



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER THE HON P.J. KEATING, MP
JOINT PRESS CONFERENCE WITH SENATOR THE HON PETER COOK,
MINISTER FOR INDUSTRIAL RELATIONS, CANBERRA, 2 DECEMBER 1992**

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PM: All right we might make a start. Over the last couple of months, the last eight weeks or so the Commonwealth Government has become increasingly concerned about the threat to recovery in Victoria, which is about thirty per cent of the national economy, which has been occasioned by the industrial relations policies of the Kennett Government which is, of course, running on the agenda of the Hewson lead Opposition in Canberra. This is not just a threat to the recovery, but indeed to social cohesion in Victoria and which has put at risk the operation of the flexible structure of enterprise bargaining which the Commonwealth Government has put in place and where just now in the space of six months we've seen over 550 enterprise agreements negotiated for higher remuneration and better productivity without rancour and which is the key to Australia's productivity advance.

The Government has always taken the view that successful economics have a value system of co-operation and one where reform and competition takes place within that co-operative framework. This has been abandoned by the Liberal party in Victoria and by the Federal Opposition. Instead they prefer the old master and servant relationship and are now relying upon and will rely upon the master and servant provisions of the common law. One should have thought that in the latter part of the twentieth century Premier Kennett and his Liberal party colleagues would have understood that the mature relationship which exists in industrial Australia today could no longer return to the master and servant relationship.

The simple point is that social and industrial unrest puts recovery at risk so the Commonwealth decided to legislate in a way which we think should end wide spread industrial action in Victoria which has been in some respects crippling to the Victorian economy and of course, may be in the future. But it does protect people and will protect people from being forced onto individual contracts. The Commonwealth legislation is to provide for coverage under federal awards

administered by the Australian Industrial Relations Commission for groups of employees, organisers and unions in Victoria who wish to make such a transformation. And under the Commonwealth's foreign affairs power, the Commonwealth will legislate to give the Commission power to set minimum wages, equal pay and termination of employment in the state of Victoria for groups who don't enjoy particular federal award coverage and this legislation under that head of power will come from the ILO conventions which have already been ratified and ones that will be ratified in the future.

So the end result is I think, there will be a choice for Victorian employees - they can as groups seek registration under federal awards, but the legislation will apply only where no industrial and arbitral structure exists and of course as Victorian tends in its legislation to see the cessation of the operation of all awards in March of this year, that condition will obtain in Victoria. That is there will be no arbitral structure and therefore access to the federal award will take place under this legislation. The end result should be as I said, in wide spread industrial disputation this is a remedy for that, people do have recourse, not just to individual common law master and servant contracts. This is not to say that in relation to the Kennett government's changes in respect to hospitals or schools one won't see it localised in sporadic industrial disputation around redundancy and these other issues. But in terms of widespread industrial disputation this gives the employees and the public of Victoria protections which the Kennett government wishes to take from them. Now I'll invite my colleague the Minister for Industrial Relations, Peter Cook to add some remarks to mine.

PC: Thanks Paul. I think the Prime Minister has actually explained it quite clearly. The point is that we believe and stand by fair and independently determined awards as governing and protecting basic and minimum employment conditions. Awards arrived at by free arbitration where necessary. By contrast our political opponents and the Kennett government support individual employment contracts and the choice which Mr Howard and Mr Hewson have often talked about - the choice is now clear. People can opt for awards, guaranteed proper minimums independently determined or they can opt for Mr Kennett's individual employment contract and I don't think there's much doubt what people will choose, they'll choose the protection of the tried and true, almost century long system we have in this country.

In addition we will be as the Prime Minister has said, legislating minimum protections in minimum wages, equal pay and protections against unfair dismissals or victimisation at the point of termination of employment and provisions that will allow redundancy. The external affairs power will be the head of power we use, ILO conventions will be the means of establishing the treaty relationship.

J: Without the co-operation of the Victorian employers, I mean it is all very well for the unions to say well, yes we'd like the federal award, we'll have that. What happens if the employers resist particularly if it's a State government?

- PC:** A lot of employers don't want the Kennett style industrial relations, they don't want to break the harmony that has been created under us. As you know Victoria's industrial disputation is off the bottom of the ABS graph and employers want to continue that co-operative relationship we have generated. So a number of employers will want to co-operate with unions and workers to shift state awards to federal jurisdiction. But if there is a dispute, that is a paper dispute, an argument and an employer wishes to remain within the Kennett system, then the matter is heard by the federal Industrial Relations Commission and because there will be in Victoria no independent access to arbitration that will be one of the guidelines we will encode in our legislation which will enable the federal commission to make a decision in those circumstances to facilitate the transfer of the state award and turn it from a state award to a federal award.
- J:** Does this also apply to Victorian state public servants?
- PC:** Victorian state public servants are subject to an appeal that has gone to the High Court, that was taken and argued in June and you will recall at that time there was a negotiation on about awards for the state public service. The NSW government and the Kennett opposition opposed that and the federal court upheld that, it's on appeal at the High Court; we are waiting a decision on that. I would expect the decision will be that the award could stand and if I'm right about that expectation then state public servants under the first thing that we are doing here will be able to transfer their state award to the federal area. Under the second thing we are doing here, the minimum payments provision, they'll be able to do that anyway as soon as we get that legislation through.
- J:** How can it be that you can widen the determination of minimum wages for the Commission in a way that doesn't affect the power of other state tribunals other than Victoria?
- PC:** The distinguishing feature about Victoria is that in the past, like every other state, they had an arbitration system to which if there was a dispute a party could go and have the other party called before the Commission and have the dispute settled. What Kennett has done is remove that right. You can't get to the Commission in Victoria unless both parties agree. So if the party that is exploiting the other party doesn't agree to call on the umpire you can't get before the judge. That means there is an end in Victoria of compulsory arbitration. Now where that has occurred by the actions of the state government then the federal Commission will facilitate upon application by unions or employers, the transfer of the state award to the federal jurisdiction.
- J:** Prime Minister, when will this legislation of yours be introduced in the House?
- PM:** As soon as we are able to get it in. As soon as we are able to bring it in.

- J:** You have to anticipate the High Court challenges to the use of external affairs powers?
- PM:** We are not necessarily anticipating it, but we are confident about our position on the matter. There has been other principal acts of the Commonwealth held to be valid by the High Court under the foreign affairs head of power and we think given the fact that the ILO conventions are conventions entered into by employers, employees and governments for minima, mostly in countries that don't have jurisdictions as we have, that seeking to have them apply in this country would be very much, not only doing in the letter and spirit which the Parliament has ratified, but in doing it, doing it in accordance with an international convention.
- PC:** Can I just say this, what does it tell you about a government if it be the Kennett government that you have in mind or if it is John Howard, if it's he that you have in mind, what does it tell you about them and their proposal? They want to block access to Australian workers to independently determine fair minimum wages, equal pay, prevention of victimisation at the point of termination, or redundancy.
- J:** You say you are considering legislation for other standards including annual leave and maternity/parental and hours of work, would that be legislation based in the Commonwealth's external affairs power?
- PC:** Yes, there are ILO conventions upon which we can base legislation for annual leave, parental leave, hours of work, those conventions are there. The priorities however are to guarantee protection of minimum wages, equal pay and a prevention against victimisation at the point of termination of employment and to guarantee reasonable redundancy rights in the event of being terminated.
- J:** To what extent are you actually creating a precedent for the Opposition by a use of the external affairs power if it wants to use some of the Commonwealth's powers like this for its own legislation if it wins office?
- PC:** John Howard said he won't use the external affairs power.
- PM:** He made that explicit today in a press statement.
- J:** ... you are sort of changing the deal if you like before he comes into office.
- PC:** But let's get it clear the field that we are changing to. As the Prime Minister said a moment ago the ILO is the labour agency for the United Nations and like the World Health Organisation makes standard international proclamations on health standards, the ILO makes them on labour standards and when they adopt them, they adopt them in a plenary in which they are voted for by workers, governments and employers and they have to be carried to be then presented to governments and those standards have been adopted in the case of minimum wages and in the case of equal pay by all Australian's states and the Commonwealth. In a case of

termination as the Prime Minister said, we will now adopt that convention. These are international minimum labour standards and is someone going to tell us that these don't apply to Australia when the world expects them to apply to countries all over the globe.

- J:** When this goes into the High Court it will mean months maybe years of uncertainty and it certainly will mean that you'll go to a federal election not knowing the validity or legality of this legislation doesn't it?
- PM:** But there will still be access to it. There will still be access even were there to be a challenge, just because the legislation may be challenged doesn't mean to say it won't be operative until a judgement is made.
- J:** Will you be separating federal award changes from the ILO base changes or will you be wrapping it up in one legislative package?
- PC:** No, we will be able to move on the changes to the Federal Act immediately on facilitating the transfer of State awards to Commonwealth jurisdiction and we'll do that by using an omnibus bill that is now in the Senate on industrial relations by adding in a few clauses and I would expect that would go through immediately and be able to dealt with in the House when it comes back. As far as the other changes are concerned we'll need to develop new bills for that and as the Prime Minister has said we'll do that as soon as we can.
- J:** Do you have assurances from the ACTU that this will mean the end of industrial disputation?
- PM:** It's not a matter of assurances and it is not the ACTU that is in a position to provide them, it is that the core of the problem is that the arbitral tribunal process is to be suspended, all intentions, purposes in Victoria and awards cancelled as of the 31 March 1993. That is the basis of this widespread industrial disputation, these measures give the people affected by those changes an alternative, and one I think can reasonably assume, therefore, that the widespread disputation or demonstrations mounted as an appeal to the Kennett Government, in respect to the legislation, those people will reasonably regard this as of sufficient quality as a remedy to deal with their perceived injustice.
- J:** In other words you are giving the trade union movement the capacity to back-off a damaging industrial campaign which would also hurt your Government by giving them breathing space and an alternative?
- PM:** No. What we are doing is giving the employees of Victoria the right not to be pushed into common law, master and servant contracts, 600,000 individual contracts. The Liberal Party says they are interested in choice, well now organisations of employees have got a choice.

- J: Are you saying it is important that the unions now don't continue that campaign of industrial action?
- PM: That is a matter for them. Our problem with all of this is the disruption which it is causing to Victoria and to confidence in Victoria. As I say in the press statement I think we are starting to see that in the classified job advertisements which have fallen in the Age Newspaper, DEETs indicators of skilled job vacancies released yesterday show rises for all other States, but no movement in Victoria. Victoria is a large part of the national economy, it has been recovering, we want it to continue.
- PC: Can I just support that by saying this - to give you an example of what we mean - nurses in Victoria today are taking industrial action in protest of the fact that because they are shift workers and lose weekend penalty rates, their salary is reduced by 25 per cent. What is the response of the Victorian Health Minister? On public radio today she said that they will be offering, I think, 2,500 redundancies among health workers. There can't be any guarantee that the Victorian Government which appears to be off the rails won't go further off the rails and provoke, in various sectors of public employment, particular industrial disputes.
- J: Mr Keating, have you or Senator Cook had talks about this with Mr Kelty and Mr Halfpenny, and what has been the response?
- PM: Senator Cook and I have had talks with the ACTU about some of the principles. I have not spoken to Mr Halfpenny about it, I don't think Senator Cook has.
- J: What has been their response to that?
- PM: Well I think they would regard this as an appropriate legislative remedy by the Commonwealth to this provocation in Victoria and giving effect to a set of conventions which the Commonwealth has ratified and which now an appropriate national circumstances can be used, in terms of their reflection in legislation. The ACTU has been a party to the disputation in Victoria and the cause is the central cause, the fact that 600,000 Victorians are going to be pushed onto common law contracts. So, you take the contract or you take the sack.
- J: Is it hypocritical to be now relying on ILO minimum standards when the ILO has found that your own union rationalisation program breaches freedom of association?
- PC: No it's not. But I am glad you raised that point, we will enter it on Friday in a discussion with the employers and the unions about repealing our minimum size of unions decision. So, we conform with the ILO.
- J: It's a bit late now isn't it, it's already had an effect?

- PC:** No, no it is not a bit late now. When we introduced that it was a reasonable thing against all of the jurisprudence of ILO previous decisions to do. But they have found that way now and we have said, we are good corporate citizens, we will abide by ILO decisions and that will be something that I will talk to the employers about on Friday with the unions. But the point that I think I should also make is the significance of the ILO and its conventions and decisions. That's an application the employers made which indicates the employers accept the sovereignty and authority of the ILO. Therefore, when we encode in Australian law ILO conventions which have been adopted tripartitely at international conventions we would expect that they would be consistent and accept those standards.
- J:** Can you guarantee to have the safety net legislation passed before an election is called?
- PM:** We are going to pass it as quickly as we can pass it.
- J:** Will that be before the election?
- PM:** Well as quickly as we can pass it. It is as simple as that. Don't ask me tricky questions about the election timing please. But we will introduce some of it in the Senate and pass the balance in the House, or where we need to legislate directly we will introduce it properly in the first place in the House of Representatives. There is no cause why it shouldn't be passed by Christmas.
- J:** Is there a risk that business and international investors might see this as a signal that the Federal Government doesn't believe that there is a case for speeding the pace of reform in the labour market?
- PM:** We don't regard this as reform. We don't regard Kennett's obscurantism reform. We regard it as a trip down the time tunnel to the 19th century, to the master and servant structure which is a disruptive, confrontationalist, non-cooperative structure. So, if you go and ask the markets, ask the markets what they think of the cooperative environment of Japan, of the cooperative environment of many successful countries. This is the antithesis of cooperation, this is not microeconomic reform, this is not labour market flexibility without rancour, where there is an inducement to higher productivity and higher remuneration. I noticed a day or so ago, the statistician produced the profit results, company profits before tax, they are rising again back near the peak, back up to the peak, towards the peak of 1988-89, which was way above the '60s historical golden mean. Where they are now must be near the '60s average. So what is Mr Kennett saying? That wages are too low, and this is before there is any volume on the bottom line, as the recovery strengthens and we start to see volume, when overheads have already been covered, the profitability will go straight to the bottom line and that profit share will jump inordinately. What are they saying? What is the Liberal Party

saying? That wages are too low, that the profit share above the '60s golden mean is not enough, because that's all they are about, they are about depressing wages. As we have said often in the Parliament, Senator Cook and myself, the industrial agreements the Governments introduced gives all the flexibility in the world, except flexibility downwards, the one thing that John Howard, John Hewson and Jeff Kennett want is lower remuneration for Australian workers. That means a profit share higher than that which we have experienced or are experiencing. Is this reasonable? Answer, no.

J: Mr Keating, the statement says that the legislation isn't designed to create new national standards, but to what extent does this greater power for the arbitration for the Industrial Relations Commission, even if it is only for those people not subject to a State jurisdiction, still going to create a national standard or a national floor under minimum wages?

PM: There is a national floor now, there is a floor now in minimum rates, but these are having less to do with pay rates. Pay rates are being negotiated under industrial agreements where the productivity is being shared between the employer and the employee. What this provides is the extension of the Federal power of the arbitration commission to make awards, in respect of minima, for those organisations which seek that coverage and for other employees who seek to have a minima established. This provides that coverage. But again, we are talking about minimas which are below, mostly, the actual paid rates of the country. But again it all gets back. What do these people want, a profit share which is at such levels beyond any historic experience? If you ask the Kennett Government what do they want, I don't think they know. What is the point of this, to push the profit share to such levels that we have never seen? Australia is a very competitive country as compared with other countries in respect of wage rates. The share of national income going to wages in this country is very competitive with comparable countries. What do they want?

J: The Government has all but wrapped up its wage deal with the public sector now, when will we see the completed ... negotiations, and can you hope to have that wrapped up by Christmas as well?

PM: What we do in the next phase of our industrial transition is something the Government is still thinking about and I couldn't give you any timetabling about when.

J: You would like to have that finished before the election?

PM: It depends what we would be seeking to finalise.

J: Should you presumably be thinking about as the Treasurer indicated yesterday, about how you would stop a second round effect on inflation from depreciation. Is that one of the factors that you will be looking at, and would it mean that you

would be looking for some sort of wage deal stretching over, say, a two year period?

PM: Well I thought you were all telling me yesterday the column is faltering. How are people going to collect high price increases in a so-called faltering economy? Or don't you really believe that?

J: The Treasurer also suggested that the economy is about to take off. So based on what he is saying, presumably you will be wanting to look at locking in low inflation?

PM: Productivity at the moment, I think the national accounts was running in the market sector at about 3 per cent in the year to September, 3 per cent. So, there is a huge productivity surge in there which is going to go a long way in maintaining inflation. And the fact that the economy is growing, but modestly, means that the tear-away notion of price taking from higher import prices is I think remote.

J: But you are also saying minimum wages are a very important part of your platform, Mr Keating, that you want to protect low paid workers. So, it is fairly important, isn't it, that you find some mechanism for protecting those low paid workers but also locking in inflation, if you have any economic adjustment?

PM: Laura (Tingle), we do have an inflation rate of .7 per cent.

J: Mr Fraser and Mr Dawkins have both indicated that it is likely to rise because of depreciation.

PM: Well there will be some impact from the dollar, but look at the enormous ramrod effect the depreciation is going to have for growth and activity in the economy.

PC: See, trimmed labour productivity in the market sector over the last 12 months was 3.6 per cent, that is not bad in terms of productivity performance in the OECD group.

J: Senator Cook, you said soon after the election of Kennett that there was already an adequate process for workers wanting to switch to federal coverage. Why is that process now inadequate?

PC: I don't think it was inadequate, but I don't see any reason why it shouldn't be made more adequate. If I can explain that, the avenue existed but the principles incoded in the act didn't take account of someone doing what Jeff Kennett did, so we are just making the act take account of that and provide the avenue more easily and swinging that door that exists more widely open. But we are going beyond that to, we are putting in this provision for minimum wages which will have I think quite an important effect across the economy and will also have an effect on freeing up

the labour market further because it will enable small groups or individuals to approach the Federal Commission to fix minimum rates in their particular case.

J: Mr Keating in your talks with the unions in August you put a \$10 plus \$10 wage proposal, I think it was, where is that now up to and when will that be finalised?

PM: Well Senator Cook basically has carriage of its progress, do you want to reply Peter?

PC: Well at the moment we are still in the process of settling that down and making a final decision with the ACTU as to what we do. But the important element of it is that we wanted to allow breathing space to get as many workplace agreements up as possible.

J: It is supposed to come in about March.

PC: While we are putting in our efforts to get work place agreements up it means we will turn our attention soon to protecting minimum standards, this is one of the things that will help us do that. But the important and strategic priority is to push as many workplace agreements through as possible to get that productivity through.

J: Do you think the implementation of that will be delayed somewhat from the August talks?

PC: It's clearly delayed now, it will be delayed a little longer too, I think, but the prospect of ...

J: But the implementation was supposed to be next year, wasn't it?

PC: The proposal was for an increase in March, 1993.

J: Will that be delayed?

PC: It depends on how soon we decide to move, but at this stage it looks like the March date might be pushed back a little.

J: How much?

PC: It's hard to say.

J: Three months, six months?

PC: No, no, you can't put a time on it like that. Once our workplace agreement for the Australian Public Service is registered, if it is on Friday, and I expect it will be, we will get a very clear idea about the growth and spread of workplace or enterprise

bargaining in the economy. The impetus we've built up from that and the generation of productivity improvement we've got will provide us with a platform to make a decision about that application.

J: Can you clarify an answer to an earlier question. What's to stop workers in another State taking advantage of this legislation? Should they be unhappy with their deal with the State Government?

PC: The trigger, in terms of transferring State awards to the Commonwealth, is the absence of a proper arbitration system in a State. As far as the minimum wages, equal pay, and termination of employment provisions are concerned, where a State jurisdiction operates to determine those in our legislation, we will respect the role of that State jurisdiction. Where a State jurisdiction doesn't operate to determine those, they'll have access to our Federal system.

J: Have you consulted Victorian employers about this legislation in advance, as well as the ACTU, and if so what was their reaction?

PC: I'm going to talk to the industrial parties, employers and unions, in the national consultative forum of the NLCC on Friday. I will talk to the Victorian Government as well. I make the point they never did us the courtesy of talking to us. And a lot of their laws have federal implications. One of those enduring implications is, for example, under Victorian State law people covered by federal awards could still be deemed to be criminals if they took part in industrial action. No-one talked to us about that. There are a myriad of other implications, but because they're crass and ignorant and don't consult, there's no reason why it shouldn't be proper. We will consult appropriately.

J: Mr Keating, you said at the time of the One Nation statement that any Government that couldn't run the economy at 4 per cent should give the game away.

PM: No, no, just understand what I said. I said any economy that can't travel at 4 per cent without spilling into imports should give the game away.

J: So we've got the constraint now of imports and we can't travel it?

PM: No, no, what I said was, and I've made the point in the Parliament plenty of times, not that we ought to be growing ... you're not that simple that you think that means that we should be growing at 4 per cent all the time. Surely not. What do think - we're going to bounce from recession to 4 per cent growth overnight? What I was saying simply was this - that to the Liberals' eternal shame, after 30 years of government, the most the Australian economy could grow before the demand spilled into imports was 4 per cent. That is, they had no fat in the infrastructure to handle 5 or 6 per cent growth rates like a lot of the countries to our North have in this part of the world. Once we got to 4, there was no more capacity left and we spilled into imports. What I said was, if we can't run the Australian economy at 4,

that is if we regarded the growth limit as being under 4, then you should throw in the towel. And let me repeat it, because we ought to be able to run this economy at 4 per cent at least, and will need to bring unemployment down in a sustained marked way in the long term.

J: ... current pace of recovery?

PM: I thought yesterday's reporting was pretty strange. The Sydney Morning Herald had "New Figures Kill Hopes of Recovery" and then they had a graph on page 2 which had an obvious recovery. There's the peak of 1989, 4 per cent, there's the recession, and there's the climb out of 2 per cent. The economy is growing as we think, in terms of as I read to you in the House last week if you were there - the Economist has got us in their forecast, which is a world-wide one, for the year to, 2 per cent for Australia and higher than all of the other countries surveyed, Belgium, Canada, France, Germany, Holland, Italy, Japan, Spain, Sweden, Switzerland, the UK and the USA.

J: So you are satisfied with the 2 per cent growth rate?

PM: I think no, I think the recovery has not been fast enough. But we are recovering. I don't think there's any basis for these sort of headlines - "Killing Recovery", or "Faltering".

J: Aren't you running with a Balance of Payments constrained at 2, Mr Keating?

PM: I don't think you can deduce that at this point of the cycle, no. Look, if the import growth represents a trend, there's a lot more going on out there than the National Accounts say. It could be, and it may well be, that businesses are simply optimistically holding stocks for Christmas, and that we're not seeing basically a trend. If we're seeing a trend there, they're either going into stocks or they're going into the economy. If they're going into the economy, we're doing better than .5 obviously.

J: Business investment figures yesterday were down again, you've got business surveys showing a lack of confidence, you've even got a leading businessman this morning saying that the economy is in crisis.

PM: Who was that?

J: The Manager of Woolworths on AM.

PM: He's decided to sign up with the Liberal Party. He's signed up with the Liberal Party, he's in favour of the GST, he's speaking at their meetings. Look, let me just ...

J: Put him on your list?

PM: No, no, I don't have lists, but I can read. Look, we are reaching a point after a long deleveraging of business in this country after the high debt cycle of the '80s, the profit share is recovering. I don't know whether many of you saw it - September Quarter - the profit share is recovering, we're reaching a point soon where that balance between debt and equity is reaching the point where businesses will start looking around for investment opportunities. This had to happen. It has taken in the Western world about 18 months longer than everybody thought for this deleveraging to happen. But it's not well and truly on the way. The profit share is recovering. And of course, any volume is going to see, as I said once you've got your overheads covered all volume is basically cop for the bottom line.

J: You don't think there's a ...?

PM: No, I do not. We've got housing up 12 per cent for the year, 5 per cent for the quarter. I noticed some people said that there was a reliance on public sector demand, well I've got some of you saying the One Nation spending is not coming through fast enough, and when it comes through you say you're relying on public sector demand. The game is deteriorating, the analysis game, if that's the basis of your analysis. Two weeks ago the big trouble was that One Nation spending wasn't all being spent, this week the problem is that there is too much public expenditure in the growth numbers. Can I just say, for all you sleuths out there, that stock building was in at .5 for non-farm stocks and .6. I can tell you this, I don't have any superstitions about stocks, they're mostly goods that are put on shelves, and they're goods made by people, and so you can count them in to private sector demand. And then someone said private sector final demand fell by .4. I think we are entitled to say that stocks are part of the private economy. If you put the stocks back into private demand, well of course private demand rose in the quarter along with public demand, which has given us .5 per cent for the quarter, 2.1 per cent for the year, faster I think than most if not all OECD economies, and across the year, not the quarter, private demand was up 1.1 per cent.

J: But how can you count stocks in that way unless they walk past the cash register?

PM: If you don't think stocks are part of the private economy, old son, where do they belong?

J: If you're not satisfied with the current pace of recovery, and there's no indication the economy accelerating, what do you intend to do about it?

PM: The September quarter, like all National Accounts, still represent a bit of recent history, and it was for July, August and September. It would be a brave person who said that the economy is not growing as quick or more quickly in the last quarter.

J: So do the Budget forecasts on growth stand?

- PM:** I think we need time to see, but this quarter I'm told is right on the button with the quarterly through-the-year structure of the Treasury's forecast.
- J:** Mr Keating, regardless of where stocks sit in the economy, the basis strategy of your government is to try to see as much activity in the net exports sector of the economy as possible. Now, yesterday's National Accounts certainly showed that's not happening, partly through a slowdown in the world, and partly because imports are rising. That still creates a basic dilemma between your goals of boosting employment and not running up a Balance of Payments constraint. How long are you prepared to see that dilemma continue and to put pressure on the current account?
- PM:** I think the dilemma, as you put it Laura (Tingle), is resolving itself through the ramrod effect of the exchange rate. The markets have seen this. It's already made a 13 per cent adjustment down in the exchange rate. We will see that push activity through the economy in the next 12 months. Why have we got such a result in net exports? Answer - commodity prices are down, rural volumes are down. And what have the exchange markets done? They've adjusted the rate accordingly. So the conundrum you're addressing, the markets have already addressed. It's sitting there now.
- J:** Mr Keating, what do you think of Mr Fraser's suggestion for a growth strategy statement?
- PM:** I think Mr Fraser is at pains to advise the community what he sees are the prospects for growth in the Australian economy and the very great opportunities Australia has. You notice in his recent address, he was largely endorsing the structure of government policy. He was not urging that there be a new structure. I think what he is after is some mechanism or method to tell the community that great structural progress has been made, and that Australia is adjusting, and that some of the gloom that is dispelled by people knowing that the fundamental adjustment in the economy is still taking place. I think that's the point of the thing.
- J:** Do you agree with it?
- PM:** Yes I do, and I think the Treasurer responded to that yesterday.
- J:** Mr Keating, on spending and on jobs, Senator Tate admitted this week that the local capital works funding that went to New South Wales was not being used to create new jobs but only keep those jobs that already existed. Is that the case in other States, and if so doesn't that run slightly contrary to what the Government said is ...?
- PM:** While it may in some cases be correct, upon examination I think Senator Tate would find that it's not correct. I was in Bundaberg recently, the very day I was

there 21 people were put onto one of these programs in that city at that time who were not employees of the Bundaberg City Council. So this is happening all over the place. There is additionality, as they say, to all of these things.

- J: Senator Cook, given that you would legislate to give effect to the ILO convention, and if it's not thrown out by the High Court, does that mean constraint on a future Liberal Government in just wiping out the legislation, or does it put constraints on (inaudible) if you do that?
- PC: I don't think it will be thrown out by the High Court, let's get that very clear. But if we legislate minimum standards and an incoming Government wants to remove minimum standards, and if they've got a Parliamentary majority, they can. But how would you look out there in the community trying to knock off minimum standards? So if they want to do that, they'll reveal the colour of their morality in these sort of issues.
- J: How do you see the IRC actually implementing this, through a national test case?
- PC: No, the way in which we would propose to legislate is to enable the IRC to do what it does now, in fact, to declare minimum rates of awards, so that their minimum standards would be an appropriate standard for the industry sector.
- J: Mr Keating, a lot has been made of your comment on Lateline the other night when you said the micro reform agenda was largely completed.
- PM: I was speaking about the Commonwealth own purpose authorities, not the Commonwealth induced national ... Look, let me just make this point. In a country like Australia, the micro economic reform will never be completed, it's impossible to complete it because it implies that everything is at optimums - in the labour market, in the product market. Of course it is not and can never be in any country. So there will always be a desire to make any country more competitive and more efficient. But in terms of the Commonwealth's own authorities and its things, in such things as airlines are largely completed; telecommunications, a competitor, a sunset clause, full competition in 5 years from now; in tariffs. Wherever you go around the Commonwealth's realm, the big agenda of the middle '80s is largely behind us, but much of the Commonwealth's agenda now will be about making State authorities in the public sector more competitive. But of course, the big agenda will always be making the private product markets more competitive through enterprise agreements, et cetera. That was the point I was making, that people were saying to us in the '80s, you've got to do the ports and wharves, you've got to do the airline system, you've got to do the telecommunications. They are largely done, that's the point I'm making.
- J: You're still saying there's a lot still to do?

- PM: I think in the public sector, broadly categorised, yes. And particularly in State authorities for which the Commonwealth does not have authority. That is, where we've got to do things cooperatively with the States, we have a national agenda there. But that's not our own purpose thing. Where we've been in the box seat on our own things, we've done them.
- J: Will you be pushing the States on Monday when you see them to speed up micro reform?
- PM: In some respects we'll be talking about micro issues. The agenda for this meeting some of it will be in areas like electricity where again we are on the verge of a very dramatic change, the separation of power generation from distribution. And again, an area where the Commonwealth's own interest are the generating units of the Snowy Mountains hydro-electric scheme, but where the Commonwealth has a national interest in the operation of the Electricity Commissions of the various States. So that's the point I was making.
- J: Mr Keating, in Mr Hawke's New Federalism there was an aim of cooperation with the Premiers to eventually get rid of industrial tribunals in the States. Is this still an aim that your Government would like to work towards?
- PM: Would you like to say something about that, Peter?
- PC: Yes, we've been pursuing that, and we're doing it cooperatively with the States. We've done a number of things to help reach that goal. We've appointed, where States nominated them, all their Commissioners to our bench and they've appointed our Commissioners to their benches; we opened a common facility in Adelaide the other day where that there's one court with both parties using it. We're moving in that direction. I think there is, as an ideal outcome, a good idea that we have one industrial relations system in Australia instead of seven. Or, in the case of Victoria, you'd have to say six and a bit. But we're working towards that, and I think it would be a desirable outcome to get there.
- J: When do you intend to talk to the Victorian Government and about what?
- PC: Pretty soon.
- J: Have you spoken to other State Governments?
- PC: We'll conduct proper consultations with the States and we'll get on our bike and do it immediately.
- J: But you've already decided what you're doing.
- J: What's the point?

- PC: There is a lot of point. In the case of many of these State Governments they'll want to see our legislation to make sure that what we say is the principal, where there is a genuine Commission. This legislation won't intrude, they'll want to see that, they're not affected by that, so we'll show them that and go through the legislation. That's the standard way of proceeding.
- J: If they disagree with the legislation you will just go ahead anyway.
- PC: As the Prime Minister said, we've got an obligation to the Australian community to push the recovery through even better, and Victoria is a blight on that landscape, and if they want to continue to be a blight I don't think that's consistent with our national focus at all.
- J: Senator Cook, if there is a large number of workers who are already outside the award, wouldn't you expect a flood of dissatisfied workers to the IRC?
- PC: There's not a large number of workers outside the award system. The award system covers about 82 per cent of Australian workers, and of the remaining 18 per cent most of those are managerial or professional. So there's not a large group outside the award system, but there are some outside the award system. And the significant thing about the changes that we're proposing to legislate minimum wages, whether some of those people are in a union or not they can approach the federal Commission and have a fair minimum determined for them.

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