



<h1>PRIME MINISTER</h1>

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**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
PRESS CONFERENCE
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Subjects: Interest rates; stem cells; climate change; nuclear energy; Federal – State water meeting; Ron Boswell.

E&OE.....

PRIME MINISTER:

Ladies and gentlemen, I don't like this interest rate rise any more than any borrower. I know that it will cause pain for some people and I fully understand that. Unfortunately, however, there are occasions when the Reserve Bank of Australia, which sets interest rates in this country, must lift interest rates in order to prevent inflation taking hold and thereby maintain our fundamental prosperity and the longer term strength of the Australian economy. There's little doubt in my mind that the booming section of the economy has caused over-heating, which has exerted upward pressure on inflation. And that is why, in essence, the Reserve Bank has acted.

Maintaining our prosperity does require on occasions that difficult decisions are taken both by the Government and in the independent monetary authority, the Reserve Bank. But we've got to preserve a sense of perspective about all of this. Our economy is still very strong. We have a 30-year low in unemployment. We have very strong business investment and consumers are very confident. Interest rates have risen one per cent since the last election, although there've been four separate movements of a quarter of a per cent; the total increase is one per cent since the last election. Housing interest rates now, after the most recent increase this morning, will still be lower than they were at any time in the 13 years of the Hawke and Keating Governments when, famously, housing interest rates, or should I say infamously, hit 17 per cent.

We have as I've said over the past few days entered a new and more challenging period and a more complicated period of economic management in Australia. There is the drought. There is the fluctuation in world fuel prices. There is the appearance in

perhaps a more marked form than before, or in recent memory, of different levels of economic activity in different parts of the country and there is also the upward pressure on interest rates now being exerted by the fact that some state governments are going into deficit.

Now not surprisingly, and understandably, the Labor Party will both opportunistically and politically attack this rise and I understand why they would do that. But they have to explain how they would do better. The truth is that the Labor Party has not developed a credible alternative policy concerning interest rates in this, and in so many other areas, they have wasted their 10 years in Opposition.

As best I can discern it, the Labor Party has made two attacks in trying to pin the blame for these rises on the Government. The first attack they've made is that we have run a loose fiscal policy. I mean that is laughable. We've had surplus, after surplus, after surplus, most of which they have attacked and promised in different ways to spend, and of course they were the party that left us with a \$10.5 billion deficit. The other argument they've made is that in some way the Government's policy in relation to skills shortages has caused upward pressure on inflation. Now the truth is that they've argued that the Reserve Bank of Australia's warned us about this. Well if you look at the testimony of the former governor, on the 18th of August, he made it very clear, largely because of the greater flexibility in our wage fixing system, there hasn't been any wage inflation of any consequence as a result of the pressure on skills. And he's made it very clear, and the evidence is there to see, that we have not run a loose fiscal policy.

But I think the most significant thing about Labor's position is that the one policy area where we know Labor does stand for something, and that is in opposition to us, and that is in the area of industrial relations. Labor's policy on industrial relations will in fact, if implemented, exert upward pressure on interest rates, and let me explain why, and this is an argument I used two years ago in the Federal election campaign. And when asked on the 23rd of September by Neil Mitchell, whether I could guarantee that interest rates would not rise, I said I couldn't give that guarantee. But what I did say was that they would always be lower under us than under Labor for two reasons. Firstly, Labor's record in office, and secondly, Labor's industrial relations policy. And that was a valid observation then and it's an even more valid observation now because what Labor is arguing for is a return to a more centralised wage fixing system. And if you have a centralised wage fixing system in an economy where one part of the economy is running at a faster rate of growth than another, the higher wages paid in the first part of the economy will be forced onto businesses in the other part of the economy, and those increases on them will be unsustainable, and there'll be consequences for wage inflation and also for unemployment.

And I, for those who are interested in the literature on this subject, I particularly draw their attention to a Treasury paper released in March of this year, called 'A tale of two terms-of-trade booms', which pointed out the difference now because we have a less centralised system and the situation in the 1970s when we had a highly centralised system. And this is no academic argument because if as Labor argues we go back to a more centralised wage fixing system, the high wages being paid in the mining industry will be forced onto other sections of the economy and that will have a very adverse consequence for wages. Wages will go up across the board and that will push

up inflation which in turn will push up interest rates. So whilst I, of course, do not like today's decision, and I acknowledge that, if we are to keep a sense of perspective about the claims being made for economic management, we have to bear all of those factors in mind. Are there any questions?

JOURNALIST:

Prime Minister will this rate rise and the concerns the Reserve Bank has made in its statement about the ongoing threat of inflation, will this place a greater onus on you, the Government, to tighten spending as you prepare next year's Budget?

PRIME MINISTER:

Well I think it certainly puts a reminder on the table to everybody, and the Government of course has run a discipline fiscal policy, that this is not an era for profligacy. It is certainly not an era for profligacy. But once again, let us keep a sense of perspective. We have a tight fiscal policy. We have run surpluses, big surpluses now, for five, six or seven years, so we have to keep a sense perspective. But clearly we are entering a stage where economic management is going to be more difficult and there will be a greater premium than ever on experience, and skill, and prudence in managing the economy.

JOURNALIST:

Prime Minister do you take any responsibility for today's rise?

PRIME MINISTER:

Look I said, I was asked the question yesterday. In the end in a democracy the Prime Minister, in a generic way, gets blamed for everything. What I've tried to do and, you know, that's the way it goes, whether he's responsible for it or not, if something goes wrong, well blame the Prime Minister, that's understandable, I understand that, that's the way our system works. But I have pointed out the reasons. I don't like this increase but the alternative was for the Reserve Bank to sit on its hands and in some months time face an even more difficult and challenging position, and finally act in a way that would cause a lot more pain to a lot more people.

JOURNALIST:

(inaudible) the question of whether you accept a responsibility?

PRIME MINISTER:

Well I've said I accept responsibility in the end for all things that go wrong.

JOURNALIST:

Do you concede that the rate rises that have taken place since the last election reflect any failure in government policy?

PRIME MINISTER:

I think the rate rises that have taken place since the last election are consequences of the inflationary pressure caused by the continued strong growth of the economy. Whatever might be said by the Labor Party about what was said in the last election, I made it very plain in the last election campaign that I wasn't going to give guarantees about individual movements, as the response I quoted a moment ago indicated. And the fact is that in a booming economy, from time to time, interest rates will be adjusted and that is what has happened.

JOURNALIST:

Prime Minister, what is your policy now to put downward pressure on interest rates?

PRIME MINISTER:

Well first of all you have to maintain an enterprise-based, firm-based, industrial relations policy. The worst thing you can do for interest rates at the moment is go back to centralised wage fixing.

JOURNALIST:

Who is proposing that?

PRIME MINISTER:

Well the Labor Party is proposing a return to a more centralised system. Of course they are, they're going to abolish Australian Workplace Agreements. I mean by the time of the next election we will have close to a million Australian Workplace Agreements, individually negotiated, and they're going to abolish them. Well if you know anything about economics you will know that the more you get rid of individual agreements, the more centralised the system becomes and the near inevitability that flows from that is that high increases, granted in the prosperous, productive sectors of the economy, are forced onto other less prosperous sectors of the economy. Those increases become unsustainable, that causes higher inflation, leading to higher interest rates and it also has implications for unemployment.

Now the Labor Party cannot escape the consequences of a more centralised wage fixing system and however you measure it, they are arguing for a more centralised system. They're arguing to get rid of the individual workplace agreements and the industry that has used those individual workplace agreements to a very significant degree is the mining industry. And one of the reasons, and you can look at what was said in the Treasury paper released with the skills statement I made, what is said in the Treasury paper I mentioned earlier, what was said by Ian Macfarlane on the 18th of August when he was asked about the skills shortage, was that a reason for upward pressure on inflation? And he said no. And the reason he said no was that we now had a more flexible system.

JOURNALIST:

Prime Minister, would you be comfortable with that keeping interest rates low sign on your lectern now?

PRIME MINISTER:

Look, I'm not going to talk, a year away from the next election, about the tactics I use in the campaign.

JOURNALIST:

What about now?

PRIME MINISTER:

Now? Well I'm certainly very happy to say that, as I've said before, that they're much lower than they were under Labor and of course they're lower now than at any time, at any time, in the 13 years of the Labor Government.

JOURNALIST:

Prime Minister, in light of the demand pressures in the economy that you've alluded to, do you think it's your responsibility now to maintain surpluses at their current proportion of GDP?

PRIME MINISTER:

Well Jim, I'm not going to this far out from the Budget start being that specific. But I can give a very strong undertaking that there will be another surplus, a strong surplus in the next Budget. But it's just not possible or realistic to put a figure on it this far out. But there will be a surplus, and there will be a strong surplus, and we will be erring on the side of conservatism and caution in relation to these matters and that is what is in the long term best interests of the Australian public. And if people want to interpret that as some kind of warning or whatever, they can go ahead and do so.

JOURNALIST:

Do you agree with those economists who now say this is now the top of the cycle and the next move in interest rates may be down?

PRIME MINISTER:

Oh, I'm not going to get into that speculation.

JOURNALIST:

Prime Minister how important is the security treaty to Australia's relationship with Indonesia?

PRIME MINISTER:

I think it's a manifestation of the balanced maturity of the relationship. I welcome it. It will be signed next week by Mr Downer and Dr Wirajuda. It does show that our relationship has moved on and absorbed some of the adversity surrounding it, arising out of East Timor and also more recently out of the 43 asylum seekers.

JOURNALIST:

(inaudible) stem cell vote, Mr Howard?

PRIME MINISTER:

Well I keep reading that the numbers in favour of the affirmative side in the Lower House are greater than the other, but you never know in these things. I have not actively head counted on this. Could I just make it clear that having decided that there should be a free vote, I haven't sort to lobby for any particular point of view. It wouldn't matter anyway. I do lead a very independent, rambunctious group of men and women and quite frankly on these sorts of issues the last person they're going to take any notice of is me. They will make up their own mind and god bless them for doing so.

JOURNALIST:

Have you made up your mind yet Prime Minister?

PRIME MINISTER:

I'm moving in that direction, but I am not going to be hurried. Look I don't find, I mean, I envy these people who can say definitely yes or definitely no. I read an article the other day or a few weeks ago about Bishop Tom Frame who is the Anglican Bishop of the armed forces and he said on this issue he was rather conflicted and I thought the language he used really fitted my position quite well.

JOURNALIST:

Just on the drought, do you expect or are you concerned that there will be an environmental backlash if wetlands are shut off because of the water shortage?

PRIME MINISTER:

Well the first priority, the first priority is to make sure that there is water supply for people, for communities and towns and I will just have to weather any backlash from anybody on that issue. But my first responsibility, and the reason I called the meeting yesterday more than anything else was I knew how bad it was and I knew that if it didn't miraculously bucket down over the next few months, we could face a real situation. And quite honestly if we have to face the possibility of, for a temporary period, closing down a wetland in order to give people drinking water, then I will support closing down the wetland.

JOURNALIST:

Victorian Opposition leader Ted Baillieu is under some pressure to put his considerable investment shareholdings into some sort of blind trust ahead of the Victorian election, would that be your advice to him?

PRIME MINISTER:

He's not sought it and I don't intend to give it, I think he's conducting a magnificent campaign.

JOURNALIST:

Prime Minister you've said in the past that Labor's IR policy, getting rid of AWA's would drive wages down, now you are saying that their IR policy would be inflationary.

PRIME MINISTER:

The reason their IR policy would be inflationary is that it would force unaffordable wage increases on sections of the economy that couldn't pay them because it would be more centralised. You see, under a centralised system...

JOURNALIST:

It would go up.

PRIME MINISTER:

Yes it would go up in an unsustainable way. I love wages going up, when they are based on productivity, but if you force through a centralised system, a firm to pay a wage increase it can't afford, not only is that inflationary but it could also lead to unemployment and that is why I have argued for the last quarter of a century for a decentralised wage fixing system and it's fascinating how the argument has now turned a full circle and we now see again a debate about the relative merits of an industrial relations system connected to the sensitive economic issue of the day, interest rates. If you want lower interest rates, support a decentralised wage-fixing system.

JOURNALIST:

The Fair Pay Commission wage decision was not based on productivity.

PRIME MINISTER:

But a minimum wage decision, and as you know, tapering out in terms of the larger increase at \$700 a week and you know that it's not the minimum wage that is the inflationary component of wage adjustments. So I don't think that is a good argument.

JOURNALIST:

You don't think it is contributing to wage...?

PRIME MINISTER:

It is nowhere near, it has nowhere near the impact because it is the minimum wage than the impact of a centralised approach to wage-fixing. You see even at a firm level, the abolition of Australian Workplace Agreements can result in a more inflationary wage adjustment.

JOURNALIST:

After you've introduced measures to assist people to buy homes, will you now consider measures to assist people not to lose their homes?

PRIME MINISTER:

Jim, we have introduced measures certainly to assist people to buy their homes, but I think we have to once again keep a sense of perspective and the evidence that I have seen about repossessions indicates that the large part of the explanation for that is some of the borrowings that have occurred, not from the traditional sources, but from some of the lenders who have sought to, how shall we put it, adopt a light touch when it came to any prudent requirement of the contribution from a borrower. Now I choose my words very carefully but no matter what economic climate you have, there will always be some people who take on more than they should and there will always be some people who will want to lend those same people more than they should borrow, and that's why I think we have to be very careful about talking of measures of the type you mentioned.

JOURNALIST:

PM, did your nuclear argument get a kick along last night by the IEA report?

PRIME MINISTER:

It certainly did. I thought the International Energy Agency, and this has been foreshadowed in, I think, your newspaper last weekend, which is the most authoritative international body on energy matters, for the first time it argued very strongly for nuclear power. And what's it's basically saying is that it's part of the solution and it is part of the solution.

JOURNALIST:

It needs a big government subsidy though, would you be prepared to...?

PRIME MINISTER:

A lot of things, I mean, the Labor Party's argument in relation to MRET is an argument for a subsidy. If you compel industry to buy a certain proportion of its energy from renewable sources, that's a subsidy because you are imposing a cost on them that they wouldn't otherwise have to bear so there's no difference. I mean, let's not start lecturing the Government about the nuclear industry and subsidies.

Incidentally, we haven't made any decisions in relation to subsidies, I've got no view on that, I generally don't like subsidies. But I want to make the point that the Labor Party can't sort of clothe itself in virtue in relation to subsidies in the nuclear industry without admitting that its whole renewables policy is erected upon the payment of an enormous subsidy, the cost of which will not be borne by the taxpayer but the cost of which will be borne by industry ultimately to be passed onto the taxpayer in higher electricity prices.

JOURNALIST:

Do you have any advice to homeowners who are facing paying an extra \$130 in mortgages?

PRIME MINISTER:

I can't give generic advice that's relevant and helpful to every single individual. I mean that is something for individuals to work out because they are best able to do that. But what I can say to them is to repeat what I said earlier, that I don't like this increase. I am very conscious that it will cause pain to quite a number of people, but unfortunately the Reserve Bank does on occasions have to lift interest rates in order to stop inflation taking hold, and if it didn't the pain down the track could well be much greater.

JOURNALIST:

Prime Minister, how are you going to turn your nuclear dream into reality without either providing subsidies to nuclear or levelling the playing field?

PRIME MINISTER:

I don't know that it's a dream, I mean I don't think we should clothe it with that kind of emotional enthusiasm. But look what I want on this issue is to allow and promote and facilitate and respond to a debate about our climate change and energy future that includes the nuclear option and then we can make judgements. I think people have to understand one thing, and that is that if there is to be a reduction in greenhouse gas emissions of any consequence in the time ahead, there's going to be additional cost involved. I mean you can't snap your fingers. One of the reasons why I believe that many people are attracted to solar and wind power as a source of energy is they, I think they instinctively believe it doesn't cost anything because there it is and you can feel it, even in this courtyard you think well that's readily available we don't have to expend any energy or spend any money in extracting it, it's just there why don't we take advantage of it. But the truth is, of course, in order to even allow it to make a contribution at the margin, it's expensive. I mean the MRET thing, I mean if it was so costless why do you need MRET and the reason you need MRET is to make people buy it. Now if you make people buy it, you are imposing a cost. So I want nuclear power to be part of it. My understanding of this equation is simply this, that at the moment the cheapest source of energy for Australia is dirty coal and it's cheaper than nuclear. But as you clean it up you add to the cost of its use because you reduce the efficiency of the power station. If you put these things on power stations that suck the carbon out, you reduce the efficiency so they've got to run faster or longer in order to

produce the same amount of electricity. Now that's adding to the cost because the efficiency is reduced. Now as you do that, nuclear according to my understanding becomes more competitive. Now what I want is a proper debate on this and I want all of the ramifications of the nuclear option on the table so that we can have a decent look at it and then we can, as a community, as a country, we can calculate what is the best way to go. My instinct, my belief, whatever you want to call it, at the moment is that the way for this country to go is clean coal technology and genuinely look at the nuclear option, recognising that renewables can make a contribution at the margin, but they are never going to be able to replace power stations. I said yesterday and I repeat, for the electricity this nation needs, it's still fossil fuels cleaned up and therefore dearer to use and nuclear power. But you won't run power stations on windmills.

JOURNALIST:

But Prime Minister who do you think should bear the extra cost of...

PRIME MINISTER:

Ultimately...

JOURNALIST:

The taxpayer or a market-based mechanism like a carbon tax?

PRIME MINISTER:

Well ultimately consumers in either way will end up...

JOURNALIST:

(inaudible)

PRIME MINISTER:

Well I think it's too early to make a judgement on that. See all of these things are too early to make judgements about, but one thing is certain there is not some costless silver bullet solution called solar/wind, it...

JOURNALIST:

Power stations won't use clean coal technology Prime Minister unless they have to surely?

PRIME MINISTER:

Well it would depend and these are the sort of judgements we've got to make. It would depend on whether there were incentives, whether there were rules, there were this that and the other, these are all part of the debate and these are very serious things that we need to debate. But we can't debate them until we have all of the options on

the table and what is wrong with Labor's approach is they won't even allow the nuclear option to be on the table. They are still struggling to decide whether there are good uranium mines or bad ones.

JOURNALIST:

With the Government's solution to water, the Government accepts the principle of the market-based mechanism in water trading, why not emissions trading?

PRIME MINISTER:

Well I haven't said I don't accept it, I haven't said that. I'm not, what I have said is that in an environment where the science does support that the globe is getting warmer, I mean, how much warmer and at what rate is far from conclusive and I am less embracing of the doomsday scenarios than many others. I think as time goes by some of the economic underpinnings of the Stern Review are going to be continually and increasingly questioned. That is not to say that it doesn't make a contribution but it is still another report, we should not get mesmerised by one report, but I do accept that we need to take steps, take out insurance, be certain that we do reduce greenhouse gas emissions. But before we start imposing solutions that might disadvantage Australia, and I am certainly not going to target the coal industry which the Greens want to do and the Labor Party will run the risk of doing if it embraces that sort of approach, I will not be targeting the coal industry because that would do great damage to the economy of this country.

JOURNALIST:

Just to clarify you are saying you are open to the idea of an emissions trading system?

PRIME MINISTER:

I've said that in the House, but it's got to be on terms and conditions that don't disadvantage our industries.

JOURNALIST:

What would be your response if your nuclear option is going to undermine the coal industry? Ultimately it is going to be a great source of power you think?

PRIME MINISTER:

Well let me put it this way, that's one of many hypothetical questions, and I think what we need to do is get all the advice in, but bearing in mind that I am, there's one thing I am frozen in time about and that is a determination to protect the industries of this country that give us a natural competitive advantage. I am frozen in time on that because I believe in the coal industry and I believe in preserving the competitive advantage we now have and that is why, that is why we didn't sign Kyoto, because Kyoto could well have put us at a competitive disadvantage. I mean, if you are going to have some kind of trading system that adds to the cost of our industry you've got to

make sure that there are equivalent additions to the industry of our competitors otherwise we hurt our industries.

JOURNALIST:

What is the future of the Muslim reference group?

PRIME MINISTER:

Well I have got to have a further discussion with Mr Robb about that. I think many of you will have heard what Mr Robb said this morning, and they have presented a report and we are looking at that, and there have been a lot of people in that group that have made a very good contribution and I thank them for that. As to whether we continue it in that form, a varied form or we roll it into the other council of which Mr Robb spoke, is something we've got to make a decision on. Yes Michelle I don't want to deny you the question, I am sorry.

JOURNALIST:

Can we just clarify your point on emissions trading?

PRIME MINISTER:

I'll try.

JOURNALIST:

Last week you said it had to be all in if we were in, is that still your position?

PRIME MINISTER:

Yes, oh yes, look my position is I am not going to agree with something, that puts a cost on our industries like the coal industry which is not also borne by other industries that could bump them out of world markets, I mean that would be very much against the national interest.

JOURNALIST:

Didn't you just say that without a cost on our coal industry, we wouldn't be able to do anything to reduce our alliance on dirty fuel?

PRIME MINISTER:

No, no, no. What I am saying is that unless; that if you are to reduce greenhouse gas emissions there is going to be additional cost. But my point is that I don't want that cost being assumed by us without it being assumed by our competitors.

JOURNALIST:

So we can't reduce our reliance on dirty coal until the rest of the world has a system in place?

PRIME MINISTER:

I think it's not the sort of thing where you quite put it in precisely that kind of absolute, but I think you can examine clean coal technology, you can provide the sort of support that we are providing in order to clean it up and to also examine what the nuclear alternative is and side by side with that; and particularly using the facility of the AP6, I think in this debate the value of AP6 is being overlooked.

JOURNALIST:

Prime Minister how is progress going on the Smartcard?

PRIME MINISTER:

Very well.

JOURNALIST:

Where is it at?

PRIME MINISTER:

Well it's very well advanced and I understand Mr Hockey will be making some statements about it very soon.

JOURNALIST:

Do you expect it then to be rolled out before the next election?

PRIME MINISTER:

Well I expect it to be rolled out when Mr Hockey said it would be.

JOURNALIST:

Mr Howard, just on stem cells...

PRIME MINISTER:

Yes.

JOURNALIST:

Just once again, you mentioned that you were conflicted and I can imagine what the conflicts are, but can you outline the conflicts for us, your own conflicts on the subject?

PRIME MINISTER:

Well it's a bit like the expression of an irresistible force meeting an immovable object is not quite right. But there are sort of two, in a way, moral imperatives that collide. I mean, if somebody looks me in the face and says how can you vote against the possibility that I, as a crippled person, may have available to me a wonderful medical invention, medical science that will cure my affliction, I can't say no to that. I mean, as a human being, that is a very moving challenge, it's a very moving challenge. On the other hand, when somebody says to me you are going a step too far in your interfering with fundamental concepts of the beginning of life, that's quite a challenging thing as well. Now they're the, that's in shorthand, they're the sort of conflicts that one has and I don't find that easy. I know there are people I have heard on this debate, they are so, sort of, emphatic that they've reached their conclusion without any qualms or anything, well I wish them well. Any other further questions?

JOURNALIST:

Prime Minister the outcome of the water summit yesterday was setting up a taskforce by PM&C to have a look at the drawing up of contingency plans. Now I might be wrong, but the wording was to look at the survival of not only irrigators, but towns and communities. Is it really that bad out there that some country towns could be struggling to survive?

PRIME MINISTER:

Well it is possible that that could happen. Amongst the presentations that were made yesterday and I think this would be on the website by Mr Dreverman, was right down the bottom, if you had a repetition in 2007-2008 of the situation in 2006-7 you could possibly reach that. Now there's always a conflict again here between, on the one hand, making as much information available as possible, but also not sort of scaring people with references to the worst case scenario, which is obviously, for simplicity and drama's sake, seized upon and reported prominently.

It's a very serious challenge, it's a big problem and we tried to; my purpose in calling the meeting and I am very glad I did and I think it's achieved the purpose, of focusing minds. We got a lot of accelerated action in relation to water trading. I mean to get a commitment that it would actually start on the 1st of January 2007, I mean we have been waiting a long time. I do hope the states do something about providing rate relief. I mean we put another \$210 million over two years on the table and our drought contribution is now about two and a half billion.

It's about time the states did something to provide rate relief. And I think it's fundamentally wrong that in a number of states you've got a situation where people are getting very small proportions of their allocations of water, and yet they're still being charged full boar for it. And I think that's a bit rough and I think one of the things the states can do is to provide relief. And they could also, the other states could do what Victoria has done, and that is rebate municipal and council rates by 50 per cent. I mean that's a modest contribution the states can make. They can afford it, and they ought to do it.

JOURNALIST:

Prime Minister you've been very keen to promote Malcolm Turnbull. Would he make a positive addition to your Cabinet team before the next election?

PRIME MINISTER:

I am not going to speculate about the future. Malcolm Turnbull's done a very good job as Parliamentary Secretary. He's been given an opportunity and he's worked hard. That's a competitive market in Parliamentary Secretarial performance. Andrew Robb's done a good job, Ian Campbell's doing an excellent job. I've got a very talented front bench, middle bench and back bench.

JOURNALIST:

Does the importance of water warrant water being devoted to a Minister?

PRIME MINISTER:

I am not going to speculate about the future. I don't currently have a reshuffle in front of me and I don't intend to speculate about that.

JOURNALIST:

Prime Minister, could you explain what you meant the other day when you said that the Coalition was in a lusty frame of mind?

PRIME MINISTER:

Lusty?

JOURNALIST:

At the end of your doorstep the other day.

PRIME MINISTER:

Well what I mean by that is that it's; I know what you're getting at, yes, I know. No I wasn't particularly getting at that. I think what I am really saying is that it's made up of a group of independently minded men and women who aren't afraid to express their points of view. In a way, if you have a close partnership and you know that when there are serious challenges from the common enemy people are going to come together, it, in a sense, encourages people to exercise their own independence of thought.

Once again, and I know I say this often and some of you write that I say it often, but I will nonetheless keep saying it often, is you've got to keep a sense of perspective about what has happened since the last election. It is true there's been a lot of publicity given to the fact that one or two of our colleagues have disagreed with the Government on some issues, yet on the fundamentals, we've really been very

successful. We got the industrial relations legislation through, we got Telstra through, we got voluntary student unionism through and we got the media legislation through. We wouldn't have had a hope under the sun of getting any of those pieces of legislation through prior to the last election. So keeping perspective, I think the Coalition has done very well and I am a great believer in it, lusty or otherwise.

JOURNALIST:

Do you expect Ron Boswell to win his pre-selection?

PRIME MINISTER:

I am not privy to the inner workings of the Queensland National Party, but I strongly support Ron Boswell. I hope he does, I wish him well and it would be a great loss for Queensland and the National Party if Ron were not reindorsed.

JOURNALIST:

Do you think he's too close to the Coalition or to the Liberals?

PRIME MINISTER:

Ron is a terrific bloke. He's a very loyal member of the Coalition but he sticks up for Queensland and he will always, in my view, deserve a special place in the National Party and indeed the Coalition pantheon for defeating Pauline Hanson in 2001. Given the constituency that he was appealing to, that was a very gutsy and meritorious performance.

JOURNALIST:

Prime Minister, have you heard from Bono yet?

PRIME MINISTER:

No. Can I just say in relation to that, I am happy to see anybody, but I noticed in something he said that there was a precondition he was attaching. I don't accept preconditions from anybody. If somebody wants to see me and put an argument they can, but I thought I heard him say that unless I'm prepared to commit in advance to certain things there was no point in seeing me. Well I don't commit in advance to businessmen in this country and I certainly don't do it to, much in all his high grade, Irish entertainers.

JOURNALIST:

Do you think there is a case though for lifting the level of foreign aid?

PRIME MINISTER:

I think there is a case for increasing it which we have done. We have increased it a lot and the increases have yet to be paid, so let's just, at this stage, leave it on that basis. Thank you very much.

[ends]

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