



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER THE HON P J KEATING, MP
AND SA PREMIER JOHN BANNON,
DOORSTOP, JANUARY 30 1992

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- PM: Well the Premier and I have had a meeting this morning about the forthcoming economic statement of the Federal Government. We have also had a chance to speak to the business community and one of the Social Security organisations in SA - we'd like to do things which would encourage a faster recovery in Australia, but at the same time are good for the structure of the place. We listen to views put to us by the business community about a range of things, about how they see the economy, about what things the Government might do and also we discussed some of the infrastructure questions. And we've decided to come and just look at the interface between water, road and rail which exists here and that's the main point of the visit.
- J: What do you think of Mr Bannon's shopping list Mr Keating?
- PM: Well it's extensive, I would think ill of him if it wasn't, but I think we will have to sift our way through those things. But the common theme, I think, the Premier and I are on common theme about strengthening the infrastructure of Australia. We do have real problems now - in the micro-economy that is. There is a limit to how much Budgetary and monetary policy can change Australia. If there are physical problems they have to be overcome, and that's why we are considering some of these subjects.
- J: Mr Keating, a lot of the Premier's suggestions are those things based on micro-economic

reform, things like the transport ... how well do you receive them?

PM: Well I think in this sense that this is the period when we need the states concentrating on the things which they do mostly and that is transport and a lot of the infrastructure questions which are not directly Commonwealth issues but because of the national economy and because of our financial arrangements with the States they've become a matter of co-operative issues between us. So I welcome the fact that the Premier is focussing on these problems.

J: So a good chance of some money coming that way?

PM: Well, we like to treat all of the States fairly and equitably and do things which have a theme to them, which improve the productive focus of the country and therefore, obviously, some of these things will fit into that picture.

J: Dr Hewson says a real increase in wages will cost more jobs.

PM: Well I thought that was a very shabby comment from Dr Hewson. He has opposed every wage increase in the last ten years and when this Government has got inflation down to 1.6%, our lowest level in a quarter of a century, and he is walking around with a consumption tax which is going to add 15% to prices, you've got to have a lot of front and a lot of hide to be talking about inflation when you are walking around with the inflation detonator in your hands. A consumption tax, and if Dr Hewson's consumption tax were to go into place Australia's inflation would go back to double digits and we would be back where we started twenty years ago and not where we are now. Yet he has got the hide to address the Government about low inflation and, worse than that, the hide to say to Australians who actually made the sacrifice and now, because inflation is low, have higher real wages, to say that he should take it off them.

J: He also says that an increase in real wages means an increase in unemployment ... and you're buying votes

PM: Yes, I mean that is the sort of inane comment he makes that a real wage increase which comes by way of the fact that the underlying level of inflation is low, therefore making any nominal wage increase of more real value, of greater real value, that that success is described by him as the Government buying votes or creating

unemployment when he is walking around with something which is going to add five or six percentage points to the price system from a 15 per cent tax on all goods and services. I mean it is an amazing comment from somebody who must have a hide as thick as an elephant.

J: Isn't George Campbell right from the ACTU and the metal workers saying the jobs are the priority, you really ought'nt to be offering a real wage rise in the current circumstances should you?

PM: You have got to understand some technical competence in this debate is required, even by the ABC. We are not offering a real wage rise. But if wages come out this year at 4%, where the Government expected earlier inflation to be but inflations coming out at 1.4%, obviously there is a real wage increase in there. So what do we say to people, well you've made the sacrifice, we're wearing the recession, we're wearing unemployment but the good side for you, the up side, Dr Hewson wants to take it away. Its like the comment he made about business, the Premier and I have been keen to meet the business community to speak to them and to pick up their views. Not all our views, of course, are views which we accept or that we can contemplate, but some are he said we shouldn't be meeting them. He said that's business looking for a handout, that I shouldn't be down here talking to them, that's his view. I mean its this sort of strident view that the only thing that you do is inflict people with some pain, stick a new tax on them, don't meet with them or talk to them, oppose any increase for workers while at the same time saying that their bread, their milk, their clothing, their housing, their dry cleaning, their taxi fares all carry a 15% tax.

J: Has Bob Hawke told you that he will be leaving Parliament sooner rather than later, not going to the end of the term?

PM: No he hasn't but we're not here for

J: Mr Bannon, now you keep this infrastructure project for almost a year now, have you finally got through to Mr Keating?

Bannon: I think that there is a general acceptance that providing projects deliver long-term value to our economy, now is a good time to look seriously at doing them. I guess anyone can say well perhaps we could have started earlier or the conditions might have been better a

while back I really don't think that is the point. The point is that there are projects which have been identified, they have been refined, they are ready to go and providing they can deliver that long-term value, and they are not just making work, they have got a fair chance of acceptance I think.

J: Mr Keating, what has happened to make you change your mind on these infrastructure projects, they didn't get a very warm reception when they were officially floated?

PM: In the 1980s we were cutting Government spending because we had a huge current account problem and one of the things which suffered was public investment, but if private investment is down in a recession it does follow that this is the appropriate time to lift public investment somewhat. So, you know, it's not a matter of any religious conversion on my part, it's simply a matter of being, you know, wise to the current circumstances but it is, I repeat, the point is it was true that when we needed to lift public savings and cut the size of the public sector a lot of Government capital work suffered.

J: Mr Bannon have you won any commitments from the Federal Government today?

BANNON: Well only in so far as I think we have had a very good hearing following our submission and the business people and others who have been able to speak to the Prime Minister, I think, have had in turn a very good reception. The fact that the Prime Minister is personally inspecting some of the areas where we propose things to happen is also very positive but I wouldn't expect him to be announcing here and now that, yes, he agrees. So obviously he's got to then consider it in the national context and as part of the statement. But this is as much as I think would be reasonable for any of us to ask at this stage of consideration.

J: Mr Bannon you say that South Australia is a special case, how has the Prime Minister responded to some of the special considerations that you have outlined?

BANNON: Well you can ask him. But the fact that we have been able to put before him, the submissions are there in detail, they obviously don't get considered in a day. They need to be taken back, assessed. He may have further questions or queries. We'll respond to those in the course of the preparation of the

statement.

J: ... long term commitment from the Federal Government?

PM: Well it's one of the issues the Premier addressed us on. I think it has had the character of a national project to this time and I think it will keep that character. Arrangements between us, as the Premier said eloquently a moment ago, has got to be considered in the context of the statement in our financial capacity and across the States.

J: Do you think SA is a special case?

PM: We SA has got some unique difficulties that the more populist States don't have. I've always recognised that and as we drove over here we came past the submarine project which the Premier pointed out some pertinent features about. That is here by virtue of the fact that this Labor Government in Canberra recognises the fact that SA does have particular circumstances and difficulties which in part the submarine project itself, in its time, was designed to address. Now of course difficulties remain and that's why we are now examining other things.

J: What sort of long-term inflation rate is the Government looking for?

PM: Well we're not here to give you long-term inflation rates ...

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