



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
INTERVIEW ON ABC PM WITH MAXINE MCKEW
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MM: Prime Minister thank you for coming in.

PM: Good Maxine.

MM: How much money, your most optimistic figure, how much money will a merged Qantas Australian, attract do you think?

PM: I think the net proceeds for the Budget will be about \$1 billion, now that is important and it's quite important, but I think the most important thing is that it is the best result for Australian aviation. That is, Qantas has long lacked the capacity of operating as a full airline by not having a domestic carrier, a domestic compacity. It would have that by the Government's decision today to acquire Australian Airlines, and the Government will now approach the Labor Party in its federal structure for the sale of 100 per cent of the merged entity. But the synergy, so-called, much over the years termed, but the benefits and efficiencies that could arise from the operation of the two companies is quite substantial and as a result of the change Qantas will pay the Budget \$400 million for the purchase of Australian Airlines which is much more than we would have been offered at sale.

MM: I was just going to ask you that. Has the trade sale process revealed that Australian by itself would have attracted very little?

PM: For the reason that the last couple of years have been very bad in terms of earnings they have run losses because of the pilot strike in 1990, in 1991 Australian had the problem of the very heavy discounts from Compass, discounting is still on, profits are low, and I think probably the price would have been too low, it would have been selling

have done another one today in the national interest.

MM: Just one other question, Prime Minister, if I can about that \$1 billion, you have announced a job summit today to look at youth unemployment. Would, for instance, you consider pouring some of that money into programs for young people?

PM: Well it may not be the money that comes from there, but that is certainly a Budgetary option in the course of the Budget preparation.

MM: To what extent has this course of action been forced on you by the realities of that \$9 billion deficit?

PM: Not at all. What's happened to us is that we have reached a stage in the sale process where we had, first of all, the exploratory processes, then indicative bids. The indicative bids have now been lodged and the Government would have to then embark on what's called a due diligence of the bidders looking through the assets and then confirmed bids. We are at that point of decision, that's what has brought us here.

MM: But Ralph Willis has been promoting this concept of a merger for some years. Why has it taken until now to get to this point?

PM: I don't really believe that Australian and Qantas, even though Qantas might have wanted Australian, I am not sure Australian wanted Qantas. I think it probably does now, and I think that is part of the reason, but the efficiency gains, the since so-called synergies, are so apparent that now it is the obvious and sensible thing to do. And of course part of this is the Government is now going to introduce legislation this week to set-up a Commission to allocate international routes to a second carrier, and that carrier in the first instance will be Ansett Airlines. So we will be developing an international market from Australia, so the sole designated carrier will not be Qantas. In that case it makes sense to have Qantas and Australian together and have then juxtaposed against that, Ansett Airlines as a domestic carrier but with international routes. So it becomes an international carrier as well. And of course that will operate from the city of Melbourne.

MM: You said today to your Press Conference that this had been a painful decision, which would indicate that if you had a choice you wouldn't be selling the family silver?

PM: Painful for some, not for me.

- MM: Does the rest of the Party appreciate the synergies that you are talking about?
- PM: I think so. A lot of people in the Labor Party have had the warm inner glow about Qantas and they can get dewy-eyed talking about some of these public authorities, but nobody will put any money into them. On the Left, the Right, or the Centre, no one will commit a budgetary dollar to them, because they always have their social and infrastructure programs ahead of them. Qantas is 90 per cent debt and 10 per cent equity, it has limped along with Government guarantees and not enough capital. And you will get lots of expressions of interests at Labor Party Conferences for it, but no one really cares about it.
- MM: What do you think the mood is beyond the Caucus, have you any concept of that?
- PM: I think a lot of Labor Party members would think we shouldn't sell these, but if you say to them, well look we have got high unemployment, we ought to be looking at labour market programs and other structural changes in the economy, but look we need \$1 billion to recapitalise Australian and Qantas. Will we put it there? They say no, no. I mean a lot of people pass a motion at the State Conference but they wouldn't commit a discretionary dollar to it. Well we can't take that approach, I mean, Qantas can't limp along in this way. If we are going to be part of the Asia-Pacific airline market, it's got to be set up properly and this is the best way. And of course by a public float all Australians get a crack at this. I mean in a sense its not just Government ownership it's private ownership by the men and women of Australia.
- MM: You are faced at the moment of course with the fact that your policy takes you beyond the limits of current party policy, is the most likely resolution at this stage a postal ballot of all delegates?
- PM: I don't know, but due process demands that we have the Labor Party's authority to go beyond the conference set limits. And we've done that. We did that, in the first instance, two years ago when this was last considered as you say. I mean I did it when I was Treasurer with foreign banks, when we took it to the Labor Party Conference here in Canberra.
- MM: What you're saying that the National Executive could perhaps make a recommendation to the next Special Conference?
- PM: The national organs of the Party have got to decide how best to handle this, but the Government is not

trying to side step them. It understands that due process is important particularly where high policy is concerned.

MM: Prime Minister just a few more details, would you be happy for say a single international carrier to buy the full 35 per cent of voting equity that is available?

PM: That's a matter, I think, of who the carrier is and what Qantas would see for itself in that, or whether it would be advantaged by a couple of carriers. From a theoretical point of view it wouldn't worry me. It may well suite Qantas to tie up with a large European carrier for instance like British Airways or a regional carrier like Singapore. Whatever can best advantage it, I think is the important thing. And of course, with private stock in the company, when people have got their own dollars on the line rather than what they see are the quiet dollars of the Commonwealth, they'll be voting them much more carefully.

MM: What are the implications of a merger in terms of retrenchments?

PM: None at this stage because we are not merging the companies in that sense. We are merging them but in a technical sense it will be Qantas acquiring the stock of Australian Airlines. So Australian Airlines will still trade as Australian Airlines and operate as a business.

MM: Sure, but what we've already seen though, in say the telecommunications area with the new AOTC, they will be looking at a much reduced work force, and that's the trade off for a more efficient organisation isn't it?

PM: But that is already happening with Qantas. Qantas has already lost three thousand employees just to be more efficient. You can never stop efficiency gains. But this is not a pure merger in that sense. You're seeing now Telecom and OTC put together in a merger, it's not just simply Telecom owning OTC, but that is exactly what the situation is here. Qantas will actually own Australian Airlines, they still remain two separate entities for the time being.

MM: One question about Ansett, you've already talked about them as the second international carrier, surely they will have to sell down their level of foreign ownership to 35 per cent. At the moment Rupert Murdoch, a foreigner, has 50 per cent.

PM: No, I think under the Foreign Takeovers Act, Newslimited is still classified as an Australian

company because of the level of Australian ownership.

MM: The proprietor though is not an Australian citizen.

PM: No, but he doesn't own most of the stock. I think he is now down to 32 or 33 per cent. That is, the Murdoch interests and even many of those are Australian, such as his mother, his family. So one couldn't be certain that's true. Can I say that the purity squads who live in the broad sheet newspapers have been alleging the Labor government is sort of biased in favour of Ansett. They can't say that now. They can't say that about this position.

MM: Prime Minister, what about the process, I gather there were some comments in the Caucus this morning about you're reversal of the usual process, if I can put it like that - going on national television first to announce the policy then going to Cabinet and then to Caucus.

PM: Well if one were to go to the Caucus, Caucus Committees here - we all live in the one building, you live in the same building as the Caucus, you know members of the Caucus, the Caucus Committees leak, people know when the meet, there are discussions later. There is no advantage for the Government in me going to the Caucus and having a discussion and that being trafficked around the corridors.

MM: So is this the way it is going to be in the future?

PM: The Government's advantage is at having been told ... Remember this, I made those statements on last Sunday after weeks of consultation with Bob Collins, Ralph Willis, before that when Graham Richardson was in his ministerial chair.

MM: Would you still have taken the same tack had Graham Richardson still been Minister?

PM: Again, Graham and I never got down to some of the details which we have now.

MM: Except you say you had been working on this for weeks, and a couple of weeks ago Graham Richardson was still the Minister.

PM: Yes, but in terms of airline policy Bob Collins had it as Minister for Aviation even though Graham was a portfolio minister. Graham basically had pay television and I really hadn't settled that with him. But Ralph Willis, Bob Collins, myself, John Dawkins and our Departments have been discussing this now for some weeks so I made my statements on Sunday after a long process of discussion. We then

took it to the Caucus Committee, then to the Cabinet and then to the full Caucus and beyond that to the Labor Party. So due process will be observed.

- MM: And in doing so though, you challenged the Party haven't you, you've taken it to the brink and said look you have just got to face these realities?
- PM: We are the custodians of Labor's fortunes and the public purse for the moment, and you've got to do what you think is right by the institutions, and also by public policy, and also do it with a Labor heart. But it doesn't mean that you can change these things without rolling the dice. I mean I don't ever mind rolling the dice.
- MM: If you don't mind rolling the dice it does raise the question, I suppose, of why you selectively challenge. I mean you were prepared to challenge on big policy issues like this, why though weren't you prepared to say, intervene in the ministerial process last week?
- PM: Because I just don't think it was proper.
- MM: Do you think we now have the best system, the Government has the best system for selecting the best talent for the Ministry?
- PM: There's not much point in me debating it, it's not a point that I want to be wasting time on. The fact is I've got more important things to expend my energies on than running a selection system from my office.
- MM: But it's a question of the best team to run the country, what could be more important than that?
- PM: The best people I believe that were on offer when this Government came was selected to be in Cabinet and the Ministry and there has been a lot of change since. There's only nine of the twenty seven original ministers from 1983 now there.
- MM: Are you really saying you wouldn't prefer to have Senator Bob McMullan in the Ministry?
- PM: There is no point in me debating personalities, factions, I know the ABC loves these things and so does the Sydney Morning Herald, the Age and all these navel gazers - good on them.
- MM: Well finally Prime Minister, you expressed frustration yet again today with the Opposition for not asking any questions about either aviation or communications, but surely they are going to pursue this course until you agree to either a judicial inquiry which is what has been passed ...

PM: Why should I take any notice of them. Richardson has done nothing improper, but because he was unguardedly associated with this person and we knew this would go on, he resigned. What moral basis does the Opposition have to pursue this and what moral basis do journalists have in pursuing it for the Opposition? Now the truth is John Hewson has no views, he's got a GST tax. What the last two days have shown in Question Time - we've had the National Accounts out today which shows the economy in recovery now for the third quarter, great news for Australians, low inflation, low current account deficit, higher profits. Not one question, not one question about aviation, not one question about telecommunications, not one question about technical and further education, all the issues of the week.

MM: Well they're not playing to your agenda they're playing their own.

PM: Yes, but they are playing to the low grade agenda.

MM: And that's surely a legitimate political strategy.

PM: As long as people understand they're playing to the base agenda. It's just another version of 'Reds under beds', 'The Chinese coming to get us in their sampans', old Senator Currack's 'Red arrows from China' when he used to run the party, I mean it's the same stuff. These people are always bereft of any good instincts in public policy or the public good.

MM: Prime Minister, it maybe a base agenda but surely politically it is going to continue to dog you until there is some sort of agreement to either a Senate or judicial enquiry?

PM: Why should it?

MM: Because as we saw today, and as we saw yesterday in the Senate and in the House of Representatives, question after question.

PM: If they persist, regardless of any moral basis for the questions we should then say oh well this is going to persist therefore we should let the Opposition have an enquiry. Look, we'll stand them right up on this and you shouldn't be helping them, nobody should be helping them. The issue has nothing going for it and the public are entitled to high policy, good policy and they can see Dr Hewson for what he's worth - a shallow character who has drifted into politics from a merchant bank and outside of a computer driven model developed by some accountancy firm with a GST - what has he got to say about trade training, young people, about TAFE,

about transport, about infrastructure - nothing, what is it? He is now telling us now we should not let unions negotiate with employers. The Burnie dispute is what we would see across the whole country, the country lit up in one dispute after another under the industrial relations policy he has. He wants to explode the wage system and inflation rate with a crazy industrial relations policy while introducing a GST and what's his literature talking about - frightening old ladies by saying people are going to hand hand-guns to them, putting pamphlets in letter boxes saying you're not going to be safe unless there is a GST. How is the GST on your Weetbix going to stop someone marching through your front door?

MM: Prime Minister, we'll have to end it there. Thank you very much for joining us this evening.

PM: Thank you.

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