



## **PRIME MINISTER**

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP  
INTERVIEW WITH MAXINE MCKEW, ABC PM  
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### **E&OE PROOF COPY**

**MM:** Prime Minister, the prospect of wide spread industrial protest as a result of the Kennett Government's IR changes, that must fill you with some foreboding, surely any industrial disruption would play into the Liberal's hands, wouldn't it?

**PM:** I don't think so. What Mr Kennett is now doing is jeopardising the Victorian recovery, and he is breaking the mould on a decade of industrial cooperation. We have got the lowest level of industrial disputes in about 20 or 30 years at the moment, we have got an inflation rate which is the world's best as of this week - .1 per cent for the quarter. Who says that there is any problem in industrial Australia, the only problem is the problem that Mr Kennett is making. So I don't for a second accept the argument that if he makes the problem, in some way the victims of it have got to live with it.

**MM:** But surely things like the abolition of leave loading, things like making no difference between week work and weekend work, getting rid of penalty payments, a lot of that is going to strike a sympathetic chord, particularly in Victoria.

**PM:** That is all being done now, it is all being done cooperatively. The thing to do with industrial knots is to unthread them, to unpick them, you have got to pick your way through them, not tear and pull at them which only tightens them up. Now that is what they are doing. In the Colco enterprise.

agreement, which was done under Labor policy, Coles can now open 24 hours a day, all the penalty rates have been negotiated. But this is not negotiated this is just torn away, and I might say torn away by a Government which has given its Deputy Leader another \$8000 a year increase in salary, which has got the silver service back out in the a la carte dining room, where the State Government there has spent the night giving itself rewards. I mean the duplicity of these people, \$122,000 for the Deputy Leader of the majority party, \$8000 a year increase, Senior Parliamentary Secretaries, a National Party backbencher a rise of \$21,000 a year. The gall of these people, the duplicity is just amazing. And 43 Liberal National Party MPs will receive a substantial pay rise from four new parliamentary committees.

MM: Yes but you would be the first to concede, wouldn't you, that our elective representatives are pretty poorly paid?

PM: Just understand this, this Government has never at any stage moved MPs pay outside of the general wage fixing arrangements. Here is a Government with the hide to be saying they are going to strip away penalty rates which are going to matter to people like nurses, and people in retailing, they are going to have a substantial fall in salary, this is not some shaving away of something, a substantial fall in salary because their weekly pattern of work is in a penalty period, and while he is doing that he is out giving \$8,000 a year to his Deputy Leader and big pay increases for 43 of his members while he is knocking \$800- \$1,000 off Victorian families. And what is this all about? As if the workforce of Victoria have been the perpetrators of Victoria's problems. What is he doing to penalise the people who caused the problem, the people who ripped off Trico, who ripped off the Farrow corporation and Pyramid? They are the perpetrators. But the people who are basically harmless bystanders, the Victorian public, they're the ones to be hit.

MM: Mr Keating, the previous Victorian Labor Government were not innocent bystanders, were they also not perpetrators?

PM: Absolutely.

MM: Surely a lot of the pain is now being born by your own constituents because of the previous mistakes of the Kirner Government.

PM: They have taken their cuts by their defeat in an election. But they were not pursuing these sorts of policies. Australia will only grow in a cooperative

way. We have got a recovery on now, what Mr Kennett is doing is going to stop it stone dead in Victoria. Who would invest a dollar in this climate, and for what? And while he is doing that he has got the silver grill out at the Parliament House and they have all got salary increases put through at 4.00 in the morning. This guy has got more gall than anyone I know.

MM: Is there much cooperation around, though, if John Halfpenny takes to the streets and people follow him?

PM: Well look at this talk, Mr Kennett is talking about putting police out there on pickets, there can be no more than six unions in a picket. What is all this mood for?

MM: What are you suggesting, there is a touch of Bjelke-Petersen about this?

PM: Absolutely.

MM: But John Bjelke-Petersen never lost an election by union bashing, did he?

PM: Just understand this. That is, there is no need for any of this, there is a totally cooperative atmosphere in the workforce, enterprise agreements are moving day by day through industry, we have got the lowest level of industrial disputes in 30 years, we have got the lowest inflation rate in 33 years, said the Statistician the other day. What is the problem? Why should there be talk about Police, in any circumstances? Why should a Government just legislate away penalty rates, for instance, when they could be negotiated as Coles has done under their enterprise agreement for 24 hours a day opening. This is just needless.

MM: Well surely Mr Kennett is accelerating what is underway, so therefore what is the problem?

PM: What he is doing, Maxine, he is introducing a Federal Coalition policy.

MM: Mr Howard has said that is not the case. All these things will be in awards if employers and workers want them to.

PM: I have got a Mr Howard press release here, and what it says is this, these are his words, 'you will have Governments sharing identical views, give or take a comma here or there, identical views on industrial relations.' So the fact of the matter is, Mr Howard is saying, that give or take a comma you have

basically got the same policy in Victoria you are going to have from us. And he is dead right of course.

MM: That is selective quoting, Mr Howard said on AM only the other morning that in fact if workers and employers agree to keep in things like leave loading they will stay in the awards.

PM: He is now backing off at a million miles an hour.

MM: Mr Howard has not rushed to endorse the Victorian action at all.

PM: No, just understand this, none of the things which Mr Kennett has now done he said he would do in the election campaign, he was quite duplicitist about all this. There was no mandate for any of this stuff, there was no hint of any of this.

MM: But surely, Mr Keating, you can't say that the Victorians knew that they were voting for change.

PM: No, not for this change.

MM: They weren't demanding the detail.

PM: There will be no explicit references to these things by Hewson or Howard, but that is why Howard is right when he said the first time, 'Government sharing identical views (Conservative Governments) give or take a comma here or there, identical views on industrial relations.' Basically they are going to push 8 million people onto common law contracts. Every Australian worker will have a contract for themselves which they will have to negotiate themselves, not collectively, not enterprise bargains, 8 million people shoved onto common law contracts and on the way through, not by negotiation, not by a process of some bargaining, what will be spirited away are all of these things which keep a lot of people, keep their salaries so they can make ends meet, like for instance penalty rates.

MM: I know you don't agree with them, but surely you can't deny that Jeff Kennett has a substantial mandate for just this sort of change.

PM: He does not. No, I do not agree at all.

MM: Why not?

**PM:** Because these matters were never ... in fact he was given the contrary signal, he was giving the signal that he was going to be, if anything, more friendly on industrial relations than the Coalition. He was playing down the course of the election campaign what his policy would be. In fact, it is a real wolf in sheep's clothing routine.

**MM:** Prime Minister, do you accept that there is a dilemma here for the Labor movement here in how you respond to this? You are obliged after all to protest these changes on behalf of your own constituents.

**PM:** No I am not obliged to do anything.

**MM:** If you go overboard, though, you risk alienating a lot of people who really don't have much sympathy, especially with Victorian unionists. These are the people who had the trams lined up in the streets of Melbourne in 1990, that caused a lot of disruption.

**PM:** Well some did, but is that the whole population of Victoria? Victorian unions are also a principle part of the wage compacts of the last decade, a principle part of the low level of industrial disputes, a principle part of the .1 per cent inflation rate or .8 for the year. This is industrial unionism of Victoria, it has been in a compact of cooperation, totally cooperative. You are not choosing your words carefully when you are saying we are going over the top, you have got Mr Kennett talking about putting police on picket lines, he is legislating in the dead of night to knock out penalty pay, and we are going over the top, while he has got the silver service out again and he is giving people pay rises at 4.00 in the morning. He is ripping it off Victorian households in the course of the day and putting the largess onto MPs in the middle of the night.

**MM:** Prime Minister to another matter, when Mr Dawkins was made aware in the middle of June that the Victorian Labor Government had exceeded its borrowing limits by \$1.2 billion, did he tell you about it?

**PM:** He did, yes. But if you are moving here to say there is anything wrong with this, this is a total furphy raised by the Opposition, a total furphy.

**MM:** If he told you about it why was it not in the Budget?

**PM:** Woo, woo, woo, he wrote properly to the Victorian Government and told them that their arrangements were unacceptable to them. First of all they didn't even indicate that they were about to make a medium term borrowing, they said that they might make a medium term borrowing.

- MM:** In fact they dodged and weaved in all that documentation didn't they?
- PM:** And he wrote to them and then they meet him and they indicated that they would in their Budget remedy in part the debt situation of Victoria, and when they didn't the Treasurer then wrote to them again, but within a couple of days the election was called. Does anyone in this country believe that a caretaker Government is going to be able to put in any sort of medium term debt strategy is going to deal with a problem like this?
- MM:** But in all that time from June until the preparation and the presentation of the August Budget, Mr Dawkins was clearly unhappy with the answers he was getting from Victoria, why did he put such an unequivocal figure in the Budget, why was there not a rider about the fact that these figures were not accurate?
- PM:** You understand it is not in our Budget, it is nothing to do with the Commonwealth Budget, it's a document which is published with the Budget.
- MM:** It's information Victoria gives to you.
- PM:** It's about State financing, and it is the borrowing that is agreed or approved by the Loan Council. They had not at this stage applied for a permanent, that is a medium term borrowing, and the matters had to be resolved when the total picture of Victoria was revealed in the so called Nicholls Report.
- MM:** Do you accept then that the result is that the figures in the Budget are inaccurate?
- PM:** No, I don't accept that whatsoever.
- MM:** Or incomplete surely?
- PM:** No, just understand this, that all Governments are entitled to approach the Loan Council and to make application for a change in their borrowings. Governments over the years have done this and they have been able to do it with all the appropriate confidentiality about giving them the flexibility they need to make change and put such arrangements into place. That was being done with Victoria and it was being done because changing the medium term debt arrangements and debt strategy of Victoria was a matter of substance, and Victorian officials gave Mr Dawkins to believe that they would make substantial progress in the State Budget. That took from June till August. When they didn't he wrote to them in very clear terms.
- MM:** Why didn't he go public?
- PM:** Because what is the point of going public?

- MM:** Because you went public in 1988, you made a big fuss about the Ahern Government when they exceeded their borrowing limits.
- PM:** I did not, no, that was totally different. Hang on, you've asked me, I'll tell you. What Mr Ahern said was we will flout the Commonwealth's global borrowings, I said no you won't, you do and we'll take it off you.
- MM:** And you thought the matter was so serious you'd introduce legislation.
- PM:** No, but this is totally a different thing, this is not a Government flouting at a Loan Council meeting saying to the Commonwealth they won't abide by arrangements, this is a Government which found their debt position overhauling them and was seeking a remedy.
- MM:** It's a de facto increase in borrowings, isn't it?
- PM:** We have accommodated a number of States over the years, I did as Treasurer, to change their borrowing arrangements. In fact this happened to me over the years with Mr Cain, and I told them that the nature of their borrowing arrangements were not satisfactory and they to change, and they took a while to put new instruments into place, new structures, and to do it. But the idea that we should do as now Mr Stockdale had done, blurt all this out in public and upset the financial markets and in part the exchange rate. What you're suggesting is we should have undertaken that course of action to do what?
- MM:** Prime Minister I'm suggesting this, all the documentation that the Treasurer has produced this week clearly shows that the Victorians were stone walling on information. Now what I suggest to you is why didn't Mr Dawkins, yourself, any other senior ministers go public with this? You weren't shy about going public on other issues with the Kirner Government.
- PM:** No, understand this, the point is not to go public, the point is to repair it. Now I know being constructive is not number one in the media's, certainly not the Canberra Press Gallery's first interest, their first interest is to get everything public; Governments have got a more serious agenda, they've actually got to get things fixed. And what we said here, let's get a medium term strategy in place, and in fact that strategy was not put into place and once the election was called there's no prospect of a caretaker government putting it into place. The Commonwealth has acted as always totally appropriately here, not just totally appropriately but again constructively, trying to get into place the proper borrowing arrangements to see that Victoria had a medium term debts scenario.
- MM:** If that's the case, then why is the NSW Premier John Fahey threatening to not come to any future Premiers meetings while Mr Dawkins remains Treasurer?

- PM:** You'll find that the Treasurer today has written in very strong terms to Mr Fahey saying that his statements were totally without any basis in fact, that his officials knew that everything he was saying was false and that the Treasurer will be doing a press conference right now upbraiding him and asking him for an apology.
- MM:** Did Mr Dawkins at least have a responsibility to warn other Loan Council members of what was going on?
- PM:** In the end this was published in the Nicholls Report.
- MM:** But that was September.
- PM:** In September.
- MM:** There's a gap from June to September.
- PM:** It's now October, so how come all you blood hounds didn't discover it? What do you want us to do, point it out to you? Please hawk it around the Press Gallery, saying notice this line, see if you can cause some trouble in the financial markets with it. Governments have got to be constructive and get things done and if the media is asleep at the wheel, if the people who watch Victorian finances, the Terry McCranns of this world and these other people are asleep at the wheel that's their problem.
- MM:** Does it point to the fact that the Loans Council is perhaps powerless to do anything about wayward States? Does it point out problems there?
- PM:** What Mr Fahey has done today, I don't quite know whether he really understands what he's done, in all the freedoms which I as Treasurer gave the States when they said we're mature, give us more freedom to run our own affairs, he's now asked us today for the Commonwealth to take those freedoms back, and say we are not mature, you'd better run it for us. Ok, we'll take them back. But I'm not sure other States will appreciate what Mr Fahey has done.
- MM:** Prime Minister, with another good inflation result this week, what are your concerns perhaps about the combined effects of the Victorian Budget with increased taxes there and the depreciation of the dollar? Won't that all eventually feed into inflation?
- PM:** It may have some effects, but whether they are muted or not depends on the whole price environment of Australia, an inflationary environment. But one thing is for sure, Liberal governments lift tax and cut wages and I need no further proof of that than to see what Mr Kennett has done this week. Dr Hewson has the same policy; lift tax with a GST of 15 per cent and cut wages.



- MM: Are you worried that what's happened in Victoria and the dollar will impede the recovery?
- PM: I'd certainly be worried that if there was a Federal Coalition Government which adds 6 to 7 percentage points to inflation so that the inflation rate will be nearly back at double digits, we would be in awful trouble, and there's no way the financial markets wouldn't take a very dim view of that. As it is, I'm happy to say this week Australia has the lowest inflation rate in the OECD and that means the world.
- MM: Isn't that in part due to the fact that there's not much going on in the economy?
- PM: No, it's mainly due to the fact that we have got inflationary expectations down and that the two big tax cuts under the Accord in 1988-89, 1989-90 stopped the blow out in wages and the boom and which gave us a very low base upon which to reduce inflation. Certainly in a stronger recovery there will be some more pressure on prices and the result would not be as low as we've seen this week, indeed the Treasurer said the underlying rate he thought was about 2.4 per cent - the best the Liberals could do would be 10.4.
- MM: Are you worried about the slide in the dollar?
- PM: I'm not here for open heart surgery about the exchange rate, interest rates.
- MM: No, but ...
- PM: I've come to do an interview, not stay two hours Maxine.
- MM: I understand that.
- PM: Thank you.
- MM: But I thought you'd give us a comment about that. Surely a dollar if it's held below 70 cents will threaten inflation.
- PM: The exchange rate moves up and down and it has over a period of time. Australia's fundamentals are these - we've got the lowest inflation rate in the OECD, we're very competitive, we've got a competitive wage structure and we're now growing as fast or faster than any other OECD country so we're starting to grow again and we're still containing inflation; these are pretty good signals.
- MM: Would the authorities though be happy to hold the dollar below 70 cents?
- PM: You can't ask me those questions, it's no good asking me rinky-dink questions about monetary matters.

**MM:** Alright, a couple of final questions Prime Minister, there are rumours around the markets again today that you may call a pre-Christmas poll.

**PM:** Everyone asks me about this don't they Maxine?

**MM:** Yes, they do and here we go again.

**PM:** And you can't be the exception to the rule. As I say, I think the public expect value from these Parliaments and they think they should go their full term, and that's a pretty good general rule.

**MM:** Just one other point, there's another poll next week in the US, if we are looking at a victory by Bill Clinton does that cause you any concerns in terms of trade policy?

**PM:** I think each administration of the United States is to be taken as you find them. The people who occupy high executive positions in government have all sorts of views, and you can't assume because in the event that Mr Clinton was elected that it being a Democratic party that it would necessarily be more protectionist and therefore less likely to make open trading arrangements or to keep them. A lot of this depends on everyone's personal experience, a product of Mr Clinton's generation will know that the great growth in world income came from international trade and that may be very well impressed upon his mind, one doesn't know. But again, before we jump to conclusions let's wait and see who wins.

**MM:** Indeed, Prime Minister thank you very much.

**PM:** Good Maxine.

**ENDS**