



PRIME MINISTER

TRANSCRIPT OF INTERVIEW/TALKBACK WITH PETER KENNEDY/GERRY GANNON, ABC RADIO - 8 DECEMBER 1992

E AND OE PROOF ONLY

KENNEDY: Prime Minister, with regard to yesterday's meeting of the Council of Australian Government you must have been disappointed that not even the Labor States sided with you on the issue of industrial relations reforms.

PM: They did on the one part but not another. That is there are two parts of this. That is that we extend or make it easier for people to have access to the federal jurisdiction of the Arbitration Commission where no arbitral structure exists. This is nationwide legislation but for instance in Victoria, the thing which would trigger it would be when the awards under the Kennett government expire in March, Victorian employees can seek coverage and have an award made to protect them by the Industrial Relations Commission.

Now it seemed to me the Labor states were not so much worried about that, they were a bit worried about the legislation under what we call the external affairs power that was legislation giving effect to International Labour Organisation conventions on equal pay, minimum rates of pay and terminations of conditions. But they have got nothing to fear from that, and the other thing is Australia has ratified these conventions. They were all ratified with the agreement and consultation of the States and we are legislating to impose international minima. So I said to them how could you object, does anyone object to it being equal pay for equal work or minimum rates of pay or proper redundancy in termination arrangements.

KENNEDY: You said at the lunchtime news conference that you wanted to legislate on some of these issues before Christmas. Are you still going to be able to do that?

PM: We have got a very large legislative load and the drafting task is always, with a thing like this, considerable. But if we can get it drafted in we will, but we

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PM: (cont'd) may not. We certainly will get the extension of the Arbitration Commission prerogative, that legislation in. But see the important thing about all this Peter is this, the States in a sense are worried about their patch. What I have got to worry about is the rights and entitlements of Australian working men and women and what the Victorian government has done is unconscientable. Come March people have got no rights at all, no rights. You take the contract, individual contract, or you take the sack and there is no minimums which will protect them. There is no rights to redundancy arrangements if they don't appear at work it's an industrial action they can be fined. They have got no rights whatsoever and that is what I am worried about and that is what the government sought to protect.

KENNEDY: How important in your industrial relations strategy was the need to head off continued industrial action especially in Victoria which could have cost you electoral support?

PM: I think what we have said to the Victorian community and its workforce is, look while the Kennett government is running the sort of small business organisation's agenda trying to strip working people of any rights whatsoever, we will extend to you enhanced access and opportunity to be covered by a federal award. I think they have thought well good enough and therefore the widespread dispute which we would have had this week with a power strike in Victoria they have I think quite wisely but sensibly called off.

GANNON: Let's take some callers Prime Minister.

JOHN: In the committee stages of the tax law amendment file number bill in 1988 on 2 November Paul Keating stated the amendments that the government agrees to accept are designed to guarantee that the tax file number system is completely voluntary. They ensure that every person when in all circumstances retain the right to elect to have tax withheld at source rather than quote their number. Taking into account comments reported by yourself in The Australian newspaper some months ago regarding the WA Royal Commission and TPN fishing trips, could you please explain the dragnetting that the Department of Social Security is indulging in and why my invalid support pension was cut two months ago because of my refusal to comply with the request for a TPN? Is this what is meant by voluntary in your quoted statement on 2 November 1988?

PM: The voluntary means that you have the right to get a tax file number and to use that or you elect to have deductions taken at source. That's where the voluntary quality comes in and most people of course have a tax file number and therefore that withholding at source doesn't occur. That's what meant, simple as that.

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EILEEN: What concerns me more than anything is the health problem that we have. It's all very well for Medicare and all that sort of thing but we here in Kalgoorlie we have a wonderful hospital, good administrators, nurses, whatever we need. But not so long ago the hospital administration had to close a ward because there wasn't sufficient money to run it. We are lacking in doctors because we are so far from the medical centre which is Perth. What is in it and what's going to happen especially for the pensioners please? That is my question I am a bit worried about that.

PM: As you know Medicare is a national health insurance system. It covers the provision of medical services with doctors and also access for patients to public hospitals. Medicare is not the management system for the public hospital system they are managed by the States and what the government has proposed in the new Medicare agreement, which will now run for 5 years, in the Budget, we proposed in the Budget to pay the States another \$300 million a year or \$1,500 million over 5 years for enhanced access by public patients to public hospitals.

That is to make the taking of public patients into public hospitals more attractive and I am pretty confident those agreements will be signed and it will mean I think that those particularly elderly patients who may have a need of elective surgery of some kind, it means that their access should be speedier through the public hospital system because it will be more in the interests of the public hospital system to take them. Now of course some people will wisely insure themselves as well but the insurance helps in relation to elective surgery it doesn't matter that much of course for acute. If you have got an acute condition you are rushed to a hospital well then if you go in as a Medicare patient you go in basically the same room and you are treated by the same doctor. So these are all matters for judgement but we will make the public system much better by providing to the States \$300 million a year for the next 5 years.

GANNON: So will that mean the prevention of the scenario for somebody who has got to wait a year or even 2 years for a painful hip replacement?

PM: It should shorten it, it should shorten it considerably because I think the States will then and as well as that we provided yesterday as a matter of fact \$50 million to the States to reduce waiting lists by setting up systems, computer systems, time management systems in state hospital administrations where perhaps you might have queuing at one hospital but not at another where people's desire for surgery can be accommodated at a range of hospitals within the city for instance. So that was done yesterday. All this I think should help very much in improving public patient access for things like elective surgery.

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GANNON: So you believe that there is still a lot of scope in the state management of the hospital system for improvement?

PM: I think that is true of all systems but again I think if the Commonwealth makes it more attractive for the public hospitals to take public patients they will and by adoption of this scheme yesterday on waiting lists it should be that we won't find a position where someone has to wait quite awhile at one hospital but at another there is virtually no waiting time. We can arrange better the queuing more effectively, more efficiently. Between the two it should make a very big change.

TAFFY: What I wanted to speak to you about is that I commend your action you have taken regarding the television violence for our children. Were you influenced by the good relations that you have and close knittedness(?) with your wife and your children?

PM: The thing that influenced me on this was exclusively my own experience with my children because I think that when you sit down to watch a movie at 8.30 at night you should be able to sit there with your family and not be embarrassed by what you see, not have to go and switch the dial to another channel or shoo the kids off to somewhere else and that is why I think that what has been happening in chasing ratings and revenue the TV stations have been pushing the limits and the edges out to what was acceptable in terms of violence for showing it at 8.30pm.

Now what has happened now we have now developed two categories. First of all we have developed a sole single classification system for video, film and TV so that the commonwealth film censor will determine what classification goes on a film to go in the theatres. That will be the same classification that goes in the video shops and it will be the same classification that goes on TV. And essentially what it will mean is that what used to be called AO or adults only on TV will now be split into a category called M for mature audiences which is the softer part of AO and the harder part will be called MA and they can only be shown after 9.00pm. So what it means is one system, so everyone will know more accurately what is in the film and at 8.30pm, for an 8.30pm showing which is now nearly every night of the week in most Australian cities people will not see the violence they would have seen three months ago.

GANNON: So you were influenced by your own family situation and your own family viewing habits?

PM: I watched them, I see what my kids have on and I watch them like hawks you see to switch off the things which are violent and I don't think they want to see them and children 7 and 11 and 13 they shouldn't be subjected to that

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PM: (cont'd) sort of stuff and particularly during the school holidays I think TV stations should use a bit of sense about what they show and to have kids sitting up obviously a little bit later in the school holidays watching stuff which is quite violent is just not a goer. So my children are seeing less and less TV by virtue of the fact that a lot of it is not worth watching. I hope this changes.

GERRY: In the light of this country's desperate need for foreign currency, tourism and offshore business, how can the government justify the difficulty being encountered in the UK in relation to visitors' visas? Regular family visitors now have to renew visas annually and a business friend and frequent visitor applied to extend a 2 year visa to a 3 year one and got a 6 month visa instead. Why are we making it so hard for visitors and business to help us make ends meet? Immigration control is one thing, cutting off our noses to spite our face is another don't you agree?

PM: Who could not agree with that but I am not familiar with what change we have made there but I don't think that anybody that wants to come to this country as a visitor has any real problem and countries do run immigration laws to suit their national interests and I am sure many Australians, it wasn't that many years ago when people from so called commonwealth countries had ease of access into Britain but now what you find is that when you arrive at Heathrow it is the European Community queue that has ease of access into Britain and all the colonials wait on a long line. Now we don't do that to anybody so I don't think access into Australia is a problem and whatever the visa arrangements might be they are not onerous.

JOHN: My question relates to the goods and services tax. I am a self funded retiree and have some distinct reservations on the GST and I also believe that many of the initiatives that you undertook in your early years as Treasurer made a very positive contribution to this country. However, on the GST maybe the electorate has a short memory but in 1985 a GST was your special project, your baby, you ran with it, you fought for it, I think you called it the Taxcard(?) Ok you lost out to the ACTU. Now in respect of this and the fact that now is a period of record low inflation I submit that your credibility in opposing this tax now is less than -

PM: Let me explain -

JOHN: Could I just finish my question. My question is that in the event that Dr Hewson wins the election and a GST is introduced would you give an undertaking that as opposition leader that you would campaign in the 1996 election for its abolition?

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PM: Let me just explain things this way. In the middle 1980s the former government, the Liberal government of which Dr Hewson was a principal adviser to John Howard, left the tax system in a dreadful state of haemorrhage. Very few people in the Australian tax administration felt, it had been left in neglect for so long, it was capable of repair. So perhaps a gloomy view was we want to collect it when they spend it. Let's put on a consumption tax because we won't fix the direct side tax system and we have a very large budget deficit to fund. Two things, when the GST was denied to me because the fact I couldn't give the guarantee that the inflationary effect wouldn't go into wages and I might say Dr Hewson certainly can't give that guarantee.

If a Labor Treasurer under an Accord couldn't give the guarantee to have the workforce discount the GST for inflation certainly a conservative leader could never give such a guarantee, anyway leave that point to one side. When it was denied to me I then decided to repair the tax system, root and branch on the direct side with things like the fringe benefits tax, the taxation of capital gains where most tax schemes relied upon the non taxation of capital gains. Changes to the tax system in terms of a whole range of concessions. The abolition of entertainment as a deduction, a whole stack of things which have now made the Australian direct tax system one of the most secure in the world. In the intervening period we also reduced the size of the public sector commonwealth spending by about \$20 billion a year from about 28/29% of GDP to 23.

So by the time I finished and that is a couple of years ago we had a very small public sector, a much smaller level of spending therefore requiring much less tax. We had a direct side tax system which was as tight as any in the western world, a tax share to GDP the second lowest of the 27 countries of the OECD so you ask yourself the question why do we need a consumption tax? The consumption tax's period has passed and to now take the macro economic risk of pushing another 6 or 7 percentage points into inflation and then seeing it go onto wages and then into ongoing inflation and a 6 or 7 percentage point addition to interest rates that will come with it is now not worth doing.

It's quite wilful, no Liberal leader can give a guarantee that the price effect of a consumption tax won't go into wages and into ongoing inflation and interest rates. And if you can't give the guarantee it's just vandalism to proceed with it. I couldn't give the guarantee in the middle 80s and I gave it up but now we don't need the thing. We have got the second lowest tax share in GDP in the total economy in the whole of the OECD. We have now got a very tight direct side tax system, we don't need a tax in consumption, we don't need an expenditure tax and that is the reason why I have opposed it.

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GANNON: So if there is a change of government next election, in 1996 at the following election what would be your attitude to GST?

PM: I am happy to say with today's polls I don't think there is going to be a change of government and I think the Australian public understand very clearly that this means a very large impost on all, look the Liberals have got two very nasty policies. They want to lift tax and cut wages, they want to lift tax by a consumption tax and they want to cut wages like Jeff Kennett is doing in Victoria with his single employment contracts. They will drive 8 million Australians onto single employment contracts which each person has to then negotiate with themselves without the protections of awards, without protections as to minimums and I believe that such a policy prescription will mean that basically the Coalition is not going to be elected so I am happy to say I think they are not going to arise.

KENNEDY: You mentioned today's polls Prime Minister, a 7 point lead for Labor and a 13 point break on Dr Hewson as preferred Prime Minister, you must be regretting you didn't take John Dawkins' advice and go to a poll before Christmas?

- GG:** Well you mentioned today's polls, Prime Minister, a 7 point lead for Labor and a 13 point break on Dr Hewson as preferred Prime Minister. You must be regretting you didn't take John Dawkin's advice and go to a poll before Christmas.
- PM:** That poll today is good for us, as I said earlier in the year I think the public are entitled to see the Parliaments run their course. This Government was elected three years ago in March of 1990 and that three years is just about coming up in not so long.
- GG:** It is coming up for both Dr Lawrence in Western Australia and yourself federally, you must go to the polls early next year, is it going to be a case of ladies before gentlemen?
- PM:** I don't know, it depends when Carmen wants to put her toe into the pond, so to speak.
- GG:** But you would be chanting at the bit, wouldn't you, for a poll in February next year?
- PM:** No. I will see what is happening in the general political environment and when it is opportune for the Government and make a decision about it.
- GG:** But the longer you leave it the greater the chance Dr Hewson and the Coalition have of pegging you back.
- PM:** I think the longer we are leaving it, in a sense, the more opportunity we have to peg him back.
- GG:** How do you mean by that, because the polls show you are clearly in front?
- PM:** But if you look at that three months ago, we were not as far in front as we are now. The longer we have gone the better we have gone.
- GG:** How do you explain the gap that you have opened up in these polls with unemployment at such a high level, 11.3, and possibly likely to go higher?
- PM:** I think people think that the Liberal Party doesn't have any answers. Can I just make this point - what is their policy? Their policy is a simple tax switch from income to expenditure, they are going to tax people's food and clothing, their services, and they are going to give their proceeds to the abolition of pay roll tax and they are going to try to cut the price of petrol. Does anyone in Australia ... you don't have to be an economic genius to understand this point, and that is this - that abolishing pay roll tax and cutting the price of

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petrol is not going to remake Australia. What is going to remake Australia is a Government being involved in all of the sectors that are really going to change the place, the labour market, like we were at the Premiers Conference yesterday - in water, in the provision of power in establishing a proper market for electricity in Eastern Australia. These are the things which have a role for Government. Now, Peter, we are already growing faster than any other country in the OECD, we are growing at 2 per cent a year. Many of the other countries, Japan last week went into a recession ... I think many people in Australia now understand and know that the economy is growing, that employment will pick up and that the big structural change, the reorientation into Asia, the rebuilding of our education system, all of these things are the things the Government is doing and the things Australia needs to be done that won't be cured by a simple tax switch.

GG: But you need a growth rate of 3 per cent, don't you, to prevent unemployment from rising?

PM: Around 3, yes that is true. But we are already over 2, we have had four quarters of growth to 2.1 per cent and our forecast is for that to accelerate. That being the case, we will start to see employment rising, having then its impact on unemployment, a favourable impact on unemployment, I think the Government has a structure in place, it has changed Australia, it is still changing Australia and I think that many people think the sterile policies of Dr Hewson's on the GST and cutting wages is not a solution.

GG: I understand you have a couple minutes to spend with metropolitan listeners after the news, we will be happy to avail of that, Prime Minister, in the mean time it is news time, 9 O'clock.

PM: Thank you Gerry.

GG: The Prime Minister is still with us. Prime Minister, on the 19th of December you mark one year in the job as Prime Minister, how would you look back and how would you characterise that year?

PM: It has been a year of quite substantial change. We put together the One Nation package earlier in the year to stimulate the economy and to get it moving and I think we succeeded in that because in the national accounts which came out last week, the first bit of objective evidence for the year, one of the large contributors, the largest contributor to growth is what is called in the jargon, public demand, which means the public sector has been pulling the economy along. So the strategy, I think, has worked and is working. As well as that we have been able to continue the enormous changes which the Government introduced in the '80s, we did so much this year. For instance, we established a national training authority in the One Nation package to

remodel totally our TAFE and vocational educational system. That will be the greatest change, probably, of the year which we will see over the next 20 or 30 years and will make a huge difference to the education of Australian kids. The deregulation of the airline system, letting Qantas take over Australian and become an integrated national and international carrier, Ansett now applying to become the second international carrier where formally we only had Qantas. So we are going to have real competition in aviation which we have never really had before. A new depreciation schedule for taxation for business which I think is making a difference to the economy. It has been a year of very substantial changes and the Government is still getting those changes into place. At yesterday's Premier's Conference we made a lot of decisions, again, on power generation and distribution, water quality, a range of those sort of national issues which years ago you wouldn't have touched one in a decade, or one in 20 years. We are doing four and five major things like this in our every year.

GG: The '80s have been described as the end of the age of certainty, do you expect this rapid change to continue through the '90s? Is it a reform program that has to be driven along?

PM: It has, but I think we are now quite well set up, Asia is the fastest growing part of the world, we are better placed now in the Asian area than we have ever been. In terms of the economy, this year we exported nearly 25 per cent of all we produce, nearly a quarter of everything we produced we exported. A decade ago that was 14 per cent. You can just imagine where we would be now if we were only exporting 14 per cent of what we produce. So the growth of Asia should tug Australia along providing we are set up to exploit it, and we are.

GG: That trade debt though, I mean it is still growing, it is still a massive problem. How can it be reigned in?

PM: But the debt servicing ratio, our capacity to pay for it has been coming down, and that has been coming down as our trade performance improves. There is only one way out of any these problems - that is basically growth and trade. The Government is committed to growth and it is committed to making Australia a competitive society and I believe that our greatest comparative advantage is going to be in education. That is why now nearly 8 children in 10 complete secondary school. When I became Treasurer it was only 3 in 10. 40 per cent of those are now streamed through universities and the big weakness, vocational education, TAFE, only 29 per cent of kids now are TAFE or vocationally educated, we hope that will be 90 per cent by about the year 2000, 2005.

- GG:** But there haven't been jobs for young people in the last few years and this has been one argument put forward for the higher retention rate. When will those jobs start to appear?
- PM:** I don't think that is quite right Peter. In the '80s we had plenty of jobs there for young people when the economy was growing strongly, it has slowed up lately, but again a lot of young people are finding jobs, particularly those who are trained, so we need to train them. But the big point is that in a much more completely educated, fully educated society, where the education levels are higher, young people make their own job opportunities. They will be the employers, they will be the people who are actually out there creating the new businesses. The idea that we have got to have trained kids sitting waiting for someone to come along to employ them, every other country which has invested in education will find that it is the trained kids that actually end up employing themselves and others. The spring in the step of the country will come from the education system and Labor has totally transformed education in this country. How could you ever claim to be a smart country or a capable country, or a country to exploit the opportunities we have in the Asia-Pacific, with only 3 kids in 10 completing secondary school? That is what it was 8 years ago.
- GG:** But Prime Minister, what do you say to the almost one million who are unemployed today, many of whom feel that they will never work again? The changes that you talk about, that you have presided of this past year, they mean nothing to those people, to people sitting in Balcatta and Balga today that have been out of work for two years, how do you translate all of that down to their level?
- PM:** Gerry, what happened in the '80s there was a huge amount of growth and expenditure and a big growth in credit, not just in Australia, in the United States, Japan, Britain, Germany, all round the world. When the credit growth stopped, when the music stopped we found our companies and our industries very heavily indebted, or as they say, highly leveraged. It has taken about 18 months to 2 years longer than I think any of us expected to deleverage those companies, that's what is happening in the United States today, that is what is happening in Japan today. But I am happy to say in Australia we are reaching the point now where the balance between equity and debt in a business is now getting back to a proper balance and we are starting to see Australian companies look around for opportunities, and as that happens the growth will start again. If you look at our unemployment rate, roughly half of it comes from the down cycle in the economy and half of it comes from the structural change of the churning of different industries. It is called cyclical and structural unemployment. If we can pull the first one down, the cycle, as the economy picks up to get that 11 per cent unemployment rate heading back towards 5 and 6 we then have to work on

the long run change to get it below that. That is the structural change. So people should not be too gloomy about it. We had huge employment in the '80s and we kept most of the jobs. I think a lot of people forget we started with a labour market of 6 million in 1983, today that is 7.6 million, it is a quarter bigger, we have kept nearly all of those jobs. Sure we have got 11 per cent unemployment and we had nearly 11 in '83, but we had 11 per cent in '83 off a level of 6 million, we have got 11 per cent today off a level of 7.5 million. It's the old rates and levels comparisons. So, Australia is a more fully employed country today and most of the jobs of the '80s we have kept, what we have now got to do to them is add to them. We will only add to them with growth. But you will only get growth in a cooperative environment, you won't get it by basically cowering people. This is the point that I make about the Liberal Party, they want to cower people, knock off their minimum rates, conditions, redundancies, rights of appeals, the general award protections. The way we are going to get Australia working is by everybody working together to a set of national objectives, just as Japan has done, Korea has done, Singapore has done, Germany had done, United States is now, under Clinton, starting to do. I think that is what we have got to do. So it has got to be a cooperative effort, and that is why the big community things like we were dealing with yesterday at the Premiers conference are the things which are going to matter.

GG: You have got about 2 minutes left with us, let's see if we can squeeze in one or two calls. This is Fred.

Caller: Good morning, Prime Minister, I would like to ask a question of you if I may about superannuation and the GST. I wanted to ask Mr Chaney last week but I couldn't get on. I retired in 1991 in Victoria and I rolled over a lump sum in the State superannuation fund of Victoria. Now that is payable in September of 1994 and it will be about a \$300,000 payout. Now recently in Parliament I heard you say that I would have to pay \$45,000 tax on that \$300,000 under the GST and at present I am told it will be less than \$15,000. Is that so?

PM: Well what it means is this, that any block of savings, as of the day of the introduction of the GST, are automatically diminished by the price effect of the GST because they simply buy less in the economy. So there is a one off loss to savings which will never be replenished, that was the point I was making. Could I just make this associated point, there will also be a continuing loss to savings in the design of the GST under the Liberals. So there is an unavoidable one off loss for anyone who is living off their savings, someone who is superannuated as you are or anyone living from the income off a block of savings, those savings will simply buy less and earn less day one upon the introduction of a GST.

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- GG:** But it is not a straight 15 per cent loss, is it? Some items have 20 per cent sales tax now, other items have nothing.
- PM:** The price effect will be about 6-7 per cent.
- GG:** 4.7 per cent according to the Liberals.
- PM:** Yes, but that doesn't include Medicare, the abolition of Medicare and the fact that you have to privately insure ... The Treasury's estimate is that if you put the health changes in the net effect of the so-called Fightback package is 6-7 per centage points, which is substantial.
- GG:** Have you got time for one more? Let's make it Peter from Duneraig, he will be our last caller. Good morning to you Peter.
- Caller:** Hello.
- GG:** Peter you are on.
- Caller:** Thank you very much.
- GG:** Your question to the Prime Minister please he is running out of time.
- Caller:** Prime Minister I would like to say that I am a person that would like to go into business. Now I have a house worth about \$150,000, I can raise \$100,000 on this house and go into a business, but if I do that and then later or within two years your Government increases interest rates again, not only would I lose the business but I would lose the house. Is there any possibility, ever, that you could put say a two year moratorium on interest rates?
- PM:** One of the governing factors in interest rates is the underlying rate of inflation, so obviously if inflation were to rise it would have an impact upon interest rates. But I think at this stage we are at a stage in the cycle where inflation is down, and I think will stay down, so it is probably the best long run, low interest rate, low nominal interest rate horizon we have seen for some time. But I think the best thing for you to do would be to try to secure some medium term finance. You could lock in some debt now on a five year basis taking advantage of the prevailing interest rates, which will give you quite substantial protection against some movement in margins over the period. Now it may cost you a little premium to pick up a five year financing, medium term finance package, but you could do it rather than be left to the vagaries of floating rate debt.
- GG:** Ok, thanks for your call Peter, and to the Prime Minister thank you for your generosity with your time this morning.