in the terms of reference which are attached to the Communique that there is a remaining, as there must be, commitment to the concept of fiscal equalisation. Because if I can put it relatively the richer, the better off States, understand that a part of the federal compact which is now written into a sense the very fabric of this nation is the concept that we are all Australians and we've got to have a situation where there is a capacity in the smaller, less prosperous States to provide to the Australian citizens resident in those States standards which are comparable to the rest of Australia. And, as a matter of logic, as I've said before and Paul went to today, if you're going to have that concept of fiscal equalisation operative there's got to be by definition some fiscal, vertical fiscal imbalance. By definition you can't have fiscal equalisation if that doesn't, if that's not there. That will never mean, of course, it hasn't meant at any stage of Australia's history and it won't mean at any stage of the future, that in terms of per capita income in each State that it'll be exactly the same because that will be a reflection of different resources, different levels of activity. But as far as the provision of services via Government, the concept of fiscal equalisation to enable them to have similar fiscal effort as far as Governments are concerned will remain intrinsic and it's reflected in the terms of reference.

JOURNALIST: Mr Hawke, would you outline for us what your plans ... would be for the April Conference on constitutional change ...

PM: Well we haven't finalised our position on that. From our point of view, and you remember that we alone have not got the responsibility for this, we'll be doing it in association with the academic institutions and the States and other interested bodies, so it is very much a joint exercise, I will be talking with my people and getting what I see from the Commonwealth point of view, our priorities. I emphasise that I see this as a process which in a way will replicate that last decade of the nineteenth century. They took ten years, as you know, to work towards Federation with the - they had actually three conventions, 91, 97 and 98. Now I think it ought to be an ongoing process. So that we could hopefully see as a nation a series of referenda - I mean I'm not talking about thousands of them - but a series of referenda through this decade which would put us in a position that as we launch into the second century of Federation we will be both constitutionally better equipped and as a result of these processes in machinery terms, better equipped. Now without therefore identifying all the priorities that I'll take into that Conference, I would pick up the one that was mentioned, I think it was by Amanda, about the four year term, I think

that's something that's got to be dealt with immediately. I would hope, really hope, that out of that Conference in 91, we will establish the basis whereby I'll be able to go into the next election with a referendum on the four year term.

JOURNALIST: Prime Minister, do you think this new found national spirit extend itself to a situation where in the deep future we'll see no State Governments at all?

PM: We will see no State Governments at all?

JOURNALIST: Yes.

PM: No, I haven't - let me not avoid - I mean it is a matter of record that in 1979 I said if you were starting afresh you wouldn't have the system we've got now. That's common ... You just wouldn't have that system. If you were starting ... perhaps you would have a national government and some series of regionals. But that's not the reality and I'm about dealing with realities. That is not going to be - that sort of change in my lifetime or in the foreseeable future. So the obligation upon us all is to say this is what we've got, let's cooperate to make it work as efficiently as possible.

JOURNALIST: inaudible

KEATING: No, because the area in which the States can approach the Commonwealth for any further support under the globals is for the provisions of upfront costs to reduce the costs of their infrastructure, particularly for redundancies. This is often the problem of trying to reduce staff levels within Government trading enterprises that there is a big upfront cost which - with a delayed benefit and the fact is most governments just can't afford that upfront cost from their general or current position. So, you know, in terms of the national economic outcome while there is a higher level of public borrowing. There is a very clear and measurable economic efficiency benefit down the line and, you know, economic policy is all about those kind of trade-offs and this is a sensible one, in my view.

JOURNALIST: The States have gone beyond that ... want special payments ...

KEATING: No they haven't. Well that's not true. That's not true. I mean some States may want it but the Commonwealth is basically not operating the trading enterprises of the States. That's their responsibility, not ours, except for the specified, defined areas, such as the Rail Freight Corporation, etc.

JOURNALIST: Prime Minister, if you were starting afresh you'd probably have a single system of industrial

relations and those who know ... moving towards that, ... regarded as just too difficult for the Premiers -

PM: No, let's be quite direct about this. There is an attitude in some quarters in the States that the concept of one national system would be ideal. The realities are that within the trade union ranks - and may I say to some extent in employer ranks - but certainly in the trade union ranks, they are happier with a system to which they are accustomed where they have two jurisdictions. It simply is, in the judgement of all of us, not politically realistic at the moment to be saying all right it all comes to Canberra. In that circumstance what we've agreed is alright there's been quite a significant amount of progress been made in the last 12 to 18 months. I mean let me be specific about that. We've now just concluded the process of appointing senior members of State tribunals to vice presidential positions on the Industrial Relations Commission. Which is, you know, an enormous advance in terms of integrating approaches to the resolution of industrial problems. Co-location of registries and actual tribunals and in that sense significant progress has been made and we are committed to continuing that sort of process. Now it may well be that as that process goes on that a greater degree of confidence will arise in the industrial community, both trade unions and employers, that it would make sense to move to one system. But the community is not ready for that yet.

JOURNALIST: Prime Minister, the Communique ... equity participation in the national railway ... By that do you mean private enterprise ...

PM: We're talking about the possibility of equity participation at the Government level. We don't exclude cooperation with, involvement of the private sector and indeed in our case the Commonwealth has already allocated \$50M for upgrading rail infrastructure, preparatory to the establishment of the Corporation and in that process it is going to involve a facilitation of involvement by the private sector in developing our rail freight infrastructure and making it more efficient. So the realities in Australia are the - the economic realities are simple and unavoidable. That is firstly, that transport by definition is a fundamentally significant element in our economic infrastructure, much more so than some of the smaller European countries. Secondly, that our transport infrastructure involves now an inter-relationship between the public and the private sector and we shouldn't have any ideological hang-ups in our judgement, and I think I reflect the view of all the Premiers, we should have no ideological hang-ups about the way that you get the greatest degree of complementarity and involvement of both sectors to make it more efficient. I don't think there's any differentiation on that point.

JOURNALIST: Mr Hawke, how much difficulty do you expect to encounter ...

PM: Well it won't be without difficulty. Let's take the two sectors. Let's take rail first. It is the case that already in the States in varying degrees they have undertaken reform which has involved addressing the question of over-manning, other side of that reduction of jobs and there have been varying degrees, as I say, of difficulty there. What we say in regard to the National Rail Freight scheme, it's going to involve in the phrase we've used, a clean sheet industrial award. Now in the negotiation of that there's going to be some difficulties. Let me say that in the work that's already gone in to the establishment of this National Rail Freight Corporation, we've had the involvement of the ACTU, they've been involved in the preparatory work. So yes, there'll be problems but they are ... I am very confident of the timetable we've set for the 1st of July 91, will be achieved and it will be, in my judgement, a very significant contribution to improving the economic infrastructure of this country. Now, roads. Well we're going to have some problems there. No, we shouldn't attempt to avoid this. The fact is that we've had an entirely stupid situation in this country and one which in the judgement of all of us is untenable if you were really serious about micro-economic reform. The people and the elements of our economy who use our roads, the heavy users, have not been meeting in cost terms the damage and the impact of their usage on the roads. In that sense you've got to have a system of user contribution which reflects much more than at present impact of that usage upon the roads system. As part of this conceptual approach also you'll see talk about the need to have a national, and in a sense that Nick uses that word, a national approach to regulation and so on. Now I only have to state those things for you to understand that anyone who under the present system is getting a significant advantage from an under cost recovery is not going to be standing out there and saying hooray for Bob and the Premiers. They are really going to attack this problem in a way which will mean a greater return. So there will be problems. But two things that have to be understood about that, the one that I've already said that it just simply doesn't make sense in a country which depends so much upon the transport of goods by road. It doesn't make any sense to have a system for those who are using that system and imposing the most damage on it are not effectively contributing to the maintenance of that system. And secondly, it makes no sense at all for Paul or myself, on behalf of the Commonwealth and our colleagues from the States, to be establishing a National Rail Freight Corporation and wanting it to be commercial and competitive if the road system is not having to meet a level of charges commensurate with the impact of its operation. I mean you'd be pouring money down the drain in establishing a National Road Freight Corporation if they weren't in a

position where they could be competitive. So in meeting those challenges, yes there will be some problems. But I'm very confident that in this situation if we're going to have some angst and anger that all of us as Governments are going to be able to say well we're in this together.

JOURNALIST: Prime Minister, ... in the past ... declaration of war, isn't it?

PM: No, certainly I'm not in the declaration of war. But what we are jointly in the declaration of is this; a declaration of our commitment to have the most efficient and competitive economic infrastructure. That's what we are declaring. We're not declaring war, we're declaring our commitment to do everything we can as Government to create the most efficient economic infrastructure. That includes most particularly in the transport area. Now if, in declaring our commitment to do that is going to involve some problems with some areas, well so be it. I don't think together we're going to walk away from that. But let me say this with respect to the transport industry generally. We have - there are indications of their understanding as an industry of the need to address these issues. So I don't think it's just going to be a sort of black and white confrontation.

JOURNALIST: ... going to mean increased costs for a lot of truck drivers and ... on the roads.

PM: I don't know, I mean it will mean increased costs for some. I mean you've got differentials amongst the States now and in giving effect, as we have said together, to the principles that are involved in the Interstate Commission report, yes it will mean some increased costs for some. None of us avoid that. Although you will appreciate that there is a recognition in the Communique that there will have to be some account taken of certain regional differences. For instance, in respect of Queensland and the Northern Territory, there has been an acceptance of the particular circumstances of the road trains that operate across there. We've got to take those things into account. But what you've got to understand, it never, well as far as I know never, you never have economic reform without some pain. I don't know where you get it without some pain. The point is that in the long term, or the medium to long term, the nation as a whole benefits from change.

JOURNALIST: Mr Hawke, on the question of costs of infrastructure, what is your attitude now to ... privatisation program ... the airlines ...

PM: I've made it quite clear at all times that when you're talking about using the proceeds you are talking about the permanent on-going savings. Forget \$2 billion, \$3 billion or whatever you want to talk about from sales, it's not that figure. It is your permanent on-going nett

savings. I have a view that it is appropriate to use those things in this area, those elements. Let me make this point; within the constraints of overall economic policy which we refer to in the Communique - just let me go to the opening point that we make about infrastructure. The very first point is leaders recognise that Australia's economic difficulties require continuing restraint in public spending and borrowing and that this will need to be taken into account in considering capacity for new infrastructure spending. Now within that framework where we recognise that we just can't, you know, spend money like that it may be that our decision over a period of time will be that fixing up and improving the economic infrastructure may require over a period of time - perhaps even more than that. But as far as what you will use from the sale of assets conceptually all that's involved is the nett permanent savings. I made that clear at all times. But it may be, as part of looking at infrastructure, we may decide as part of overall economic policy that improvement of infrastructure requires - could be more than that. But it will still have to be done within the constraints recognised in the very first paragraph of the Communique.

JOURNALIST: Mr Keating ... a matter of principle that giving the States any access to an increased tax base ...

KEATING: Well I've answered that earlier. But the fact is now Commonwealth payments to the States has declined significantly as a proportion of the Commonwealth budget. So we're talking about a base which is in macro-economic terms quite acceptable. All the changes which have been made at Premiers' Conferences are about the last couple of percentage points. It's not about the great bulk of these funds. It's about the growth factors or lack of, or whether there's a cut in real terms. But we're talking about a couple of percentage points. So, you know, it may be possible to devise a system where those kinds of discretions are still open for public policy questions. But where there is perhaps more control of revenues by the States. Again, as the Prime Minister said, that's something we can look at. That's the point of the study.

PM: There was one over here.

JOURNALIST: Mr Hawke, about the four year term. What ...?

PM: Well that goes back to the point I was saying before. If there's one truth that's obvious in regard to constitutional reform in this country it is that you will not get change without agreement of the parties. I mean, as I use the classic example; if you can't get through a referendum which sought to enshrine into the Constitution that any citizen who had his or her property compulsorily acquired by a government would have the right to fair compensation from government. If you can't get that

through, and we couldn't get that at the last referendum, you're battling to get anything through. So if you've got any brains you come to the conclusion that you must have cross-party agreement and involvement of States. Now, therefore, that means in regard to your question we are going to have to work out some basis of agreement between ourselves and the other parties on that aspect of the question. So I recognise that it's been a problem in the past. We're just going to have to sort that one out.

JOURNALIST: ... do you mean a fixed four year term or a maximum four year term?

PM: Well speaking from my, what happens in some of the States is that they have four year terms and then there's a minimum of three years, I think, with four which you have any discretion. I mean, that's not true in all of them. But speaking for myself if you're going to have four year terms well then I think it should be a real four years. With a minimum period within which there's a discretion. That's my own view but that's, I mean, it's something I've got to discuss with my colleagues.

JOURNALIST: Mr Greiner, what's your view on Senate terms?

GREINER: My view on Senate terms.

JOURNALIST: On Senate terms.

GREINER: ... Tom's question? I'd have a strong view about. I mean the options are fairly limited aren't they. They're either out of whack and they're six years or they're eight years which is the obvious double of one Lower House term. I don't have a strong view. For what it's worth I obviously support four year terms for the Lower House of the Federal Parliament. Anyone of any brains does.

JOURNALIST: Mr Greiner, what about four year terms for the Senate as well as the House of Representatives?

GREINER: No. I mean, that was rejected as I recall last time and I think that is, there's nowhere in the world where that operates, Amanda, and I think it is unlikely to be the outcome of the process the Prime Minister describes. But it's not really a problem that I'm losing too much sleep over.

JOURNALIST: This option that you just outlined in your personal view, Mr Hawke, the fixed minimum period. Is this the one that you'll be pushing in talks both within the Government and with Dr Hewson?

PM: Look, I'm simply going to, when I discuss this, when we get to the point of discussing this with my colleague which will be, can't be too far in the distance, as we are getting up to that April meeting. I really want to

listen to what they've got to say. I'm simply at this stage expressing no more than a personal view that it is, that what people want is to have a situation where they've got a Government which is going to be in there for a longer period and the concept of four years seems to be about right. I mean, for instance, some people talk about five. You've got five years in the United Kingdom. I happen to think five years is too long. I think four years is right. Now if you think four years is right then the logic of that to me suggests that it should be done in a way which guarantees as far as possible is that it is going to be as close to four years as you can. But, you know, I want to hear what my colleagues have to say about it. That's the view I'll be expressing when the debate takes place.

JOURNALIST: Mr Greiner, how closely will you link progress on financial relationships with across the board progress. In other words, if you don't get what the State regards as satisfactory outcome in about 12 months time on the financial relationship is there a danger that the federal political ... will be forgotten?

GREINER: I would hope not. I mean, I think we should be progressing on all these fronts and there are very many of them at the same time and as diligently as we can. I don't see it as a trade-off, you know, that we'll give on national recognition, mutual recognition of various things in return for a change in the tax base. I think that's back to the traditional mindset. No, I mean, I think each of these things in and of themselves has got merit and I don't think we're really about trying to trade-off micro-economic reform against Federal/State financial reform. That would be cutting of your nose to spite your face.

JOURNALIST: Mr Keating, on the question of obtaining macro-economic ...

KEATING: What's that. Keep control of -

JOURNALIST: ... find the ... macro-economic control

KEATING: That's not been the issue. The balanced budget has not been the issue. It's about levels. You can have receipts and outlays at this level or at that level. They're both balanced but what level would you like?

JOURNALIST: ...

KEATING: Well that's what the Communique said.

PM: That's what the Communique said.

JOURNALIST: Mr Keating, after the Premiers' Conference ... of Mr Bannon. That told us that there's a very clever and sophisticated process going on with those bureaucrats. I mean, what has happened since?

KEATING: Well it's an efficient process. An efficient process. It may not be the most agreeable process but, in fact, I was saying to Premier Kirner earlier there's one place not to be in this system is between a Premier and a bucket of money.

KIRNER: That's why I'm sitting next to him.

KEATING: Is that you can be in grave bodily danger. No I've often found myself in this position with Premier Bannon. Given the fact he's more athletic than me means that I've often been at risk. Personal risk. But because we always get along so well, all of us, we mostly get it together. The point I made after the last Premiers' Conference was that, I don't think we ought to be too ... of this process. There's been a requirement in this country to cut back the call by the public sector on Australian savings. That's now backed by seven to eight percentage points of gross domestic product. Now today that's worth \$30 billion and nobody in this room has to be an economic genius to know what sort of interest rates Australia would have if the Commonwealth and the States were putting \$30 billion worth of paper into the market to be sold this year. Now there's obviously been some knashing of teeth in getting that changed. But that change has been required by the fact that the world decided not to pay us the income we believe was always ours. I don't, at the last meeting, I made this point yesterday. We overturned 40 years of debt management practice by returning to the States the debt, the management of their own debt. Debt raised for them under the financial agreement by the Commonwealth. Now if that was done in a ministerial meeting we'd be doing it over a period of years. We did it in one day. So the meetings have been efficient. Most premiers' conference meetings have been efficient, as indeed yesterday's was in the very large agenda.

JOURNALIST: But aren't ... always going to occur when money is at stake. In other words, the harmony we've seen here is not necessarily going to be repeated in future years when you are carving up the money.

KEATING: No but it's a matter of what the ambience is. What the ambience is about. What I would contend that the ambience at this meeting and indeed the last four or five premiers' conference meetings has been an acceptance by the States of the need for the public sector to reduce its call on savings. Now there may be arguments about what the levels are and who gets special additions and whether Grants Commission formulas are accepted or not. There's been generally a cooperative ambience in -

JOURNALIST: But John Bannon just said the ambience was -

KEATING: No but I credit John with being a contributor to this cooperation in years past.

BANNON: Yes it's true to say there's a level of cooperation but I must say also that I think we should be very careful of any definition of efficiency that means one party to a ... gets everything their own way. Unfortunately the premiers' conference efficiency was trembling in that direction. I think it needed to change and indeed it is changing.

JOURNALIST: But surely this is the real point because isn't there ultimately conflict because the States are saying we are now prepared to take more economic responsibility. We're now more economically efficient units. If that's to be realised then the States must have more power which is what they're seeking here particularly finance and tax powers. But surely ultimately that does cut across the overall macro management of the Commonwealth.

PM: Read the Communique. I mean, what the Communique says reflects the nature of the discussion that we had both before we got to the Conference and in the Conference itself. What we have said, and indeed, read the States' paper. The States' paper prepared for this Conference. In their paper they recognise unequivocally the responsibility that the Commonwealth has for macro-economic management. We didn't impose that view upon them. That's their view. Now they are saying that they hope that accepting that view there will be room to reduce the imbalance that exists. It is the case that it is, on the evidence seems to be, a somewhat larger imbalance than in other federations. They say well accepting that you've got to have that responsibility we want to have a process of examining whether it can be reduced. We've said we'll go into that with the aim of reducing it provided that there is an acceptance of the need to have an outcome in the end which gives us the assurance that we can discharge our responsibility. Now there's no problem about that. We've accepted that. The States have accepted it. I go back to the answer I gave before. These are by definition exceedingly complex issues. The States accept that they are complex but we've gone into it with good intent. A declaration of our intent to work towards that and achieve it if we can. There is nothing, I mean, you've got to say both from our point of view and from theirs, there is nothing magical about a precise imbalance that exists now. It isn't because it exists now necessarily perfect and the only one.

JOURNALIST: inaudible

PM: No. In all the discussion that we've had there's been no suggestion that there be an absolute balance. No suggestion at all -

JOURNALIST: ... with the responsibilities.

PM: That doesn't mean exact balance. Because as I said before by definition you can't have fiscal equalisation if you've got an absence of imbalance. I mean that is just a question of arithmetical logic which is understood and accepted by -

JOURNALIST: ... true but it's not exactly what he said.

PM: Not exactly what who said.

JOURNALIST: What the States' Paper said.

PM: All I'm saying is that in the discussion with the States, Michelle, there was never any proposition that you have absolute balance.

JOURNALIST: One other question on that. There's one area that's been fenced off from micro-economic reform ... here and that is there are questions of fiscal equalisation. Now every Premier and ... Prime Minister at this table is in the process of cutting services to country areas on the grounds that ... maintain that level of service into those places yet every family in Victoria and New South Wales has been taxed \$100 a year to keep people who live in the Northern Territory and Tasmania and so on. Is it time that we re-evaluate this ...

GREINER: I can see you're trying to ... divisions amongst the group there. It is perfectly true, of course, with Victoria and New South Wales hold the view, regardless of which side of politics is in, that the existing fiscal equalisation arrangements reflect a situation that no longer applies. That doesn't mean that, sorry - we totally accept the notion of fiscal equalisation. I think that I would have the view, and I suspect Joan Kirner would, that the detail of the way that is implemented needs to be under continuing review and that includes the Grants Commission as well. So I don't think you would expect that process to be frozen in time. I don't think it's so much a matter of it being fenced off. We certainly all accept and certainly I accept on behalf of New South Wales, which is the most disadvantaged with Victoria, that there needs to be fiscal equalisation. It is part of the basic compact of the ground rules. The question of exactly how that applies between all the States as their respective economic positions change is obviously something we think ought to be reconsidered.

JOURNALIST: Prime Minister before you go could I ask your comment on the latest Morgan Gallup poll figures. It shows that for the first time in seven years ...

PM: It's taken seven years. Now it's happened I really have nothing to add to what I said yesterday. That is I wouldn't like to go to a poll now, frankly. But I -

GREINER: I would.

PM: Yes. Well you, that's within your power to make a decision.

KEATING: We've just won one. We're not going to throw it away.

PM: The point is that we've just won one. We've got over two years. I am supremely confident that if I and Paul and my colleagues go about the business of government, as we are in this exercise and other things we are doing, that when the time comes that we will get the support. I'm not surprised that we're down in the polls at the moment because as I've said we know that people are hurting but we've had to do the things that we've done. There are a range of other circumstances which are involved. I find, let me say, I find this period a very exciting and challenging one. One that I'm looking forward to.

JOURNALIST: Prime Minister could I just ask you on the Gulf. Does your intelligence lead you to any greater assessment of the ... war?

PM: No. You'll appreciate that I'm not in a position where I can go to all the intelligence and confidential information I have. But I think the honest answer is this that there is no-one who at this point can say with certainty what the likely path of events is. But I can say from my knowledge of United States and other powers that are involved in the region in attempting to enforce the sanctions and to redress the situation that exists that there is no-one who wants war. I mean, we're not being led by some compulsive desire to have a war. We would much rather have a situation where Saddam Hussein was to respond to the realities and those realities are that the world will not accept the attempt at acquisition of Kuwait by Iraq. There is all the evidence continuing to come through of solidarity, of the rest of the world, reflected in the continuing application of sanctions, the continuing votes of the Security Council of the United Nations. So it's my hope that Saddam Hussein will recognise those facts and that there will not be war. But I can't on the basis of all the evidence I've got not now, say I know with certainty what the course of events will be. I don't think there's anyone, anyone, who can give you that answer with precision and with definiteness. So I don't pretend to make an answer which I don't believe, on the facts, I'm entitled to.

JOURNALIST: Prime Minister, the Melbourne Herald-Sun has ... to guarantee its freedom of speech. ... in two weeks ... has been pulled by unions ...

PM: Well, you know, when you look over the history of the Melbourne Herald and its attitude to my Government. No newspaper in the country dedicated itself more to the destruction of this Government on a fundamental issue of

importance like the assets test. I find it a little bit strange that, you know, they are looking to me to rescue them from some particular situation. I'm not across the details, by the way, of what you're talking about of what the unions may be doing to them in some ... of situation. But the Melbourne Herald-Sun it's a pretty big group they are big boys and they ought to be able to look after themselves.

ends