



## PRIME MINISTER

### TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP INTERVIEW WITH MURRAY NICHOL, 5AN, 27 AUGUST 1992

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MN: ... you're firing on the Opposition on this, you're saying that it's an irresponsible attitude to the industry.

PM: They're basically saying we don't care whether we have a car industry. If Australian car needs need to be satisfied exclusively by imports, that will do us. When Mr McLachlan was asked in today's Australian in a question and answer session, he said it's a matter for them to decide what changes they will need to make to exist. Now the fact is, that a zero tariff, given the fact that there's a glut of motor cars in the Northern hemisphere, the big companies will just ship them into Australia at marginal costs and the Australian motor industry just won't exist, it will just simply go out of business. These characters, that is Dr Hewson and Mr McLachlan, mean it. I mean they're not just mouthing empty rhetoric here. This fellow McLachlan, who is a representative of South Australia, is really basically saying that he and Dr Hewson would wipe out the base manufacturing industry of the State of South Australia.

MN: Is it that serious, can it happen?

PM: Too right.

MN: That simply wouldn't wipe it out, surely?

PM: Yes it would. Look, Toyota is going to build a state of the art plant in Victoria, a modern Japanese state of the art plant. Now when we made the judgements about that, John Button, myself and others made the judgement that a 15 per cent tariff was as far as we could push tariff protection down and still keep a motor industry notwithstanding the efficiency of that particular plant, and the renewed efficiency of General Motors and Ford. What they're saying is it's zero. And a zero in a small country like this, particularly with a glut of cars around the Northern hemisphere, just marginally costing them, that is the marginal cost of production

just shipping into Australia, there's no way the Australian motor vehicle industry would survive it.

**MN:** But from 15 per cent down to zero is really not much of a jump when you look at how big the tariffs were before.

**PM:** We're giving them a chance to adjust. For instance, I'm not quite sure of the Commodore price but the Ford Falcon which now sells for \$23,000 for a basic car, under today's protection of 35 per cent, would have been \$33,000 without the tariff changes. We've introduced a regime of change along with export facilitation where the motor vehicle industry has now adjusted to lower levels of protection by selling, in the case of Holden, world class competitive engines to Germany; in the case of Ford, Capris, sports cars to the United States; and soon Vcrada wagons are to follow. Ford today announced, in the same newspaper, 280,000 cylinder blocks going to Japan and 70,000 engines. All of this has come from our policy mix, and we'd made the judgement of 15 per cent, and the car industry made the judgement that at 15 they can stay in. Zero is just going to knock them out of the ring. All of this is sort of naive and primitive views about primitive capitalism. This is Dr Hewson's view - he has attacked Mr Prescott from BIIP, Jac Nasser from Ford, he has attacked Bob Johnston from Toyota. He is basically saying big business are fat bureaucracies, if you haven't come up the hard way and you're not a self made person and worked your way through a merchant bank, basically you should be left to the vagaries of the market. It's that sort of thoughtless ideology which I think we can do without.

**MN:** The State Opposition says that our vehicle manufacturing industry is slack and inefficient and has not, in fact, fulfilled the requirements of what you laid on it.

**PM:** Look, Dr Hewson advised the Fraser Government as its principal in-house adviser for 7 years, and in those years tariff protection went up, quotas stayed for motor vehicles, the motor vehicle price went up, we were not selling any more cars, and Australians were doing very poorly from it. We're the people who have had to do the hard task of introducing the changes, but we've done it with some comprehension. We've given them export facilitation which means they can go and export things with support, which would disappear under a zero tariff. We've done the things which will actually change the industry for the better and of course, the revolution in industrial relations, in enterprise bargaining, and the improvements in productivity and efficiency of motor plants, and the willingness of the car unions, and the employees of the car industry to sit down with their managements and make these companies better, Dr Hewson says give all that away - there'll be no national wage case for them, awards go, annual leave entitlements go, sick pay goes, we're getting out of the award system, you now make an arrangement person to person with your employer. So all of that good will goes out of the door and at the same time we're going to drop a zero tariff on you. You see, I think a lot of Australians thought look, this is him hanging his gums. The truth is he means it.

MN: Of course, realistically it's always been said that our market is so small that we have one too many manufacturers anyway.

PM: Well one has disappeared recently, Nissan. That's the point. I mean the policy in this sense has worked in the sense that we're now getting down to a smaller number of viable units. But remember this, Murray, this is a small market, it produces around about 400-500 thousand vehicles a year. There's always going to be some diseconomies of that sort of scale. And the notion that it's almost experimental sort of capitalism, this sort of view that you don't take any notice of the biggest company, BHP, you just say they're asking for handouts. You don't take any notice of General Motors, or Ford, you say they're asking for handouts. In other words, you don't even try to comprehend the changes the Government has introduced with them, sensible changes, to produce a decent motor vehicle industry which will underpin the manufacturing base of say cities like Adelaide. They're just simply saying look, frankly it's zero, and if it's imports it's imports, if you can survive good on you, don't expect any help from us.

MN: A recent examination of our motor vehicle industry by a UK expert, acknowledged as an expert by the motor industry, in fact he was brought out by the motor industry or parts of it, said that our motor industry is very out of date and behind the times as far as processes and procedures go. Not necessarily industrial relations, I don't think he was looking at that, but the plants themselves he said were very out of date and a long way behind the hotshots.

PM: Well, for a start there's going to be a new state of the art plant with Toyota. But I had the pleasure earlier this year of flying down to Adelaide and going out to General Motors and opening the new paint plant - \$230 million I think, for a state of the art, world ranking paint shop. Now that sort of investment is going in, and the quality of the cars has I think improved enormously. So, the companies operating in Australia are getting it together. But we started this change in the mid 1980s. We firstly abolished quotas and started to move to tariffs, and then move the tariffs down, with notice, with assurance, with support, down to a 15 per cent end point where they can survive, where Australians get decent cars at a decent price. Not good enough for our opponents. Our opponents say, not ideologically pure here, this is not the way to go. The way to go is to basically slam them, cold turkey them.

MN: Have you had a chance to cast your eye over our State Budget today?

PM: I haven't seen it, no, I don't know any of the details.

MN: Probably a lucky man. We're in serious trouble down in this State, I know you're aware of that. How do you regard us as far as propping up the Federal Government in our coming State election?

PM: Well look, in the '50s and '60s South Australia sold itself as having comparative advantage by having cheaper labour rates than the rest of Australia. That brought industry to South Australia. As labour rates and wage rates evened up around the Commonwealth with federal awards and national wage fixation, that comparative advantage disappeared. And what John Bannon has sought to do is to try to re-establish, if you like, the efficiency of South Australian industry on a competitive model basis. And that's why whether it be the car industry in our cooperative discussions, or it is in the ship building area in the contracts which were let to South Australia, or in the One Nation package where I announced the building of a standard gauge railway between Melbourne and Adelaide, all of that is to basically bring South Australia into nearer, effectively nearer and more integrated into the higher population, bigger market centres of Australia and keeping it a relevant place. And that's what I think a comprehending Government has to do. But to take some sort of ideological view, you know to go back to some text book is of course not only nonsense, but a great shame.

MN: It just seems that we're digging our way further into the dirt. We've now got a State debt of \$7.3 billion and that's gigantic. And I'm quite sure South Australians are infected with a sense of desperation here and helplessness, because we just can't see anything coming right. We can't see it coming right state-wise, we can't see anything coming right federally.

PM: Let me just deal with federal first. We're going through the 1990s with low inflation for the first time in 20 years; low interest rates; basically a structural budget surplus, once the recession passes through and the economy starts to pick up again the budgets will whirr back into surplus in the '90s; we've got a revolution in wage fixation and enterprise bargaining and higher productivity; we've got a remodelled tax system, a 39 per cent corporate rate, full dividend imputation; we've got a superannuation savings system which is going to pump national savings into equities into Australian companies, we won't be out in the rest of the world bidding for savings, we'll have our own in adequate measure. I mean, Australia is going to be in a very good position in the 1990s. There's been a great change in productivity. I was in Melbourne on Monday presenting the Best Practice Awards for a great variety of companies, a couple of them South Australian, Solar was down there for instance, but there was BHP, Toyota and I think General Motors, and some of the other car companies et cetera. And what's happening is a revolution in the way in which efficiency and productivity is happening in Australia. And at each table from each company were the employees of the business, the union representatives sitting there. And people were saying to me, look this is one of the best programs to get an international bench mark for our business, and to get awards on the basis of reaching those benchmarks to give us international efficiencies in a sensible, humane way is the way to travel. Now, all of that is happening, and it's happening for South Australian companies. See we had great growth in the '80s. The Australian labour market today is 26 per cent bigger than it was in 1983. In 1983 there were 6 million people in the workforce, there's 7.6 million today. In New Zealand, for instance, which we hear a lot about,

we've got fewer people in work today than there was in 1983. Now we've kept most of that employment. All we've got to do is get that efficiency into place and build those volumes, manufacturing and production volumes, and the employment will come our way. So there's no reason to be looking gloomy about Australia when we're now out of the recession and we're growing. Now as far as South Australia goes, I think the Bannon Government pursued a very sensible policy of trying to find a solid, long term basis for South Australian industry, which by and large it has achieved.

MN: Yes, well it didn't count on the performance or lack of by the State Bank. To you now, and reports coming out of Canberra saying that you're in a quiet desperation mode. Is it like that?

PM: Well, do I sound like that?

MN: No, you never sound like that.

PM: No I don't. Of course not, of course not. You know, there's always a bit of navel gazing here along the press gallery corridor, people writing columns for the weekend. But look, on the big brush things we're forecasting growth in the Australian economy the same as our trading partners through this financial year. We just clocked up 1.6 for the last financial year, so we're out of the recession and we're growing. We've got all the One Nation expenditures now coming through. We've just let a contract for 3 thousand tonnes of rail steel. A lot of that will go to Whyalla, BHP in Whyalla, to build that Adelaide to Melbourne railway line and other railway lines. We've just let a contract for a million concrete sleepers. We just announced a \$2 billion road program for the year, \$400 million larger as a result of the One Nation package. All of this expenditure and the new spending in the Budget is now coming at the time for the economy to kick growth, activity and employment along. So, from the Government's point of view we're putting the blocks into place, the building blocks of a stronger economy into place, and the Budget just did that in fine style.

MN: Thanks for talking with us this afternoon.

PM: Good Murray, thanks again.

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