



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH DOUG AITON, 3LO, MELBOURNE,
15 MARCH, 1990.

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AITON: Good to see you again. How are you feeling with, what is it, ten days to go I suppose?

PM: I feel very well thanks Doug.

AITON: Has it been one of the tough ones for you?

PM: Well it's a very important election and I'm not being complacent about it, but in terms of impact upon me, it's probably been easier than most because we haven't had so many night functions and they're pretty draining things, you know, you have hundreds of people there and I try and shake hands with them all, a lot of autographs, and there hasn't been so many of those. It's been easier in that respect.

AITON: I can't understand why you say it is the most important election since 1949, I think you have articulated this, but I would've thought 1972 was far more important for the direction of this country. Not because Labor won but because it was a watershed year.

PM: Well yes, I've been making a point in this sense Doug, that I think it will determine the sort of Australia we take into the twenty-first century and I think it's terribly important. I mean obviously you can argue about other elections but I really do believe it's important because we're going to determine, for instance, if you look at the area of how we tax ourselves, it's going to be whether we continue to have a country in which the rich do pay tax or whether we go back to the country that was talked about before by Professor Matthews where he said it was just a matter of choice whether the rich paid tax. The abolition of the capital gains tax would mean it would be a matter of choice and I think that's terribly important because we've got to have the billions of dollars that come from making sure that people who can afford to pay do pay so that we can spend on the sorts of things we need to make this a better country. And environmentally too I think it's terribly important because if you look at all the important decisions that I've

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taken with my colleagues in Government, all those important ones were opposed by an Opposition, which you've got to remember is not just the Liberal Party but the National Party, and they are environmental vandals.

AITON: If you lose this election, which seems possible, I mean I think it's going to be close, most people think it's going to be close, do you not?

PM: I'm not cocky or complacent about it. I think we'll win but I'll be fighting right down to midnight on Friday night.

AITON: Well certainly the opinion polls at the moment would have you drawing away, you and the Government drawing away, but if you do lose, I would imagine it will be basically because, if we take from 1983 from which time you've been Prime Minister, people are hurting now most of all.

PM: Some people have been hurt, that's right, by the tight monetary policy that we've had to have, because if I hadn't had a tight monetary policy the economy would've absolutely collapsed. We couldn't afford to keep sucking in the level of imports that we were, that high level of activity, and that would've destroyed the economy. So I concede that some people have obviously been hurt Doug, by those high interest policies, but I think they understand. Hawke's been around in public life now thirty years and I think they know that I'm not a mug. I mean I wouldn't do it to hurt myself and I certainly wouldn't do it to hurt ordinary Australians. It's been necessary to slow things down and it's because we've been successful now in gradually slowing down the level of activity that I'm confident that interest rates can come down and importantly the banking industry is saying that. So I think that they're going to put these things in the perspective.

AITON: I think the nature of being an Australian has changed during the 1980's, and rightly or wrongly you'll be blamed, your Government will be blamed for the fact that young people can no longer assume that if they get out there, leave school, get a job and work, they can get a house.

PM: But let's go back one step. I'll be remembered as the, in respect of young people, as the bloke who inherited a country where after seven years of conservative government there'd be no change in the rate at which kids stayed on in school. It went from thirty four percent to thirty six percent in their seven years. One in three of our kids stayed on in school. After seven years of Hawke there's nearly two in three of our kids staying on in school now. There couldn't be anything more

fundamental in terms of the importance of the future of our children that we have them staying on in school. Not only have them staying on in school but a wide range of training and re-training programs as well, and importantly, we've created jobs for them. In the last twelve months before I became Prime Minister, another quarter of a million people thrown onto the unemployment scrap-heap, including most particularly our young people. Now I've created jobs five times faster than they were created before, twice as fast as the rest of the world. So the kids are a) being educated, b) trained, and c) have got jobs available.

AITON: But they're worried about buying houses still.

PM: Sure, but they take the view I believe that the most important thing is that they be educated and that they get a job. And of course, let's remember about houses. We've built houses at a much higher rate than under our predecessors. We have built houses, the commencement rate of houses over our period in office has been ten percent per annum higher than under the conservatives.

AITON: There's one other area, or a couple of other areas concerning money that I think people are angry about. I do think that young people are terribly angry about the fact that they can't assume that thing about buying houses and this is what I notice moving around talking to people away from this radio station. And I notice the matter of income tax, specifically income tax. Now I know that the Hawke Government has achieved quite a lot as far as reforming the taxation system overall is concerned. But I think it's fair to say that still the rich are avoiding paying tax.

PM: Absolutely untrue, absolutely untrue.

AITON: Why? Why do you say that?

PM: Well for the very simple reason that we have brought in the instruments to make sure that they do. But on the question of the rich avoiding tax, let me just give you the quote Doug, that was made at the end of the Conservatives' period of office by Professor Matthews. He said then, "the essential problem is to make the rich pay any income tax at all." That's what he said then. And do you know why the fundamental reason that we weren't paying tax was the absence of a capital gains tax. They could so arrange their affairs that they could channel their activities into the accretion of capital assets which were then un-taxed.

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Now I've done these things. I've brought in the capital gains tax, we've brought in the fringe benefits tax and we have brought in the tax on entertainment where they could deduct their entertainment allowances before. Now it's just recognised, recognised by every tax expert in the country, that now, as a result of those three things, and particularly the capital gains tax, that the rich are now no longer in Australia in the position that they were described by Matthews, it was a matter of choice whether they paid tax.

AITON: There was one report, I think it was from the Social Policy Research Centre at the University of New South Wales, it doesn't really matter where it was from, but it said that the tax system still discouraged saving by taxing interest on savings at the full marginal rate without allowing for inflation. The example they gave was therefore someone saving for a house gets fourteen percent interest on the savings but because of seven percent inflation they end up getting nothing.

PM: The whole question of inflation and interest has been examined. Mr Peacock, you remember, dashed off on his mini campaign last year saying that he was going to bring in a system of allowing deductions. Of course when his people examine it as I've had Treasury examine it, and you've got to look at both sides, you're taking account of inflation and interest on both the income side and the cost side, it is full of complexities and the advice from all the independent sources are that it can't be done. Now on the question of savings, the most important single thing that we've done to encourage savings in this country is what we've done in regard to superannuation. When we came into office the superannuation funds were seventeen billion dollars. They're now up to a hundred billion dollars and it's estimated by the end of this decade it'll be between six and seven hundred billion. Now what we are doing is we've made, as distinct from the situation when we came to office that superannuation was the preserve of the minority, by making it an award provision now, we've got employers paying for their employees fifteen dollars every week now into superannuation for each employee, over the next three years there'll be another fifteen dollars. Now that will be thirty dollars a week being paid into superannuation. Now that's going to accumulate a vast mass of savings, we've given favourable taxation treatment for this, and that means that not only will it be important from the point of view of individuals but from the point of view of the country we're going to be accumulating savings upon which industry can draw, rather than having to borrow overseas.

AITON: Are you saying that the rich people of this country are now paying as much income tax as you, a Labor Prime Minister, would like to see them paying?

PM: I'm saying that yes, that we have made sure that they pay. We have brought in a situation where we've brought down the top rate, the top rate was sixty cents in the dollar when we came in. The reason why the top rate was sixty cents in the dollar was that all the ordinary mugs, the wage and salary earners were paying their tax but the people with the greatest capacity weren't paying because of the absence of a capital gains tax. Having brought that in, and the fringe benefits tax, we've been able to reduce the rates of tax from sixty down to forty seven and the bottom rate from thirty to twenty one, which is much more equitable. But what of course is being proposed by Mr Peacock now, with his two-tier system which would cost 2.8 billion dollars, is to give a tax break of twenty cents a week, twenty cents a week, to the bloke on seventeen thousand, and the bloke on seventy thousand, fifty eight dollars a week cut. That's the sort of concept of equity in regard to income tax and at the same time take off capital gains tax so they'll put billions of dollars back, out of the public revenue into the pockets of the wealthiest less than one percent of taxpayers.

AITON: If you win this election on the other hand, I was saying if you lose it it'll be because people are hurting more than they ever have since you've been Prime Minister, if you win you're going to actually overtake the Labor record set by a combination of John Curtin and Ben Chifley from 1941-1949. I think you'll overtake that next year. I suppose that's come into your calculations.

PM: I believe Doug that I'm the best equipped to lead the Labor Party now. If I didn't believe that I would've stood down. I think I'm the best equipped to lead it and importantly, that's not my judgement but more importantly it's the judgement of the Labor Party. I have the unanimous support of all my colleagues as distinct from the bitterness and hatred on the other side of politics. I wonder whether I could just share ... are we allowed to swap radio programs?

AITON: Sure.

PM: I just came across the transcript of something that happened earlier this week on..can I mention a rival?

AITON: Yes.

PM: On Chippy's program.

AITON: On 3AK.

PM: Yes, and he had John Howard on. Can I just read you this very, very interesting proposition. He said, this is Chippy: "my research shows that the Prime Minister told you in the House three weeks before the Peacock coup that he the Prime Minister had been informed of the plot against you, but at that stage Mr Peacock had thirty-four votes and was rising." Well I did do that. "Now given your committment", said Chippy to John Howard, "given your committment to spurn humbug which you already said and for which people admired you, I ask you simply this question. Do you still believe", this is a question to John Howard, "do you still believe, in view of the Prime Minister's knowledge three weeks before the coup, do you still believe Mr Peacock when he continues to assert that he only knew of the move a couple of days in advance of when he was drafted?" And John Howard's immortal reply, "Well Don, again, I'll spurn humbug and say that the best thing I can do for the Liberal Party in an election campaign is to refuse to answer questions on that subject". Which Don gave the obvious observation, "there's only one inference you can draw from the reply John". So I make the point, I've got the unanimous support of my colleagues for the leadership and here in this second last week of the campaign you have John Howard virtually saying that he doesn't believe that Andrew Peacock is telling the truth about the processes by which he John Howard was kicked out of the leadership of the Liberal Party.

AITON: We'll go to some callers in a moment. A lot of people are hanging on hoping to talk to you. I've got a couple of other questions. I reckon it might be won or lost in Victoria.

PM: Yes but that assumes that the rest of Australia doesn't matter, that nobody else.....

AITON: No I'm not saying it doesn't matter.

PM: But I wasn't trying to be pernickity? in saying that. I mean you're quite right Doug in saying that Victoria's important, and I'm not denying the fact that we've probably got, in respect of some of our seats, our hardest fight in Victoria. But the point I'm making to you is that we are I think going to win seats in Queensland and Tasmania, could do also in New South Wales, I think we're going to hold all our seats in Western Australia. So let me assume that we might have difficulty in holding a couple of our seats. I think we'll hold them here in Victoria but I do concede it's a bit more difficult here. But I'm simply saying to you that the other things that are happening around Australia can offset, and more than offset, if you take the worst case scenario in Victoria about losing some seats.

AITON: Well what I was going to say is that if the crunch is going to be felt in Victoria, it seems odd to me that the Coalition seems to have a better campaign going in Victoria at the moment. Their advertising seems to be slicker than that of the Labor Party.

PM: That's not what's been said to me, and may I say, we've heard some stories from inside the Opposition camp which indicates a lot of unhappiness there. But can I make this more fundamental point Doug, that the proposition that's being put, and it was argued in Western Australia too and I argued against it there, it seems to involve the proposition that Victorians will kick themselves in the backside to register some sort of protest about a state situation here. I mean on the 24th of March they are going to have to decide which Federal Government is going to be in charge of education, health, environment at the Federal level, and taxation. Are they going to say, well look we think on those things the Labor Party's much better than the Opposition but because we're a bit unhappy with some of the things that happened in the Victorian State Government we're going to vote against them. I don't think they're going to do that.

AITON: No they're not, but I just think that these are going to be the tightest seats, that's all, and that we'll be looking at these seats to decide the winner of the election.

PM: I believe that Victorian seats are important, I'm not arguing, it'd be silly to argue that they're not important. I'm simply saying in the totality of things, I think we're going to win.

AITON: At a time like this when things are tight, when people are feeling the pinch, when it's close, that's when people tend to want to change their vote I reckon, and also statistically you're not in good shape. That's not your fault of course but to be returned a fourth time as a Labor Prime Minister, that's four in a row, would be the first time in history wouldn't it, in Australia.

PM: Yes.

AITON: Those things are making it look statistically fairly tough for you.

PM: No but you've then got to get back to the question, what judgement are you making about the intelligence of the electorate. They've got to make a choice on the 24th of March whether Bob Hawke's going to be Prime Minister or Andrew Peacock. And they've got to make a judgement whether you can have Hawke as Prime Minister or Andrew Peacock, and with the policies which say we won't abolish the capital gains tax, we won't give billions of dollars back to the wealthy less than one percent, we'll keep billions of dollars to be spent on education and so on, a Government under Hawke which has an impeccable record, vis a vis the Opposition on environmental matters, those are the decisions. They're not going to be saying, oh well this is Hawkie's fourth time up. It's a choice between Hawke and Peacock.

AITON: I know, they've said that sort of thing before. You're putting an enormous amount of faith in people deciding that your policies are best.

PM: Yes, well I just happen to think that over the years, basically, the Australian electorate has tended to get things right. I've said publicly that in all those years when we were out of office the public made a decision, they saw the Labor Party fighting and squabbling, and my God we were, and they said look, if you mob can't govern yourself and you manifestly can't, we're not going to allow you to attempt to govern the country. Now you've got this situation amongst the Conservatives. I mean they hate one another. John Howard, on the record, at the end of last year in the Sydney Morning Herald, saying no trust between Peacock and Howard. So you've got the deepest of hatreds and divisions within the Liberal Party and you've got deep divisions between the Liberal Party and the National Party, and I believe that quite apart from an assessment of the policy issues, like on health, are they going to say, oh look health's not important. This mob which have got up and said publicly that our record in health is no good, in government or in opposition, but that doesn't matter ...people are going to say we'll let you control our health. I just don't believe that's the way it operates.

AITON: You've got to catch a plane soon and you've got to leave here at 5.40 on the dot so we're going to take ten minutes of calls and we'll go to Jim. Are you there Jim? He's gone. Hello Michael.

MICHAEL: Mr Hawke, I'd like to ask you a rather simple question.

PM: I'm always wary of the simple ones Michael.

MICHAEL: Right. I'm one of your middle-income wage and salary earners and I have a small share portfolio. Shares post and pre-September 1985. Now it's not worth a lot of money but I have received bonus shares, rights issues and so on. It's an accounting nightmare to keep track of all these shares because of your capital gains tax. Now I'm not going to make a lot of money from selling my shares. Why don't you look after the small person such as myself if you're so determined to attack the wealthy people that live off capital gains? I'd like your opinion please.

PM: The principle is the same Michael. That if people acquire an income out of capital accretion, then I take the view, interestingly that is shared by, may I say, Dr Hewson. Can I just quote to you Dr Hewson's view on this matter when he was a pure economist and before he became a captive of the Conservative prejudices.

MICHAEL: Mr Hawke, I'd prefer you to...

PM: And I'm going to, because what Professor Hewson has said is my reasoning, in answer to your question. So I'm sorry Michael, you may not like the fact that my reasoning is the same as Hewson's, but it's important to give you the answer, and this is what Hewson said on the 3rd of August in the Age, 1987, when he was asked about the question of capital gains and fringe benefits, Hewson said, and I quote, "I'd go for near uniform taxation of all forms of income" and I agree with Hewson the economist, and that is, if in fact you are deriving income from accretion of values on your shares. I mean you buy shares and out of a magnificent effort on your part Michael, of ringing your stockbroker and saying sell, I mean a tremendous effort on your part mate, you ring him up because the shares have appreciated in value, you ring up your sharebroker and you get an increase in value on your shares. I reckon you should pay tax on that because the bloke that's working in that company in which you've got shares, who through his labour has increased the value of your shares, for every hour of his brain or muscle-work in that company in which you have shares, he pays tax on his labour, of his brain and his mind. You have the shares, you ring up your stockbroker and say sell and you get a capital appreciation but you think you pay no tax on it. Well mate, it was the absence of the capital gains tax which led Professor Matthews to say what I've just before on this program, that it was a matter of choice as to whether the rich paid any tax, and it was also the absence of a capital gains tax which led the Conservative's Royal Commissioner, Frank Costigan, to say that tax avoidance was the fastest growing industry in this country.

AITON: I'm going to have to move on. I'm sorry Michael, I know you wanted to argue back but I want to get some other callers on. Have you ever owned any shares in your life?

PM: No.

AITON: Hello Terry.

TERRY: Mr Hawke, I'm one of eight children, I have seven sisters. Two of my sisters have had babies out of marriage, they've had supporting boyfriends and they have both, one in particular got a house on a special arrangement by the Government because she was an unmarried mother. She bought a house about five years ago worth thirty thousand dollars, or she bought it for thirty-five thousand dollars or something in Adelaide. It's now worth about a hundred thousand. She's still not working, neither her husband now not working. My other sister's the same. She has had a baby out of marriage and she's been put on line to get a cheap home loan. I've been working my butt off since I was sixteen, I'm not twenty-eight, for twelve years. I went out to get a second job last year because I desperately want to put a roof over my head that I call mine and I got taxed through the bum. I mean because I want to go out and do two jobs it wasn't worth my while because I was paying so much tax. How is it under your Government that two girls, and they're just two examples, there are a lot of girls that I know that are doing this, can go out and get pregnant out of wedlock, get their boyfriends to support them anyway and two dole cheques come into the house or whatever, and they get a house over their head. I mean they're sitting on a mortgage now that's worth a hundred thousand dollars and I am working my butt off.

AITON: Okay, we get the point of what you're saying. Yes Prime Minister.

PM: Let me say this, that it's under my Government that you've had the most considerable tightening of the eligibility for benefits that you've seen. Under our predecessors the number of people on benefits simply exploded. What we have done is to bring about a situation more and more where people are going to have to work if they are going to get benefits. That's why in respect of single parents for instance, you've had a massive change under my Government, on the proportion of single parents who are in fact working rather than receiving the benefits and that's what's happened in regard to unemployment as well as other benefits, and that's why it's a matter of in fact recognition within the welfare industry that this Government has taken those sorts of steps. We do not want to have a society in which people

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regard it as a right not to work and get a handout. That's why we've had a massive increase in expenditure on training programs like Skillshare to increase the training and re-training opportunities for people who either haven't been in the workforce or who have been in it and want to get back. And what we are now having in this country is a situation of that culmination of decisions that we take which came earlier this year in the February Statement, where people are out of work and they come to the Department of Social Security, they are going to have to be prepared to undertake training or re-training programs if they are going to get a benefit.

AITON: Jim, hello.

JIM: Mr Hawke, you keep on talking about what you inherited from the previous government and you rightly point out that superannuation funds have gone from seventeen billion to a hundred billion. Our national debt's gone from less than ten billion to over one hundred and thirty billion.....

PM: Well Jim the figures are wrong.....

JIM: (inaudible) thirteen and a half percent to eighteen percent...

PM: Jim the figures are wrong. The figures....

JIM: Oh are they?

PM: The figures are wrong. You said from ten to one hundred and thirty. Let me give you the facts. They've gone from twenty three to one hundred and eighteen. Those are the facts.

JIM: Right. So that's pretty similar to the seventeen to a hundred in superannuation investments.

PM: It's a quite different figure.

JIM: We've also got institutionalised inflation, stuck in a groove at seven percent...

PM: [±] On the contrary Jim. We've brought inflation down Jim. The inflation rate that I inherited was eleven percent, that was the inflation rate that I inherited and under my period of Government it has never reached the eleven percent, we've brought it down.

JIM: Can you tell me what we'll be paying in housing interest rates, irrespective of what's gone on in the past, and what our inflation rate will be if you get re-elected, what will they be at the end of your third term and what will the national debt be? Just give me three numbers.

PM: Well I will say these things to you, which are the only answers I can give to you. I will agree with the statements that have been made as recently as today by the banking industry, and that is that interest rates will go down, it's been said by the Commonwealth Bank today in the light of the employment statistics and the December quarter balance of payments statistics, that they expect interest rates to go down early. That's the judgement of the banking industry on interest rates, so that's interest rates. In regard to the debt, we have in place three things which will move to bring the debt down. We have a firm and predictable wages outcome which will increase the competitive position of Australian industry so that manufacturing industry is going to export more and more and be more import replacing. Secondly we have a budget surplus. I, Jim, have been the only Prime Minister in the history of this country to run a surplus. In the last three years, seventeen billion dollars which I've used to pay off every cent, every cent of Commonwealth Government overseas debt and we are now an international creditor to the tune of 4.4 billion. We will continue to have a surplus so that we can do that as against which our Conservative opponents will blow the budget surplus by their six to seven billion dollar hole and their intention to give back billions of dollars from you to the richest people in the country. And thirdly, in regard to superannuation, we will continue to have superannuation as an award prescription which will increase the savings of this country so that industry in Australia can draw upon domestic savings rather than being international borrowers. Those are the answers to your questions.

AITON: Mr Hawke, I know the time's getting very short now. I'd just like to draw your attention to something I meant to mention earlier and that's the front page of today's Melbourne Herald.

PM: Thanks Doug.

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AITON: Ford bombshell.

PM: Yes, Ford bombshell.

AITON: Exclusive by Terry McCrann. Australia's leading car company, Ford Australia, has told the Federal Government it is likely to quit full-scale local manufacturing production after the Button car plan levels off in 1992. The new chief of Ford in Australia, Jack Nasser, delivered the shock message to Industry Minister, Senator John Button, in a private one-to-one meeting in Melbourne etcetera. Do you want to comment on that?

PM: Thank you very much Doug. That Ford bombshell is a McCrann bombshell. That bloke McCrann ought to look at himself in the mirror and ask whether he's got the moral scruple to accept his pay cheque. The story is one hundred percent false. And he could've found out that it was false. Let me give you the proof of its falsity. Firstly, here is the statement by Senator Button, and then I'll go to the statement by Ford, but this Senator Button's statement from hospital today. The nature of the discussions between Button and Ford's Nasser, alleged by journalist McCrann, totally incorrect says Button. He did meet with Nasser. However the Herald article is incorrect in claiming it was a one-on-one meeting. Mr Bill Dix, the former president and now chairman of Ford was also present. Neither Mr Nasser nor Mr Dix delivered any message or intimated in any way to Senator Button that Ford would be closing down its Australian manufacturing operations. On the contrary, part of the discussions revolved around plans by Ford to invest a further 1.2 billion in its Australian operations. Statement from Ford, Ford denies reports on its future. In specific terms, Mr Nasser categorically denied he had told Senator Button that Ford was likely to quit full-scale local manufacturing after 1992. The topics were far-reaching, covering a wide range of subjects, including Ford's already announced intention to invest about 1.2 billion in Australia over the next five years, Mr Nasser said. Our investment in the past and our plans to spend an average 250 million dollars a year over the next five years show Ford's strong committment to remaining a viable manufacturer in Australia and a continuing development of export markets. This investment has been underpinned by strong profit performance. In addition, Mr Nasser strongly denied the claim in a news report that Ford wanted to become quote, more or less an assembler in Australia. This is not an option that makes sense for Australia. During recent years considerable progress in productivity and quality has been achieved. This McCrann, I don't know what he gets paid, but my God he ought to look at himself in the mirror and say, what sort of a man am I. All he had to do was to ring up and find out but he's prepared to write and allow to be published that sort of absolutely erroneous crap. He ought to be totally ashamed of himself.

AITON: Mr Hawke, your time has run out, you've got to fly. Thank you very much indeed for making yourself available today.

PH: It's been my pleasure Doug. Thank you to you and your listeners.

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