



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER THE HON P.J. KEATING, MP
JOINT PRESS CONFERENCE WITH THE HON DR C LAWRENCE, MLA,
PREMIER OF WESTERN AUSTRALIA, "INTO ASIA" TRADE AND
INVESTMENT CONFERENCE, PERTH, 17 NOVEMBER 1992**

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PM: ... I think it is a timely and very important thing for Western Australia to be doing. I had the privilege of meeting the Deputy Premier earlier this year when I was invited to open the Western Australian representative office and that continuity of interest in South-East Asia, Indonesia in particular, is I think a tremendously good thing for Western Australia to be doing and getting this focus on Australia's trade relations with the Asia-Pacific in a conference that is widely attended and I am very pleased to be part of it.

The other reason that the Premier and I are talking to you is to both remind young people of the offer which was constructed by the Commonwealth and the State at the Youth Summit in the middle of the year to take up employment opportunities for young people and now Treasurer John Dawkins announced the other day a set of arrangements whereby we can group labour market programs for larger employers and some employers have indicated they'll take up 1000 or 2000 younger people as a group, so we've put the labour market programs together and virtually packaged them as group programs even though there is a menu of programs within each package. So there is the prospect for up to 100,000 young people ... of six months training through an accredited TAFE course and then a labour market program via a wage subsidy at the end of the six months so that those young people can enhance their prospects of securing employment.

These things are funded, they are on offer, we've now made their adoption and adaptation easier through the changes announced by John Dawkins last week and there is at least the prospect of more than 10,000 young West Australians being able to avail themselves of these opportunities. We thought this was a good opportunity to just restate that and to say that we've made now the adoption of this menu of labour market programs far more practical for larger employers who are

likely to take 300, 500, 1000, 2000 rather than doing each one individually as a single stream which is slow and more cumbersome and is not going to have the desired effect of taking those young people 15 to 19 up and giving them a job where they have either dropped out of school or gone into the labour market and found they couldn't get a job. I'll leave my remarks at that, I'm not certain whether the Premier might want to say something to you.

CL: Thanks Paul. First of all welcome to Western Australia and we are delighted that you did take part in our "Into Asia" Convention because as you said it is very important for us, particularly given our proximity to the region to be the driving force, the leading edge in the Australian economy. Many of our companies are now moving very successfully in south-east Asia, particularly Indonesia and I'll be meeting today with the Governor of East Java as part of cementing the relationship we have there. This is all about trade, investment, employment so it's timely we are talking about the medium to long term improvements that we expect in our economy as we are talking about an offer to young people and I'm delighted that we are jointly urging employers and the youth in Western Australia to take advantage of the opportunities in labour market programs in training and in employment opportunities. As the Prime Minister has said in the past some of these programs we rather difficult for employers to get access to, they didn't necessarily suit the variety of needs that they had in a simple and we've certainly been urging through our projects for youth that that link between the employer needs and the young people in need of training and employment in the community be strengthened and made simpler. So this is very much the spirit of this announcement and the 12,000 or so young people in Western Australia looking for employment I'm sure, will be pleased as they are informed, better able to take part in this program as the economy improves and those longer term prospects which we believe are very substantially ... in Australia are realised.

PM: Thank you Carmen, we might just now invite questions.

J: Prime Minister, getting back to the main issue which is the future, it appears that President Soeharto may be visiting Australia next year. Are you confident that such a visit could be conducted without any embarrassment or security problems ...

PM: Some people do have strong feelings about it, they have legitimate feelings about it, but that does not nullify the basis of friendship and the neighbourly association which Australia and Indonesia share with one another and I would be very disappointed to think that the Indonesian President - what's implied by your question I think that the Indonesian President may be persuaded from visiting Australia because of the prospect of somebody expressing themselves against him. I said today and I will repeat for you that one of the most strategically important things that happened to Australia in the post-War years was the election of President Soeharto's new order government. It's brought to this region exceptional stability, peace, the government has held together the vast Indonesian archipelago and from that very benign climate we've been able to get on with our lives in

Australia and develop ourselves without having a strategic problem overhanging us. I said this in April and I thought it was time that that was said and we recognised the truth of our strategic relations and associations with Indonesia not with standing the fact that we've had disagreements about Timor. So I should very much like to see President Soeharto visit Australia and I can only say that the work the Premier is doing with the Governor of East Java who is himself a significant person in the leadership of Indonesia, if anything smooths the way for a Presidential visit at some point in the future.

J: Prime Minister, some of the latest polls I understand show a lack of support for the GST, is this something that didn't surprise your shift ...

PM: No, I just say how discerning people are, that's the point I'd make about that because this is a shift of course, in the strategic discussion in Indonesia, but the GST is nothing more than a crude tax switch - crude by virtue of the fact that the people paying the tax will not get the benefits of it. That is, they will be grossly under compensated and it's therefore inequitable and unfair as well as being inflationary and given the fact that we've now got the second lowest tax-to-GDP in the OECD group of nations and have got a relatively small public sector, it seems to me we just don't need a new base in consumption, in expenditure, in the tax system, that our direct side income tax system is working very, very nicely - it is very tight, we've got good tax administration, we brought the marginal rates of tax down, the overall tax-to-GDP is low. Why do we need another tax base and why do we need it when it's going to blow our inflation rate to pieces, but particularly put a very big burden on families, all Australians, and change the way in which this country really functions. It would lead to a change in the way in which the Australian society works, it's a very large impost, it's over half the collection of the income tax, we collect \$50 billion from the income tax, a GST raises \$27 billion - it's over half the income tax, not 15 per cent of the income tax, it's half the income tax and that's why it is so pernicious.

J: ... (inaudible)

PM: Because in those days, we didn't have a crude switch in mind and then the direct side tax system was haemorrhaging to pieces. We had criminal evasion schemes of the late 70s, the bottom-of-the-harbour schemes. We had no capital gains taxation, no taxation of fringe benefits, high effective marginal rates of tax which have been avoided. The taxation policy advice then was: look, this is almost incapable of repair. It's been left go so long by the Liberals, it's incapable of repair - let's try and tax it where the people spend it. Now, when we couldn't guarantee the appropriate wage discounts to deal with the inflationary effect of a GST in the middle 80s, we abandoned it. We were not going to be in macro-economic vandalism to just push ahead with a proposal we knew would wreck the national inflation rate, so we abandoned it. But having abandoned it, I then spent the next 5 years developing a proper direct tax system - taxing capital gains, taxing fringe benefits, tightening up all the loopholes. So, now we don't need a GST.

J: (inaudible)

PM: Well, I think the proof of the pudding is in the eating. We've given people the benefit of higher tax collections by lower rates of tax. The top rate of 60% cent is now 47%. The corporate rate was 49% it's now 39%. The bottom rate of tax when I became Treasurer was 30%, it's now 20%. So, you've got to say: why? What's happened to John Hewson is he's come along a decade too late with this idea.

J: The principle is still the same: taking from the poor and give to rich, as you say?

PM: Well, that's not what we were proposing. We had over-compensations for all the categories of social security recipients and also for low to middle income taxpayers. In other words, we were putting the proceeds back by way of huge cuts in income tax. John Hewson's putting the proceeds to remove payroll tax and cut the price of petrol. In other words, it's a different group of beneficiaries from the people paying it.

J: (inaudible)

PM: Well, just a second. In the middle 80s, the people paying it were also the beneficiaries. This is not true now. Under the Hewson proposal, the people paying it ...

J: ... buy petrol though when it comes to cars?

PM: Well, that's the point: why worry about reducing the price of petrol when petrol - by world standards - is already cheap?

J: ... passed it in the Senate ...?

PM: Because if a political Party in this country campaigns on the need for such a basic switch of the taxation system and the community supports that, open-eyed, understanding what the issues are, on what basis would any political grouping in the Senate refuse the passage of it?

J: The ruckus over your signing of a couple of \$5 notes yesterday? Are we going to hear more of this?

PM: Well, the silly season has got away to an early start.

J: You don't think it might ...?

PM: I don't know. Look, everyone in the political system signs bank notes, they have for a long time. In fact, I appointed the two people who signed the notes.

J: (inaudible)

PM: I doubt it very much. Certainly, I had no intention whatsoever to deface a note, can I say, the person who asked me - but to enhance it - by signing it as Prime Minister.

J: So you're saying that's not defacing the note, Prime Minister?

PM: No, I don't think it is. No, certainly not.

J: Do you expect to be prosecuted?

PM: I shouldn't think not, no.

J: Do you think its value is now worth more than \$5.00?

PM: Well, ask the owner.

J: So, are you saying it's okay for the Prime Minister to sign?

PM: Oh, come on. You've got more to talk about than signing bank notes, haven't you?

J: Prime Minister, how effective is Austrade in the push for developing markets in Asia, bearing in mind that they're not even represented at this Conference?

PM: Well, I don't think one can conclude, as important as this Conference is, that whether Austrade is a participant or a sponsor, invalidates its work. Austrade, I think, has been a very profound administrative and structural change to Australia's trade initiatives. From the old Trade Commissioner service of the '70s to something which is now really going out there trying to identify opportunities, and put companies together, and really do very good things. I have only heard praise for Austrade abroad. The last time which was my recent visit to Japan where we've opened four Consulates this year. One was in Nagoya, where Austrade was involved. I'd just say that Australia's presence abroad is enhanced by Austrade's initiatives.

J: Premier Lawrence, with the election ruled out for this year, do you have preference on who would go first Federally or State next year?

CL: Well, I think both of us agree that the timing of the election State or Federally are a matter for each sphere of Government, and for the Party, and we'll make the decision on it. I certainly will at the time - that it's appropriate for Western Australia, which as I've said, for those of you who are not usually members of this audience, is sometime in the first quarter of 1993.

J: Would you be guiding the preference of the Prime Minister?

CL: No.

J: (inaudible)

CL: Not in the sense of us going first, or the Federal Government going first. It's always been clear that it's a matter for each sphere of Government to decide.

J: Prime Minister, John Ralph has suggested there maybe another drop in interest rates in relation to poor demand? Can you shed any more light on that?

PM: No. I was in Queensland yesterday, I didn't hear what John had to say about that at all, but the stance of monetary policy hasn't changed. What has been governing our monetary policy of late is the underlying inflation rate, but that has come down. Although, what's

called the underlying rate itself, is a little higher than the statistical rate, and I think that's what a lot of people in the market look at. So, unless that dramatically changed, I don't see a change in the stance of monetary policy.

J: Premier, will you be inviting the Prime Minister to be a part of the State election campaign?

CL: Well, the Prime Minister is here in Western Australia now at our invitation because we think it is very important that - particularly in areas such as trade and investment and a thrust into Asia - that he gives his endorsement, something he already has to such an important initiative. As far as I'm concerned the Federal Government has very important matters to put before the people of Western Australia. They'll obviously do so at a time that suits them, but certainly there is no suggestion that we wouldn't want to hear the Federal Government's proposals on taxation, for instance - as opposed to the GST - on industrial relations as opposed to the very firm endorsement that Mr Hewson has given last night of the Kennett regime in Victoria. We think it's important that Western Australians understand that, and we're certainly keen for the Prime Minister and other Ministers to get that message across to Western Australians contemplating voting in the Federal election and the State election.

J: So, is that a yes or a no?

CL: I think it's a very clear yes, isn't it?

J: Mr Kennett's actions, and the endorsement federally ...?

PM: Mr Kennett? Look, I've got no doubt that Dr Hewson has - let's, put it this way - that Mr Kennett is doing what Mr Howard said he was doing, and that was giving us an early run on the Coalition's policy. And for a couple of weeks, the Federal Liberals - Dr Hewson and Mr Howard - were dissembling, shuffling, moving backwards, moving away from Mr Kennett. But now they've decided that's impossible, they may as well embrace it. Well, they were always embracing it, and I think what we do see in Victoria is what you'll see in Australia under a Coalition - that is, that the whole notion of cooperative wage bargaining, of searching for productivity by more clever, the more clever management of businesses and their operation, will be swept away in legislation changes, where wages and conditions of employment are basically knocked over by legislation. That is, the award system is taken away, there is no legal protection for employees, only the protection of the common law, which to all intents and purposes, most ordinary people can't avail themselves of, they can't hire Q.C's. There is no point in sitting in a lift for 2 years waiting to have your case heard when the proper industrial tribunal of this country - the unique industrial tribunal of this country - have been abandoned. So, at least, as the Premier said, whenever elections are held in this country at least we now know with the Liberals what they stand for. That means higher taxes and lower wages. Higher taxes through a consumption tax and lower wages through reductions of rates of pay and conditions of employment. We're seeing yesterday Dr Hewson simply confirming that point.

J: Last week we recorded an increase in unemployment to 11.6%. Do you think that strange to believe your claim that the recession is over?

PM: Well, there was also quite strong employment growth for the month - 26,000, the economy is growing. So no economy that is growing is in recession, but we're still living with the effects of recession, and part of the effect is, of course, higher productivity which means more output for fewer people. We're living through a surge in productivity, that is, companies have stripped down to be more efficient. But in being more efficient they're getting the same output or more output but with fewer people. So it means that this stage in the cycle when we would be expecting the growth coming through to be reflected in the employment growth - it's not being fully reflected in the employment growth because we're living through a particularly high bout of productivity. But as the growth continues, obviously the employment will be taken up, but it's going to be taken up later rather than earlier.

J: But when it comes to voters, they don't understand that. They only know they haven't got a job?

PM: No, no. That's true, I understand that. But let's at least make the message clear. The economy is clearly in a recovery phase and the positive employment growth - the 26,000 who got jobs last month - know that, even though we are not keeping up with workforce growth. That is, workforce growth is ahead of employment growth and therefore unemployment has risen. We have very high participation rates, very high, and that's because people have reasonably - after the 80s experience - come to expect that after the huge job growth of the 80s you could go looking for a job and find one.

J: ... those problems outstripping your solutions?

PM: No, well. Well, I wouldn't be too pessimistic about Australia's prospects. We're now growing faster than any other comparable OECD economy, we've got fiscal policy in an expansionary phase, we've got low interest rates. Our colleagues in the Opposition want to cut \$7 billion out of the deficit - that's nearly 2% of GDP which will just push us straight back into a recession. And they want to put a 15% tax on everything we consume. As other commentators have made clear this week, most notably Ross Gittins yesterday in *The Sydney Morning Herald*, this could be nothing but contractionary, nothing but contractionary. So there's a very clear offer on the part of - a very clear differentiation on the part of the Parties. We're saying, let's expand fiscal policy and have low interest rates to promote a recovery. Dr Hewson is saying let's contract fiscal policy and see interest rates rise as the labour market, as industrial relations changes. I'm saying the Federal Liberal solution is no solution to a recovery, the only prospect of a recovery in this country is with the Labor Party, with the Government.

J: Can the export incentives your Government provides further the export growth that we need?

PM: Well, we've just had a very large depreciation of the exchange rate. The Premier and I were just talking about it earlier. We're now down 20-odd percent against the Yen, I think we're about 20% against the Deutschmark. On the trade weight, if my memory serves me correctly about 12% or 13%. This is a large depreciation which will be very promoting of Australian product.

J: (inaudible)

PM: Well, I gave you the figures inside today. We're now exporting 23% of all we produce, nearly a quarter of everything that's produced in this country is now exported. In 1983 that was 14%.

J: But we do need to keep that sort of growth going?

PM: We have to keep it growing and that's why I congratulate the Premier on this initiative. You see there's no better way of keeping it going than to keep opening up the market opportunities in the fastest growing part of the world - and that's the Asia-Pacific. So if we can maximise those opportunities given the fact that we've already made the big jump to exports in the 80s - just imagine where we'd be now if we were exporting 9% of GDP less than we are? In other words if we were exporting what it was under Howard and Hewson in 1982/83 we'd be finished, absolutely done for, unable to pay for our imports, comatose. As it is now, we're now exporting nearly a quarter of everything that we produce, and it's rising. The fastest growing component of it is manufactured goods and services.

J: ... pretty encouraging results in the polls ... here in the West. How big and ... turn things around though?

PM: Well it's not explicable. It's not easy to explain how the same transmission of national issues is in some way not succeeding in Western Australia. I think it's to do with the predominance of State issues in the West Australian media in the main. But again it's one of these things which time alone will cure.

J: Well, would you have a personal preference ...?

PM: Oh well, you can't. When you ask silly leading questions, you get silly answers. I won't give you one because I can't be bothered.

J: Do you concede though that you've got a pretty tough job ahead of you?

PM: Yes, but in national terms we've got three out of four polls putting us in front. No, three or four out of four putting us in front of the Coalition, and that's because - I mean you've got to believe this: if you cut \$7 billion out of the Commonwealth Budget deficit, the economy will go backwards. If you put a 15% GST on all food, clothing and services in the economy, the economy will go backwards. And if industrial relations blows the wages system out of the water, inflation will rise and interest rates will rise with it and the economy will go backwards again. So, while the Liberals may lament their circumstances, their policy prescriptions will drive the economy back into recession. Now they reject our policy prescription, but ours was endorsed by the OECD last week. The OECD secretariat was urging OECD member States to adopt an expansionary fiscal policy. They were urging that: to adopt an expansionary fiscal policy. Japan's just done it, we've done it, but the Federal Liberal Party says: oh no, no, what we've got to do is go back to Thatcherite policies and pre-Reagan and the rest. Go back to contractionary policies. Well I just say to Western Australians, it's poison. If it happens, the economy will stay recessed, it will go back into recession.

J: Given that WA was ... in the last Federal poll, would you be doing anything special over here?

PM: Well, I'll be coming here routinely as I have been and taking the opportunities. No better or nicer one today than to be talking about WA's prospects. The great macroeconomic changes of the 80s, the floating of the exchange rate, the competitiveness of the dollar, the low inflation, the lower interest rates, the lower unit labour costs are just bountiful for a State like WA which is selling into the world markets with agriculture, principally agriculture, minerals and international services like tourism. In other words the whole macroeconomic policy is set up for the primary exporting States, so WA is going to pick up always that benefit of national policy.

J: But do you think the voters here though are going to see a clear distinction between State and Federal issues?

PM: I think the Premier is entitled to campaign on the policies which better relate to WA, in terms of those which are contained in the purview of the States, in the administration of the State, in relation to the community. And obviously there are a different set of issues than the Commonwealth issues.

J: ... State health ... must be a bit of a worry that they are lacking if you're so concerned about the Federal health budget?

PM: Look, I don't think it's a worry. I think all State Ministers are naturally concerned about their area of responsibility. But our aim is to make Medicare more than a health insurance system, to make it a whole total health system. That is, to enhance public patient access for public hospitals.

J: (inaudible)

PM: Well, you did share a platform with the Commonwealth Minister for Health a few weeks earlier, and I'm quite sure that in the arrangements that will be settled between the Commonwealth and the State of WA that WA will be advantaged. That advantage will flow most particularly to an enhanced position for public patients in public hospitals and particularly for the aged - who are worried about elective surgery and the need for it like hip replacements and the rest, without needing to carry the crippling burden of private insurance.

J: Aren't you worried that WA will see you ...? You talk about the Coalition's economic poison when actually you've got a mouthful of your own?

PM: Well, we've had

CL: I want to know who writes his questions.

PM: I know, he's a real charmer isn't he? The thing is, obviously it's going to be a long way from here to the Canberra Press Gallery for you - many stations along the way. Let me just make a couple of basic points for you. There were 6 million people in the workforce when I became Treasurer, there's today nearly 8 million. So there's 2 million Australians, or just on 1.6 million Australians who have a job because of the policies of this Government. New Zealand, which we're often compared with particularly by our Federal colleagues, have fewer people in work today than they had in 1983. In other words the

workforce in New Zealand is smaller today than it was in 1983. Now, if one looks at it beyond employment, to look at the thing that's hardest to provide to any country and that is a future, a solid future, this is what the Commonwealth and State Labor Governments together have done through the 80s.

J: You're not worried about ...?

PM: Well, it's absurd, absurd. We're now in a position where the Premier can hold a conference in WA about trade with the Asia/Pacific. Could you imagine that being held here in 1982? Would anyone have turned up? Would anyone have believed that the great growth prospects of Australian in the Asia/Pacific area would have been as they are now? With nearly 25% of all we produce going to exports? Where the great primary exporting States have been preferred by national policy with tariff cuts, with a floating exchange rate, with a proper set of market mechanisms? They are the things that West Australians need to consider. If they need to consider their prospects in the 1990s and say: which Party has given them an opportunity to share in the Asia/Pacific, to guarantee long employment and higher incomes - it's only the Labor Party.

J: Much of Australia ... 1 million unemployed?

PM: Well, you're obviously in a contest with him. I'm not sure which one of you should win it. Well, the fact of the matter is to ask the 2 million who've got a job since 1983. Sure, I would very much like to see a higher level of employment. Remember this: the Federal Liberal Party left me as Treasurer in 1983 with 700,000 people out of work, 700,000. At its lowest by the late 80s and early 90s, it got down to just over 500,000. So we, in a structural sense, we've always had right through the last decade 500,000 people or more out of work. It's a matter of profound regret to me that another 400,000 to 500,000 have been added to that. It's a matter of pride to me that another 2 million or so have been added to the workforce. So, it's a case of we've always been dedicated to employment growth and we need to get back to it. But I remember press conferences here and elsewhere in the late 1980s and when I said: we've had 120,000 job growth this month, 160,000 last month, 119,000 the month before -and you said: yeah, yeah, yeah Treasurer, but what about the current account deficit and inflation? Well, no-one's now saying yeah, yeah, yeah about unemployment, and it's good you might. But you should have been consistently interested in unemployment right through the 80s which most of you, of course, were not - but the Government was. That's why there's that extra growth in the labour market. We remained interested in the whole matrix of policy: employment growth, the current account deficit, inflation - all that's predicated on growing Australia as a mature economy. We're now doing that via the sort of things the Premier is involved with today and yesterday: that is, really engaging with the Asia/Pacific as we've never engaged before, where we have only paid lip service to our engagement with the area. We are now truly part of the area and taking part in the fastest growing region of the world. That's what's going to underpin higher incomes and higher employment. It's not going to be the notion of taxing your food and your clothing and believing that a change to payroll tax and petrol tax is going to re-make Australia - you would have to believe in fairies in the bottom of the garden to believe in that. This is the only way of doing it the right way.

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