

LEADER OF THE OPPOSITION

THE HON KIM C BEAZLEY MP

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E & O E – PROOF ONLY

Subjects: Eighth Interest Rate Rise in a Row; Environment; Stem Cell Vote

BEAZLEY: Well, John Howard has got what he wanted. He wanted an interest rate rise and he's got it and it's the eighth in a row – signed, sealed and delivered by John Howard.

Middle Australia is being belted, and around the kitchen tables tonight there'll be an atmosphere of gloom and some considerable concern as they contemplate the fact that rates have been rising on them time and again.

John Howard has lost touch with Middle Australia. He is out of touch with ordinary Australian households and the pain they feel. He is held responsible by ordinary Australian families for what is happening to them and it's only right that he should be, because he went to the last election saying to Australian families, "We're going to keep interest rates at record lows", and he has failed to deliver on that promise.

But he's gone further than failing to deliver on that promise. He has been out there actively advocating rises. He no longer is in touch with what ordinary Middle Australian families feel and how they live. This will be a very substantial blow to them.

Only the Labor Party now, in Federal politics, has a plan to deal with interest rates by putting downward pressure on the causes of rises. We have listened to what the Reserve Bank has had to say for a considerable period of time.

We have out there the plans to deal with the skills crisis in this country, which is part of the inflationary pressure.

We have plans to deal with the fact that, particularly in export areas, our crumbling infrastructure is holding back, or making more expensive, our export industries. We've put out blueprints, plans, to deal with that.

These are the things that a national government could and should be doing to ensure that

we have a sustainable interest rate regime for ordinary Australian families.

The Reserve Bank, for a long time, cried out to John Howard for that, but he squandered our prosperity. When he had the resources to deal with those problems, he squandered it. The consequence of that is that we have a Prime Minister out there today, and all this last week in fact, touting an interest rate rise, increasing the burden on ordinary Australian families. This is the eighth rise in a row. It's the third rise this year. This is a very substantial breach with a man who said to the Australian people last time, "Re-elect me and I'll keep interest rates at record lows".

This is the new interest rate reality. The new interest rate reality which John Howard doesn't understand. And that is, families with an average mortgage are now paying a higher percentage of their income in interest rate payments than they ever have before. That's the new interest rate reality. That is what the Australian Government should be focussed on.

Now, I'll just ask Wayne to say a thing or two.

SWAN: Thanks, Kim. Well, John Howard says interest rates are low but for many Australians they are far too high for comfort. Interest rates are as high as they have been in a decade. John Howard has been there for 10 years and they now are as high as they have been at any time that he has been in power.

It has been John Howard's failure to control inflation that has put upward pressure on interest rates. John Howard has backed the Reserve Bank into a corner through his failure to control inflation, and that's putting upward pressure on interest rates.

Out there in the western suburbs of Sydney, the outer suburbs of many of great cities, in regional areas, many Australians are simply hanging on by their fingernails. People are now paying 50 per cent more in mortgage interest repayments than they were paying in 1989. Household interest payments are simply soaring. That is the new interest rate reality. Fifty per cent more of their income than under Mr Keating, under Mr Howard – 50 per cent more.

Now, it has been the failure of the Government to fight inflation that has put the Reserve Bank into the corner and put upward pressure on interest rates. And as Kim said, we now need an ambitious program, an ambitious program to lift our productivity and to put downward pressure on inflation and downward pressure on interest rates.

It's been John Howard's failure to invest in skills, and education more broadly, and in particular, to provide national leadership when it comes to infrastructure, that has produced this very sad outcome today.

If you're a homeowner out there with a mortgage of \$300,000, you are now paying almost \$200 a month more than you were paying when John Howard promised to keep interest rates at record lows two years ago. That's the new interest rate reality because these days there's no such thing as a small interest rate rise because there's no such thing as a small mortgage. People are now taking three times the level of debt than they had in 1989. That's the new interest rate reality. Thank you.

BEAZLEY: Good, thanks. Over to you.

JOURNALIST: Mr Beazley, the Prime Minister says of Labor's policy that abolishing AWAs and retuning to a more, what he calls, a more centralised wage fixing system would

push up wages and eventually rates. How do you respond to that?

BEAZLEY: He wants to walk two sides of the street, John Howard. He's been out there now for months saying that his industrial relations policy is going to produce higher and higher wages and the Labor Party's policies won't do that. Now he comes out today, when he's confronted with this sort of interest rate problem, and says, "Oh, no, no, no, my result will be lower wages". He can't have it both ways. He can't, on the one hand, when he argues his industrial relations changes say, "Mine produces higher wages", and then on the other hand when he argues about interest rates, says, "No, mine produces lower wages, therefore lower interest rates".

I'll tell you why he's wrong. I'll tell you why he is absolutely wrong and why Labor's, on this issue, Labor is absolutely right. Our policies on industrial relations have at their heart the idea of collective enterprise bargaining. That means that workers sit down with their employers, they don't receive diktat, they sit down with their employers and they work through the productivity changes necessary in the business to produce the wage rises they need.

Now, the problem with individual contracts is no such conversation takes place. No conversation takes place on productivity issues. With collective enterprise agreements, a conversation takes place and the result of that is productivity. And guess what happens when you've got good productivity? Interest rates go down.

JOURNALIST: Can you spell out exactly how Labor's policies would keep interest rates lower?

BEAZLEY: Yes. On industrial relations, if you go through the process of working through, employers and employees working through productivity changes, it means that wage rises are based on productivity outcomes. And if wage rises are based on productivity outcomes, then they don't put pressure on interest rates, they don't put pressure on inflation. And that's what the Labor Party's industrial relations policy is about.

But that's not all. Our policies also have been out there for a long time now on saying the Commonwealth has got to invest in skills. You have got to keep a good supply coming through our schools system and our training system of people who are prepared, in particular, to do traditional apprentices. This is not something the Labor Party thought of last week. The Labor Party's been advocating that for a long time.

Since 1999, the Reserve Bank has been saying one of the inflationary pressures in the system is an absence, or insufficient number of skilled workers, who push up wage inflation. So, that is a second feature, along with our industrial relations policy, of why we'd put downward pressure on interest rates.

There is a third. And that relates to infrastructure. The Reserve Bank has been saying for some considerable period of time, because of chronic underinvestment in infrastructure, particularly in areas of infrastructure most directly related to exports, we are not getting the best bang for the buck that we could with exports.

Now, we have put out a set of plans to establish national leadership in infrastructure with some real outcomes.

You see, Mr Howard has squandered prosperity. And when you squander prosperity, as he has done, what you get is inflationary pressures. He's lost control on inflation. If he'd been investing in these things, along with trying to ladle out dough to win elections, if he'd been

investing in these things we would now be looking at a very different interest rate regime.

Understand this about our interest rates. If you want to go to international comparisons, take out the New Zealanders, and we are about the highest in the industrialised world. Now, that is no proud boast. If you take out the New Zealanders, we're about the highest in the industrialised world.

JOURNALIST: Mr Beazley, wasn't Labor arguing during the election, when the issue of interest rates came up, wasn't the Labor Party then arguing that it wasn't, in fact, the Government who was fully in control of interest rates? (inaudible)

BEAZLEY: The Reserve Bank makes the decisions. The Reserve Bank is an independent entity and the Labor Party's position is that the Reserve Bank should continue in that situation. That is a situation we created for them and we very proudly support that. That is the right way to go. The Government creates the atmosphere in which the Reserve Bank makes its decisions and a wise government listens to what the Reserve Bank is saying when it's handling the decisions that they make at Budget time. When you've got the Reserve Bank repeatedly talking to you about skills, when you've got the Reserve Bank repeatedly talking to you about infrastructure, a wise government listens. But because there's no votes in this, John Howard has ignored both.

You know, it has to be said, it is very difficult to make proper investment in our traditional apprenticeships, an issue which sings and dances in an election campaign. So, John Howard's not been interested in it. John Howard's always been interested in himself and winning elections. He's not been interested in the things which actually make the economy work well. Well, we now know the consequences of that. And the Labor Party's plans are now the only plans at the federal level which put downward pressure on rates.

JOURNALIST: What's the infrastructure you're investing in, would it be in the way of freight (inaudible)?

BEAZLEY: All sorts of things. Take broadband, take broadband for example as a piece of infrastructure, they've got a slush fund of two or three billion out there basically to back little projects for the National Party. If we put in place high-speed broadband, it would massively advantage business in regional Australia – massively advantage it. It would advantage education too, which would help with the skills front. But that's one piece of infrastructure that you can talk about. They talk about privatising Telstra. We say, that's not the conversation you could have with Telstra. The conversation you should have with Telstra and the other providers is broadband, so that's one example.

Then you can go to investment imports, the efficiencies for things like our principle export industries. If you go around and talk to the States, if you go around and talk to our major exporters, they always have an idea about what ought to be done about an improved labour or an improved port system or whatever. But the conversations they have, frankly, are conversations they've had with the States who are under-resourced to deal with them. And it's there where you need the national leadership.

JOURNALIST: On the environment, Mr Beazley.

BEAZLEY: Sorry, could I ensure that we've exhausted interest rates.

JOURNALIST: It's reported that some of your MPs are worried that the Prime Minister's playing wedge politics on your climate change policies and portray them as Labor selling out the resources sector.

BEAZLEY: I've been, for a very long period of time, a devoted supporter of clean coal technology. You've got to understand this: It is a major export industry. And what we have to do in this environment now where all our nations have to get to grips with the consequence of climate change is to make sure that the thing that we export is being supported by being rendered effectively consistent with the objectives of bringing down carbon emissions. You can do that – the technologies are there to be developed.

Now, I've been a very strong supporter of that for a long period of time. And if you want evidence of that, pick up the Blueprint and read it that we put out on climate change earlier in the year. It's not just, however, about clean coal technology, important and vital though that is. It's also about renewables and this is the difference between the Government and ourselves.

We are for clean coal technologies and we're for renewables. We're not for reactors. That is not the right way to go in dealing with climate change. But that is John Howard's only answer. Now, we say, go with the renewables, go with the clean coal technology. That's what is going to produce for us, and of course stick with targets and stick with Kyoto. That is what is going to make an Australian contribution to saving ourselves and saving others.

JOURNALIST: But is there disquiet within the Party room?

BEAZLEY: The Party room knows wholly well where we stand on clean coal technology. All you have to do to find out where we stand on clean coal technology is to access the Blueprint.

JOURNALIST: If you're backing clean coal technology, you're talking about something that none of it would be commercially viable for at least a decade. So, how much emphasis are you going to put on renewables in the meantime?

BEAZLEY: You have to put a lot of emphasis on renewables and investment in solar technologies; investment in wind; investment in bio-fuels and the like. And we are strongly down that road but you've got to advance the clean coal technology prospect.

Frankly, when you take a look at the percentage of our exports tied up in coal, when you take a look at the recipient nations of those exports, we have got to have a conversation with the Chinese as intensely about cleaning up the coal fired power stations as we have with taking our coal. And we can only do that if we are at the forefront of clean coal technology.

When my staff were digging around, finding times I've talked in the past about clean coal technology – it's ironical, I came upon a speech of mine in 1994 when I was a Minister in which I made reference to that as a crucial part of our general export strategy – it's been on our agenda, the Australian agenda for a long period of time. We've got to accelerate it.

JOURNALIST: Is solar as marginal as the Prime Minister says?

BEAZLEY: Solar is capable of contributing to base load. It's particularly capable of contributing to a base load if you have a proper emissions trading system in place so that the power providers have an interest in not only working with the power transmissions systems that they now have, but going over to get into their base load things like wind turbine, solar and the rest of it.

Unless you sign up to Kyoto, unless you sign to a regime of emissions trading, unless you sign up to targets, the truth is you won't get any result, not only on renewables but you

won't get any result on clean coal technology either. Because it's that emissions trading, it's the targets that you set that really get the energy, if you like for want of a better term, behind the process of change that provides us.

JOURNALIST: What's your reaction to the result in the Senate last night on stem cell research?

BEALZEY: As you know this is a free vote issue. I've said in the past and I say it again, firstly I'm concerned that this nation should get a position at the forefront of biotechnological research. I'm concerned too, that the diseases which afflict many of us have a cure. And when you listen to the heart-rending stories of those who might be assisted by research associated with this, you cannot fail to be touched. Now, I do understand that there are ethical issues here. I actually think that the ethical issues are as much bound up in the IFV technologies and the policies that we've already pursued.

So, in many ways the ethical issues have already been, in a sense, resolved on one side. But I can see that others would have a difficulty with that and I can respect, absolutely, the concerns they have. But in my mind, I'm currently going down the road of being supportive of this legislation. But with that question mark over whether or not the ethical constraints are sufficient and that's what I'll be listening for in the debate that we have in the chamber.

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