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PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH JOHN LAWS, RADIO 2UE,
19 NOVEMBER 1990

E & OE - PROOF ONLY

LAWS: And we welcome the Prime Minister of Australia,
Bob Hawke good morning.

PM: Good morning John.

LAWS: How are you?

PM: Well thank you.

LAWS: Apart from the fact that you are melting in our
unairconditioned studio but we have got them working
overtime down stairs to fix it.

PM: Good on you.

LAWS: Who's gonna win the cricket?

PM: Australia.

LAWS: Easy?

PM: I don't think you should ever take any side ... at
Test Match level but on the evidence I think we'll win
reasonably comfortable.

LAWS: Yeah, what about the football. That's going to be
a great match.

PM: Oh wasn't that second test something.

LAWS: Unbelievable.

PM: Those second two tries.

LAWS: Fantastic. I mean that really makes you proud.
Are we going to win the third one.

PM: Yes.

LAWS: Easily.

PM: I think more comfortably than the second I would
think.

LAWS: Yeah, well I suppose we are more aware now we're perhaps a little surprised the first time we saw them because I don't think we thought they were as good as they are.

PM: I think that's absolutely right. We'd won so comfortably in the lead-up matches and full marks to the Englishmen they played good rugby.

LAWS: And they're filling the grounds up too.

PM: Yes.

LAWS: I was saying to you before we started, things got tough at your place the other day with Paul Keating and John Hewson and yourself and a whole lot of them. You were pretty tough on the Liberals in Parliament when you accused them of committing Australians to die in Vietnam. You're sort of leaving yourself a bit open, aren't you?

PM: Well, I suppose there will be criticism but let's make these points. It did happen. They totally misread the situation. What I was trying to do, John, was to make the point - not just to go back to that in isolation - but to say what's happening now in their analysis of foreign affairs is simply the continuation of what they have been like in the whole of the post-war period. They regard foreign affairs just as an extension of the domestic battlefield. They don't look at the issues they say, how can we take positions that are going to get division within this country and get political advantage. Do you remember what they said of the Labor Party at that time? They accused me and my party and it's leadership of being unpatriotic, un-Australian because, why, because we said the commitment to Vietnam was wrong. We were vilified. Now all I was trying to do in talking about their current positions John, where they are equally wrong, where they misread the situation and this is part of a long history. It's not only ill-informed but it's dangerous.

LAWS: Yes, but of course you are talking about something that happened more than twenty years ago. You could hardly be held responsible for anything that happened more than twenty years ago anymore than John Hewson can.

PM: The point is that what happened then happened because of the same mistakes in analysis that they are making now. If there was evidence, John that they had changed and that they were capable of treating foreign affairs in the way it should be that is dispassionately, looking at the evidence and coming to what is the right conclusion in terms of Australia's interests then, of course, what you say is right. But the way they are treating things now is exactly the same as they did then. They will make the same mistakes in the 90s as they did

in the 60s because they approach the matter in the same way.

LAWS: If they were in power now would we be in the Gulf?

PM: I believe so. Yes.

LAWS: So really that decision -

PM: No, no, no, but that doesn't mean that on every issue that they see things differently from us or that I think they are wrong on every issue. I pay the Opposition and Dr Hewson tribute for the support they have given us on that issue. Both in regard to the decision to commit forces, and may I say particularly, in regard to the support echoed most recently on the weekend of the way we are handling the hostage situation. They have been totally supportive. I give credit where credit is due in politics. Where I think criticism should be made I make it.

LAWS: We made mention of John Hewson. I see that Steve Burrell has written an opinion piece in the Financial Review this morning which is interesting when he talks about the public John Hewson, he is a non-politician above the ruck of adversarial politics, deals in personal incentive. He's a man, ideas and issues. When you were riding high in popularity, I rather suspected you too were seen as a non-politician. Would you agree with that?

PM: Well, in the sense that I wasn't in politics. I was -

LAWS: When you first started.

PM: Oh well, yes I think that's probably true and in some sense I hope it's still true now. As I just said, if I see merit on the other side then I always acknowledge it, John. I think you should in politics.

LAWS: Yes, well he is sort of seen as a non-politician.

PM: Well you are reading from the first part of the article. What the first part of the article is saying, this is how the perception that John Hewson is trying to give of himself. Read the last part of the article where Burrell says, what are the realities, and of course -

LAWS: Well let's just have a look at this because I find it interesting anyway as far as politicians collectively are concerned, none in particular. The five interwoven strands -

PM: Self-perception.

LAWS: ... because he owes. Well he is not saying it, I suppose Steve Burrell is saying it, because he owes

nothing to vested interests inside or outside his party. People looked at you in that light too when you -

PM: I suppose they did to some extent, to some extent, John.

LAWS: I suppose it's all part of being a new boy which obviously is beneficial.

PM: I don't think there is any doubt about that. Of course in John Hewson's case, John, one of the things that's worked to his advantage is that not only the public but particularly the gallery in Canberra were just sick and tired of the Howard/Peacock hurdy gurdy round and round and round and no change. So whoever came in was going to get a good run.

LAWS: It was a bit refreshing. It says here that he has had a good go from the media. Obviously all that must come to end because he will cease to be a non-politician because he must become a politician if he's going to be in politics. Ultimately, I suppose he'll owe something to somebody. Most people end up doing that and I suppose the media will also weary.

PM: Well, as Burrell goes on to say in that article, John, he's revealed himself, as being as he puts it, amongst most sensitive of politicians to criticism. And he is not beyond abusive letters and phone calls to journalists where what they have put as criticism of positions he takes as personal attacks. Burrell makes the point there that this extreme sensitivity and reaction in which he rings up and abuses journalists is something which is going to bring the honeymoon to an end.

LAWS: Yes. Do you think he's deserved the honeymoon he's had?

PM: In some senses yes. In some senses, but in others no. In the beginning, the very fact that this was a break from the, as I say, the Howard/Peacock hurdy gurdy worked in his favour. I think he, at the beginning, seemed to be prepared to take positions which were not necessarily those of the people around him. But, increasingly as time has gone on, and particularly under the spotlight of Parliament, he's become progressively weaker and taken silly positions. I mean, for instance, what he did in the last week when he allowed himself to be rolled in his party room in what his own colleagues said was an incredibly weak display. That has, I think, changed the whole setting now. He is not going to have the respect of, even of his own people, in the way he did before.

LAWS: Prime Minister I am going to have to get somebody to play a commercial while I have a cough.

PM: You've got trouble mate.

LAWS: You're going to have trouble answering the questions if I am coughing over the top of them. So we'll have a commercial, I'll have a cough.

LAWS: Sorry about that. Bad cough.

PM: Bad luck.

LAWS: I've had a big one now. Should be better for a while anyway. Apparently Iraq was highly offended by that stupid, or silly anyway, naval video. It's been suggested that if Australia apologised for that it might help our hostages. Would you concede that that's possible and if so would you be prepared to apologise?

PM: The navy, which is a place where it should be done. The navy has. That has been, was a full and unqualified apology.

LAWS: Do you think it should have been given?

PM: Well that was a judgement that the navy made. The fact is they intended no offence. It was thoughtless in retrospect. They understand that. But our fellows there are not there to be offensive, and they don't intend to be offensive to the people of that area or, most particularly, also to the people in Australia from that region. I merely say - I will take this opportunity of saying, that I identify myself with the naval chiefs who have expressed their regret and I identify with that.

LAWS: Ann Fairbairn seems to think that it's important that you apologise.

PM: Well the conduct of Australia's foreign affairs is not going to come out of the mind of Ms Fairbairn.

LAWS: So, in other words you aren't particularly impressed by what she says and you don't think an apology is necessary.

PM: I've said all that I think is appropriate on that. That is that no offence was intended, that the navy has expressed their regret, I identify with that expression of regret.

LAWS: If you thought it would help the hostages, would you then apologise. I mean, even if you sort of half didn't mean it.

PM: I don't think that in pursuing the interests of this country you can allow a particular incident, and some people's reaction to it, to determine the strategy that must be followed. I repeat in this matter what I just said a moment ago, John, I do give credit to the Opposition and Dr Hewson on this issue, that they have

been entirely at one with us on this. You see what you've got to remember in regard to the hostages is this, that while all of us, including myself, deeply regret what has happened and is happening to them - and may I say parenthetically that I had a most touching letter from representatives of them there in Kuwait expressing support for our approach - you've got to remember that what Saddam Hussein has done, is to take masses of these people as hostages, and he's playing with them. He's playing with them in an attempt to influence the world as to how they should deal with his totally unjustified annexation of Kuwait. If the governments at an official level, John, responded to that game that he is playing, then that would be precisely what he'd want. It would help to fragment the unity of purpose that exists and divert attention from what is the real issue and that is, that if annexation of Kuwait is totally unacceptable and his seizure of hostages is unacceptable. I mean, he is attempting to use them to his advantage, and we must remember that and conduct ourselves in that way. As I have said in the Parliament, and I repeat to your listeners, not a day has gone past since August, John, when our official representatives in the area, our diplomatic representatives, haven't been working to secure the release and to protect the welfare of our hostages and will continue to do that. If individuals go there and seek to help them, well they go there unofficially if they have success well then we welcome that for those that are assisted but we remember the hundreds of people, not too many Australians, the hundreds of people who're still there and maintain illegally and improperly and inhumanely.

LAWS: And you believe by us paying court to Saddam Hussein we are in fact dignifying what he has done?

PM: Absolutely.

LAWS: What do you feel about the private envoys who have gone with some success?

PM: I respect their integrity and their good intentions. I certainly am not going to get into any slanging match with them at all about what they are doing. But I simply make the points that I have made to you which I repeat, John, is the common position of all the nations involved in forcing the United Nations sanctions. There is no official involvement by any of the countries in these processes.

LAWS: Do you think that the private envoys are lending credence to what Saddam Hussein is doing by making these personal approaches and obviously being successful because they are personal approaches?

PM: Well, they obviously welcome it. Saddam Hussein and those around him welcome it. It is quite clear from what they are saying that they like to be courted by a range

of people which go from people like ex-Japanese Prime Ministers are going there and are being seen smiling and shaking hands with him.

LAWS: It seems to ex-everybody though doesn't it?

PM: Yes, that's what I am saying. There is no nation involved in the active endorsement of sanctions by contribution of the multinational forces there. Not one of those nations are officially being involved in this process, and for the very good reasons that I have put to you.

LAWS: OK, well now Saddam Hussein has promised to start freeing the hostages from the Gulf on Christmas Day. He says that's going to be a gesture of goodwill. He'll do it over a three month period. Do you believe him?

PM: What goodwill. I mean if there is goodwill he'd release them all, now. I mean it is obviously part of a process of trying to get some acceptance of his unacceptable behaviour.

LAWS: Do you believe him?

PM: Well, I guess if you are going to get into the stakes of believing Saddam Hussein you might ask the Kuwaitis whether they believe the promises he gave that he wasn't going to invade them.

LAWS: So you don't believe him.

PM: No, I don't necessarily believe him.

LAWS: He did warn that the freeing of his so-called guests might not go ahead if international forces in the Gulf continued to threaten war. So again, it's do it, but do it my way. Isn't it?

PM: Yes, and in the end, let's wipe aside all the crap. What are we witnessing? We are witnessing the use of innocent human beings to justify internationally unacceptable behaviour. What's that behaviour, it is the invasion and annexation of one country by another.

LAWS: Which is unacceptable.

PM: Unacceptable and in that unacceptable behaviour he is attempting to get some degree of acceptability by playing with the lives of hostages. And that's not on.

LAWS: And do you think the people who have been going to bargain for the lives of the hostages have helped to give him that acceptability?

PM: Well, they've added to his stature and when expressions of gratitude are given for the fact that he has released some people. That sticks in the craw a bit.

I mean, I am not trying to say I don't have - share the sense of happiness for the families of those and the individuals who are released. Of course you understand that but the fact is that there are those that are being left behind and the whole process is being used by Saddam Hussein to give some degree of acceptability to behaviour which is intrinsically objectionable and unacceptable.

LAWS: OK. On domestic matters, we are in recession. Do you sort of say we are in recession? I know you don't like the word.

PM: No, look John, lets get that right. I don't want to interrupt you but, all I've ever said, I mean, I don't mind if you or anyone else uses the word recession. I've got no worries about that at all. All I have ever said is what is the professional truth that with economists they define a recession, always have, as two successive quarters of negative economic growth, and all I have said is that we are not in that position. But if people wish to use that phrase, I mean I don't lose one moments sleep about it. I understand that people are being hurt.

LAWS: You have said that we are nowhere near as badly off as in the 1983 recession.

PM: Most importantly, not only have I said that, but last week Westpac in its release said exactly the same thing.

LAWS: I think Westpac might have been seeking a bit of self-defence. Mightn't they?

PM: No. ... nothing to do with their own position.

LAWS: Yes. Well I doubt that you -

PM: No the statistics are quite clear.

LAWS: I mean you wouldn't find too many people that for example in the rural sector who reckon they're better off now then they were in 1983.

PM: No, John, I'm talking about the Australian economy as a whole. I mean, sections of the rural economy are in absolute crisis. There is no doubt about that. But that is not a function, basically, of the internal economy. It is a function of the fact - I mean, you don't get what is over a 50 per cent decline in farm income which is in prospect this coming year over the last one as a result of internal matters. It is just a total collapse of world prices in wool and wheat. But of course sections there are very, very badly off. But as far as the economy as a whole is concerned comparing now with 1982-83 then you had five successive quarters of employment decline, you haven't had anything like that. You had a wages explosion then, which you haven't got now, you've got wages contained, so things are tough.

People are hurting. We've had to slow down the economy. You've had me tell you. You've had Paul tell you. You know what the story is.

LAWS: Sure.

PM: But we will come out of this in a way that will mean we won't have the absolute devastation of the economy right across, as occurred in 82-83. That's accepted by the breadth of economic commentators. Most recently Westpac.

LAWS: John Dawkins says that you are locked in a policy straightjacket and you should be more flexible to help exporters. How do you answer that sort of criticism within your own ranks?

PM: Well, let me say this. John Dawkins is not basically questioning the thrust of the policy that we've pursued. He seems more recently to be embracing the idea of, perhaps to a greater degree of interventionism to stimulate certain areas of economic activity. But I am not going, I mean, John can have that discussion with Paul and myself in the Cabinet. I think the important thing we have got to understand the basic problem of the Australian economy is we've got to be producing more. And it is not only for exports, John, it's for import replacements because, again as Paul and I have spoken with you, the basic problem confronting the Australian economy in the last year was we had an 8 per cent increase in expenditure and a 4 per cent increase in production. And that's the simple statistic. You don't need to be a professional economist to understand that that was unsustainable, and so we had to bring the level of activity down so that we weren't sucking in such a high level of imports.

LAWS: OK. Well how do we get productivity up when, I mean, we get a report that was issued by your Government confirming an alarming number of rorts in the building industry, we only got part of the report. More than 20 per cent of time is lost through so-called bad weather. In one city, obviously this one, something like 40 per cent, but in the United Kingdom and the United States it is only 2.1 per cent compared to 40 per cent. I mean how do you ... about that?

PM: There is a lot of room for improvement in the building industry. Let me take the economic picture as a whole. I think you've been good enough, in discussions with me in the past, to acknowledge the enormous restraint that has been exercised by the Australian workforce generally in wages and also the great improvements that are taking place in work practices generally. I accept that in the building industry, there is still a lot of room for improvement and my Minister for Industrial Relations at this stage, right, right at this time, is engaged in serious negotiations with the

building industry to try and do more to bring about improvements there. There is room for improvement in the building industry. I accept that.

LAWS: Massive improvement.

PM: A significant improvement yes.

LAWS: Well how do we get that?

PM: We get that as we've got it, for instance, massive improvement in productivity in a whole range of industries. That's occurred because we have got employers -

LAWS: Like what? What industries have we had increases in productivity?

PM: Well let me just give you an example. Last week I had the Economic Planning Advisory Council, in the Cabinet Room, and the head of ICI, Michael Deeley, was there, this is the head of ICI, and just going through in detail the massive improvements in productivity that are taking place in ICI, an important sector of industry. Through the processes of restructuring that have taken place in that industry, that is workers and the unions are sitting down with management and totally restructuring the way they go about things. Massive improvement there. Just recently I've had the same presentation with BHP, where there is massive improvements in productivity - which have been reflected in the fact that now they are exporting an enormous amount of steel which transformed that steel industry from one which was going to close down to one which is now going through a great expansion phase and contributing very substantially to exports. But the common factor there, John, is that you have sensible management and responsive trade unions sitting down and saying, well the way we have done it in the past isn't good enough. Now we need that in the building industry.

LAWS: How do you get along in the smaller industries? I mean, you're talking about very big industries but how do you get along when fellows ploughing their crops back into the ground and the same crop that's being ploughed into the ground here is being imported into the country? How can you allow that -

PM: Well you would have noticed that over the last two or three days John Kerin has been meeting with those industries to see whether, in fact, in the context of the Uruguay Round, that we're in, whether anything can be done about that. But you see, you understand what the basic problem is there. What we've been engaged in and for the last few years is a massive fight in the Uruguay Round which is going on the multilateral negotiations to free up trade internationally in agricultural products. We are fighting the Europeans and the Americans, although

the Americans have taken a more sensible attitude. Between them, the Europeans and the Americans are spending about \$200 billion a year in domestic subsidies, export subsidies and denying market access. That's stopping our Australian rural producers of getting fair prices and fair access. Now it's very difficult -

LAWS: Yes but we could sell them here -

PM: No but wait a minute. No, no, no. You can't sell your wheat - you can't sell your wheat and wool.

LAWS: No. I'm talking about the commodities that are being ploughed back into the ground, that we could sell them here, and we're importing stuff.

PM: Yes, but what I'm saying, and this is my argument. Don't you understand it? We can't be going there into the Uruguay Round and saying to Europe, get rid of your barriers to our products, have free trade. You can't be leading that fight internationally, for free trade and agricultural products, and at the same time be putting up barriers here. How would Australia's voice be heard attacking the Europeans?

LAWS: Well I don't know. You put up barriers with the motor car market -

PM: Yes but we're bringing them down.

LAWS: Yes but, I mean, you propped them up for years -

PM: No, our predecessors did. They propped them up for years.

LAWS: How long have you been there?

PM: We have -

LAWS: You left them up.

PM: We did not. We've reduced manufacturing protection by 30 per cent since we've been in.

LAWS: Yes but it's still there.

PM: Yes but it's coming down. I mean -

LAWS: But you give these other people no protection. Why don't you give them some protection?

PM: No, there is some protection in the rural industry. There's a small amount. But you can't - let me say this, the National Farmers' Federation, representing rural producers in this country, accept the argument that I'm putting. They are saying to us, you can't be going overseas in international councils and arguing on behalf of Australia's rural producers for reduction and removal

of barriers and subsidies in the rest of the world and be practising it in our industry here. Their representatives accept the validity of that argument.

LAWS: OK. But what's the answer for the people here. I mean, we import tomatoes from Italy in a tin and we sell them for 20 per cent cheaper than we can sell the tomatoes that we grow in this country in tin. Now how come you allow that to happen?

PM: Well I'm simply saying, to you, that if the effected sectors of the Australian rural industry want us to have a two-faced position on this and say, well we'll erect barriers here against the import of European agricultural products and think at the same time that we can be protecting our large agricultural producers by going into those international forums and saying to the Europeans, you've got to get rid of your barriers. Well I think they'll understand it's a pretty impossible position to be in. Unfortunately what we've now got to be recognising, John, is that this Uruguay Round is coming to its closing stages now. This is why I rang President Bush the other night and had a long yarn to him about it. The Europeans seem intent on sabotaging the Round and of course if they do that, if they're not prepared to negotiate realistically, and I'm asking George Bush to consider, if necessary, that we'll have a Heads of Government meeting to deal with this. But if they are going to sabotage the Round then we're in a new ball park. We're going to have to look at change of attitude in a whole range of issues.

LAWS: Yes. Well it's not just in the area, excuse me, of agriculture. It's in all sorts of areas. I was talking to somebody the other day about an asthma nebuliser. There's a German product available here that sells for \$150, we make one here that sells at \$220 or \$30 which isn't as good. Now how do these things come about? I mean, we can't compete, can we?

PM: Well it's interesting that you should pick that area because in some aspects of the invention and manufacture of medical products we're leading the world. For instance, we now have products in the field of hearing assistance, of pace-makers, where in fact, Australian products, Australian manufactured products have more than half the US market. So you can't speak generally about this. In fact, the areas of medical instruments and appliance production in which Australia is recognised as leading and leading competitively in the world. So, I mean, you just can't make - I'd prefer, John, - I wish people wouldn't just talk about, you know, picking out a black ... and say, look at that. I wish people would spend a bit more time talking about the enormous achievements where in the most competitive areas of production Australians have shown themselves capable of taking on and beating the rest of the world. I mean, we've got a - there's an enterprise in Adelaide that I

visited a couple of years ago and in the highly competitive area of lens, glasses, that company's competing in America and has got the major share of any producer, competitor in that market and against the toughest in the world. I mean, we can do it.

LAWS: Well I think it's very important we talk about those things but I also think it's very important we talk about the areas in which we don't win because there are a lot of people suffering.

PM: Yes so do I. The big thing is that, you know, unions and businesses, in all areas of the Australian economy, should understand that with the right approach Australian enterprises have shown that they can and are taking on, are now and have been over the last few years, taking on and beating the best in the world. We'll never, we'll never lead the world in, and be able to compete against the rest of the world in great mass produced things like motor cars and so on. Although, let me say, in brackets here, it's fascinating to see that we're not only now exporting some cars to the United States but we're about to export station wagons to Japan. So we can get niche markets like this. What I want to see is workers and bosses understand. I'd love them all to go into these factories, enterprises, and see where Australian enterprise is exporting in the toughest markets in the world and winning. We can do it. We are doing it.

LAWS: OK. A couple of reports that we had last week that caused some concern to people that listen to this radio program and from all sorts of places. One from Esperance in Western Australia, concerned about the story, right or wrong, that one of Paul Keating's advisers had received a salary increase of more than \$600 a week. Is that sort of story right?

PM: I don't know what happened in Paul's office. But I saw there was some totally misinformed newspaper article which started off some of these things, it was in one of the Melbourne papers. What they did, John, was to confuse ceilings for salaries that had been set with what in fact was happening. I mean, there was some story that in my own office people were getting particular salaries where they were referring, actually, to ceilings that had been set. What actually happened is that we in the public service generally were faced, as you know, and we've talked about this before, about the fact the private sector was creaming off a hell of a lot of people that were, you know, good people that we wanted to keep. So we had to create a situation in which there was a capacity for paying, particular people of merit, salaries which were going to be able to keep them in there. That was done but the actual ceilings were not necessarily those that were paid. In the case in my own office, for instance, my principal what he was called, Principal Private Secretary, they're called Principal Adviser now.

The head of the office, in fact, is getting something like 10,000 below the ceiling that was set that he could have had and which, in fact, he's out of the public service proper. He's been paid in my office less than what he'd be getting if he was in his substantive category in the public service. So there is no extravagance in this. It was an attempt to make sure that we could get the services of people who otherwise were going to be attracted out into the private sector. It's in the interests of your listeners, and of Australians generally, that government has available to it talent.

LAWS: The best. Yes I understand that and I accept that but you've got to understand that those people out there hear of somebody getting a \$600 a week salary increase. Another fellow, apparently, in Peter Cook's office, his Private Secretary, I think got a 35 per cent increase. Now, it might be necessary to give it to him but when everybody -

PM: There's a process about it. I mean, it's not just a question of Peter Cook or - I mean and I can't, I won't accept, I'm not saying that's not right, I simply don't know, so I neither accept nor reject the figures you're putting but let me remind you of the process. It wasn't a question of Peter Cook or Paul Keating or Bob Hawke being able to say I'm going to pay this. What we did was to establish a process whereby if Ministers wanted to get some increases for members of staff then it had to be settled by a process independent of the Ministers. It went there and it had to be finally confirmed through a process independent in which there was recommendations, to the Secretary of the Department of Industrial Relations, who looked at the merits and made decisions on the merits. You will find, as I say, cases where people were not in fact awarded the salary at the ceiling which was applicable to that position.

LAWS: Yes. I understand what you are saying about having to pay them. We probably should pay you more, probably should pay everybody in Parliament more, but when the rest are given guidelines and they're in trouble if they go outside the guidelines like the pilots were in trouble because they went drastically outside the guidelines -

PM: No but you see in regard to this these processes that we set up were established in full consultation with the ACTU. They were consistent with the guidelines of the Commission.

LAWS: How can 35 per cent be a guideline for one and six per cent a guideline for the other?

PM: Because there are considerations of merit in regard to particular individuals and that is the case in regard to the Commission itself. You can get increases in the

Industrial Relations Commission beyond just the six per cent national wage increase if there is a case taken on the particular merits of the case. Now you raise the pilots. There was no question of that, there was no question of that. They just said, we're not even going into the Industrial Relations Commission we're having 30 per cent, bang, and we'll take it out of your hide.

LAWS: And of course the business executives do the same thing.

PM: Well, John, you know, again you and I have talked about that. It's been terribly disappointing over this recent two or three years when we, as you know and you've generously conceded, workers generally have exercised enormous restraint -

LAWS: Been fantastic.

PM: Been fantastic. It's been very, very harmful, I think, that business executives, generally speaking, haven't exercised the same restraint. I think it's been very disturbing. It's certainly made it harder for the leadership of the ACTU to keep their own troops exercising the same degree of restraint. But I make the point in regard to the areas that you're talking about in the public service, that all that was worked out in total consultation with the ACTU.

LAWS: It just seems to me extraordinary that some are asked to accept a guideline of six per cent and yet others can get 35. Even though they might deserve it.

PM: No, but there is, within the general framework, out there, where you've got national aggregate outcomes of six and seven per cent, which is what we're looking at. Even within those guidelines there are opportunities for people in industry to take particular cases which can lead to quite significant increases, up to 20 per cent and so on, but they are not increases which can just be given on the basis of saying, we have got industrial power we're going to impose it upon you. They have to establish that the increases that they are looking for are consistent within the guidelines.

LAWS: Of all the Prime Ministers I've known, I've known a lot, you are by far the most people orientated. You like people. You like to get close to people. You seem not to mind having people around you. You've had a very special relationship with them for a long time. Does it hurt a lot that they've, according to the polls, and I suppose we must accept them, turned away? Does that hurt?

PM: No it's not hurt. Obviously I'd be telling you the biggest blowie of all time if I said, I don't worry about this and it doesn't worry me that I'm where I am and that I wouldn't like to be higher. Of course every

politician, including Bob Hawke, would like to have as high as possible opinion ratings but I make this point, I will not buy popularity by pursuing policies which I know would be against the long-term interests of Australia. We had to bring in tough policies over this last 12 months or so to lower the level of activity. I knew, Paul knew with me, that when we did those things that there would be hurt. When you do those things people don't give you ticks. They give you crosses. But if I'd done the cheap thing and said, I'm not going to take the tough decisions I might have sustained higher popularity ratings for the time being but I would have been selling those people short. My commitment to this country and my love of this country is such that I am not going to make decisions for short-term popularity reasons. They will be made on the basis of what I believe is necessary for the country. If that hurts me a bit in the process so be it, John.

LAWS: How can it be that a fellow like Nick Greiner, whom I think you have some regard for or it appeared that you did at the last Premiers get-together, he's made some pretty tough decisions and this is not the best place in the world to live in at the moment, Sydney or the State of NSW when it comes to expense, it's pretty costly. Well he's made a lot of tough decisions and yet he's retained popularity.

PM: Yes but you see - if you look at where he was he was down the blazers and now he's come back. Now partly that is because people have started to look at some of the decisions and they don't have the same immediate emotional reaction to them as they did before. Of course, I've got to say - and as Nick would concede himself - Nick has got a lot of residual benefit from what's happened in Victoria. I mean he concedes that himself.

LAWS: Have you been very badly hurt by what's happened in Victoria?

PM: Oh yes, I think so. It's fairly bad. I mean a lot of people suffered badly because of the things that happened within Victoria. Clearly that rebounded against Labor in that State and it's had some flow-on to us. Now I'm not saying that in politics it doesn't flow both ways. I'm saying my political colleagues in some of the States will have been adversely affected by people's perception that we're imposing some tough decisions. But in politics it flows, you know, both ways. If you go back to the federal election when Nick was down in this State we were helped to some extent by that. At that time in March Nick Greiner and his Government were down. We got some residual pluses out of that. Now in Victoria we were hurt in the federal election badly. I mean if you look at the figures, you take Victoria out, to the rest of Australia we, federally, increased our majority.

LAWS: And yet included in Victoria, which I suppose at least they would consider important but -

PM: Of course, exactly. We got hurt there.

LAWS: I mean you got more than hurt there. You got less votes than Gough Whitlam got when he got done over by Fraser, in fact.

PM: In Victoria? I don't know whether that's right. I mean, I haven't looked at that. But we got hurt. Now that's the way of it. Now all I'm saying is that we're two and a half years basically, that sort of order of time, from the next federal election. I just warn the scribes, the forecasters, the doom-sayers against making judgements in respect of 1993 in 1990. It's a sure way of going broke.

LAWS: In all the time that you've been Prime Minister you've been up and down, you've been higher than any other Prime Minister now you're extraordinarily low, but at no period did the Australian public ever say that they wanted somebody else. For the first time they're now saying that they want somebody else.

PM: John Hewson marginally in front as the preferred Prime Minister, well you know, nearly eight years to get there. Well, ok, but I just say these things; I will continue on with my colleagues making the decisions that are correct. The Australian economy will recover in 1991. The benefits of the decisions that we're making in the area of micro-economic reform will increasingly show up. We will deliver to the Australian community the most competitive telecommunications industry I believe in the world - they are going to get very considerable benefits from that. The reforms that we're making in the area of rail and road - we'll continue to bring very considerable benefits for them. These aren't sexy things. As you're sitting down there in Canberra with your head down and your arse up in the air making the decisions. But as those things bite and the impact comes through we'll be getting the benefit of that. And on the other side as you went to earlier in your program, John, in regard to the Opposition, they've had a dream run since the election. Dr Hewson gets up and he spits out an idea, no details on a consumption tax. He says, oh we'll have consumption tax. No details about it -

LAWS: You would've thought that would hurt him though but it appeared not to.

PM: It hasn't hurt too much yet because he hasn't spelt out the details. You wait until the details start being spelt out, when he spells out the details about that. The flat rate tax and the abolition of the capital gains tax. They are now in the period - and in the area of health policy - as they go through into 1991 this surrealistic world that they've been living in until now

changes and they get into the tough real hard world of saying now, my fellow citizens, this is what is meant when we are going to give effect to this lovely sounding phrase, cutting \$3 billion of public expenditure, it sounds beaut. When they come to the first hurdle, what is there. He goes flat on his face on an eminently reasonable proposition and that was \$30 million and the issue of \$57 million in a full year. He couldn't jump that hurdle, but he's got to jump a whole series of hurdles which add up to \$3 billion. Now as they get into that side of translating airy fairy lovely sounding phrases into the tough realities of day to day politics -

LAWS: Why is the public accepting it?

PM: Because at this stage the realities for them are the hurt of activity being slowed down under the Hawke Government, they don't like it terribly much and I understand it. I'm sorry about it but it had to be done. Against that they've just got a new leader who looks nice and pristine and is uttering nice friendly noises. But you go into 91, John, and you've got to spell it out - what does \$3 billion mean, cutting \$3 billion expenditure? After this Government of mine has done more cutting that has ever been done before, produced four successive surpluses, got outlays, Commonwealth outlays down to the lowest level since the 70s and getting back to the level of the 50s as a proportion of gross domestic product, and this bloke's going to magically find \$3 billion. Where is he going to find it? In cutting in education, cutting in roads, cutting in services to kids and the elderly? Now once he starts translating and making the decisions. I mean, how's a bloke going to do that when he falls at the first hurdle?

LAWS: Why don't you debate him?

PM: Well you see, I see he's made the point that I haven't debated him in the Parliament. As you know these proposals that come up are called Matters of Public Importance. Now there's never been any record, there's never been any real history, of Prime Ministers getting themselves involved in these debates that come after Question Time. The Gallery, the Press Gallery just walks out after Question Time, they don't stay for these things. And he's saying because I don't stay for them that I refuse to debate him. He will have his opportunities at the appropriate times of coming up against me and when it does I'll do him.

LAWS: You have no concern, no compunction about debating him?

PM: No, no, none at all. None whatsoever.

LAWS: OK. One final question. Just back to the telephone system, communications that you were talking about. Will there be timed telephone calls?

PM: No we have made that clear. Under the -

LAWS: There won't be any timed telephone calls in the metropolitan area?

PM: What we have said is this; that in regard to Telecom, in regard to Telecom, we will be laying down the requirement on them that the untimed local calls continue. That will be the requirement. Now the realities are that no group setting up in competition to them where Telecom is going to be having untimed calls that they'll be bringing in timed calls. I mean it follows. So the reality will be, as far as consumers are concerned, that they are going to be faced with significant reductions in their overall calls because we've made it clear that in regard to STD we expect at least 40 per cent reduction in STD calls.

LAWS: Are you going to shrink the size of metropolitan areas?

PM: In telephone terms?

LAWS: Yes.

PM: I haven't had any indication that that's the case. I haven't specifically talked about that with Beazley but I haven't had any indication that that's the case.

LAWS: Yes, because a lot of people show concern in that area. That if they don't pay for local calls what will continue to be local? I mean, you can shrink the size of local -

PM: ... I mean you could, you could, I mean, theoretically reduce it to the size of a CBD. But there's no proposition along those lines.

LAWS: OK. Thank you very much for your time. I'm sorry about the airconditioning and the cough. It was a rough morning.

PM: As always, John, it was a pleasure to be with you.

LAWS: Look forward to seeing you again soon.

PM: Thanks.

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