



## **PRIME MINISTER**

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP  
PRESS CONFERENCE, PARLIAMENT HOUSE  
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**PM:** I would just like to make a few basic points about Dr Hewson's speech today. I think the first thing I would like to say is that you just can't believe him. He said he would resign if Fightback was changed, he now said he will resign if he changes it back.

Obviously his performance today was of a person jolted by the fact that he was saying things that he didn't believe. He didn't believe them, the audience who was listening to him didn't believe them, I am quite sure that the press gallery didn't believe them, I didn't believe them, but I think what showed most particularly is that he didn't believe them. I think what we are seeing is someone who made it impossible for Australians to believe him as well.

What Dr Hewson's proposed today, he said the integrity of Fightback will always be preserved irrespective of whatever we decide to do. I think that just about said it all. That is, Fightback will be preserved irrespective of whatever we decide to do. So whatever changes he makes, whatever adjustments he makes to try and garner some support in the community from the heartless policies he has pursued, he said we will still maintain the integrity of Fightback, and if that is true the essential unfairness would be maintained.

So what are we left with after the presentation of Fightback Mark II, well for a start a 15 per cent goods and services tax, only now it is more complicated. He has got some things in and some things out. Food is out, but restaurant food is in, fast food is in, other forms of food are in. It will be just more complicated and it now raises just \$22 billion instead of \$27 billion. It raises nearly half the income tax of Australia, it is a monster, it is still there. Zero tariffs are still there, the Jeff Kennett industrial relations policy is still there, and I noticed he even said the very same things that Mr Kennett said in his pamphlets, what you have now you will keep

said Mr Kennett in his pamphlet, Dr Hewson made the same point today. \$10 billion of cuts in Government spending still there, but what is new is a huge unfunded program in a delivery of a financial account that I would absolutely shrink from producing in public, never would I have presented as Treasurer, or as Prime Minister something so shonky and deliberately false. All that Dr Hewson has done is add \$5 billion in asset sales in 1993-94 and \$5 billion in 1994-95 on top of what he already had there in the original Fightback Mark I. So it is now a program of \$10 billion of asset sales in 1993-94 and \$10 billion of asset sales in 1994-95. You have got to bear in mind that at its peak the Australian capital market in 1988 only funded \$13 billion to the whole private economy of Australia. In 1991-92 it funded \$12 billion to the whole private economy of Australia. It has all ready had problems digesting the Westpac float and the Woolworths float. He is going to have, just on the Government's account alone, \$10 billion in each year, it is impossible for the market to digest and he is going to spend \$3 billion of those proceeds each year from it on his policies.

He says he is going to have a kick start policy, he has got the so-called Ralph Committee, the rebuild Australia fund, it will be just like the Cole Committee, it is going to receive suggestions, it will receive suggestions until the election is passed and then they will go exactly where the Cole Committee's suggestions have gone, into someone's top draw. So, the \$3 billion of infrastructure that is going to kick the economy along, I am quite sure that the Ralph Committee recommendations will never see the light of day.

So, the fact of the matter is that we have got basically a policy which is about maintaining the essential unfairness of Fightback Mark I which is going to abolish Medicare, is going to replace it with a US style health system. I don't know whether some of you noticed in the Australian today the references from that American authority about the health system saying, the American health system is moving to bankruptcy, the Federal Coalition of Australia is trying to adopt the same policy. Importantly, he has re-imposed the co-payment on medical payments raising \$450 million. So, he is not just scrapping Medicare but he has got a co-payment in there of \$450 million.

There is no guarantee that food won't be put back in after the election, no guarantee that the 15 per cent rate on the goods and services tax won't become 17 or 18 per cent, like it has in every other country. He promises to do us the favour of lifting taxes on child care where now none exist. He said he will put a tax on child care in Fightback, now he is making a big fellow of himself telling us he will lift it when it was only he who was going to impose it. Child care at the moment is untaxed and the same on food, he is going to make a big fellow of himself lifting the tax on food. Food is untaxed. Now, he was going to tax it, but now he says he won't, but he will be taxing certain sorts of food like Kentucky Fried Chicken, Macdonald's and the restaurants et cetera. He said in answer to a journalist, I am not sure I have got the quote with me, I think I have, I will find it, that he was asked about pump priming, he said, yes, this is when the Government spends a

whole lot of money it doesn't have. Now I put it to you with capital raising capacity in this country of about \$12 billion a year, does anyone seriously think that we are going to send, on the Governments account alone, \$10 billion of asset sales for two consecutive years, at a very time when this fellow says we need more private investment? And as you know that money is not going to go to pay off Government debt, what basically he is going to do is borrow it, take it off the market and spend it, it is just the same as a borrowing, a point I think Mr Davidson made at the press conference, which he well understands.

So all of the pretence about tight economics and accounting has fallen away, we're back to the Liberals a la Howard Box Hill 1987 with a shonky set of numbers. Peacock in 1990 and now Hewson for 1993. Let me tell you what the numbers really are, if you take the asset sales and the FBT compliance out the additions to the deficit in year one are \$6.6 billion, in year two, and year one is 1993-94, in 1994-95 \$7.6 billion, and in 1995-96 \$7.6 billion, and the rest of it is shonk, shonk land, shonky numbers, shonky asset sales, the market would choke on the so-called magic pudding of Telecom. There is no way this capital market can fund \$10 billion. A program like Qantas, which the Government agreed last night, is at the outer limits of what this market can fund, this was proven with the Commonwealth Bank, it has been established this year with Westpac and Woolworths. Fancy saying we need private investment when the Government is going to soak up \$10 billion of private sector savings in a capitalisation program like this.

So, I will conclude on these notes. I thought it was a very sad performance for someone who is making a speech, the contents of which he didn't believe, didn't believe in, and the strain of that, I think, made it a very sad performance. But that is where Dr Hewson has taken our national politics. I told you he would. He said, I spent a year putting Fightback together, when he presented it every i was dotted and every t crossed he said, he then said I have presented it to the electorate for a year and everything is right about it. The first whiff of grapeshot, the first poll that really mattered, his courage fell, up went the white flag and out came the policy which is totally alien to him and to his party and worse based on funding proposals which are a disgrace at this stage of our national economic history.

J: Mr Keating, why won't you be able to sell Telecom to overseas carriers?

PM: Let's keep it onto this for a start thanks Tom (Burton). I'll come back to you later on that point.

J: Mr Keating, it seems like Dr Hewson has gone carefully through the list of all your insults about Ferraris and food and everything else, he seems to have addressed each one of them.

PM: Do you think so?

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**J:** ... by changing the luxury tax on cars, by taking food off, how many insults do you have left?

**PM:** It's not a matter of insults, no, we don't need insults to make these points. I just told you a moment ago what's there. And what is there is still \$10 billion of cuts to government spending, a tax on everything except food, still going to destroy Medicare, all the nasties are basically still there, they are only putting off the cuts to labour market programs by twelve months. Don't rely on my claims, just read the thing.

**J:** Mr Keating, why is your policy on kick starting the economy substantively better than what Dr Hewson is proposing? He's arguing that regardless of what you think about the asset sales program, you haven't funded the kick start by anything other than borrowings.

**PM:** I take the view that if you are going to add a stimulus to the economy then a stimulus is a net addition to demand. But he says surely stimulatory economic policies do not work and an alternative approach is called for - this is on November 24, this is less than a month ago. He's upbraiding me in the Parliament saying when I, he sought to argue a case for stimulatory economic policies and he refers to the 1991 Budget as stimulatory he said, given that One Nation was stimulatory, and given that 1992 Budget was stimulatory, he then goes on to say sure economic stimulatory policies do not work and an alternative approach is called for. What we've seen today is not a refinement of Fightback, but a capitulation.

**J:** But doesn't he have a point though Mr Keating?

**PM:** Just a hang on a minute, I'll come to you, you haven't got to rush me. It is a capitulation. Look, everyone of you know that he doesn't believe this, everyone of you around this table know that he doesn't believe in these policies. Where is our national politics getting to? He knows that, you know that. The fact is the Government has believed, as we believed in 1983-84, as we believed in 1984-85 that when private sector spending was down, that lifting public demand was the way to go. And it is the way to go this year, you can see it in our national accounts - two thirds of the growth that came through a week ago on the national accounts for the quarter is from public demand. What Dr Hewson is doing is trying to change the cast of his policy not to suit the economic circumstance, but to suit what he is hearing in the polls and where has the kick start come from? It comes from a committee which a business person is going to sit on, who is going to take suggestions and does anybody believe that this would be a government intent upon proposing these sorts of policies?

**J:** But Mr Keating first of all you say it is a capitulation and then you say it's as big and as bad and as ugly as it ever was. You can't have it both ways.

- PM:** Because it is, it tries to do two things. No, I'm not saying it, he's saying it. He is saying the integrity of Fightback will be maintained regardless. He is saying that all of those basic things which I've just mentioned to you, the \$10 billion cuts in government spending are to be maintained, the tariff cuts are to stay where they are, the wage policy is to stay exactly where it is, the tax on everything but food is to be there, the destruction of Medicare is to continue, co-payment is to be levied, they are all there. But, he then says, but hang on, don't worry about that, its fundamental nature is going to be camouflaged by a fiscal expansion and the word listening must be mentioned three hundred times in the text. He had the hide to say, talking about democratic processes and the community had the right to be heard, he made a virtue of saying the community was wrong and that they needed a leader who would put the right policies into place. This is just all cynical, poll driven stuff, you can see by the nature of his delivery and the nervous clapping of his Liberal supporters at the Press Club.
- J:** But that's what you did before the One Nation Statement wasn't it Mr Keating, you went around the country, you listened to people and you brought up a policy, that's what he's done ...
- PM:** No, no, but I went and listened, I said that we are going to embark upon a stimulatory policy, how best to deliver the stimulus. I listened to business about depreciation, we listened about the infrastructure program and it was very useful and the results of it, genuinely listening was there in the document. But what has he listened to? Here's the 24th of November, less than a month ago deriding stimulatory policies. All he's listened to is Andrew Robb and his pollster, that's all he's listened to.
- J:** Mr Keating, nevertheless whatever your criticisms this obviously presents you with a more difficult political situation, do you envisage some policy response to this?
- PM:** My first response is the one I've given. This is basically the same policy camouflaged by the supposed notion of a stimulatory complexion that's been delivered by a supposedly caring Liberal Party which we know is a nonsense, and that the GST is more complex and still a monstrous \$22 billion of collections in size. In other words you're asking me what message I'll give. The message is broadly the same as before except there is a few camouflages there now, be aware of them and understand what Dr Hewson is doing.
- J:** I'm asking you what you are going to do to try to match this policy which has given you a new political problem?
- PM:** But you are always in the matching business, we've been in the government business and the government ...
- J:** You matched his in One Nation.

- PM: No, no, but the government business has paid off pretty well for us. Last night we were governing, we saw a quite mammoth change to our international airline system last night. This government has been continuing to make changes right through the course of this year and for the next term of its government, the government will announce appropriate policy changes and settings which we're already in the course of considering.
- J: Mr Keating, Dr Hewson is now offering tax cuts for low to middle income earners which are much more substantial than those being offered by the government.
- PM: We don't have GST Laura (Tingle), that's why. We don't need to compensate people for a tax we are not going to apply.
- J: So you still think you can justify the tax cuts which are basically aimed at higher income earners in the One Nation package?
- PM: No, no there are people on two thirds of average weekly earnings - \$20,500. Average weekly earnings is around \$30,000, there's two thirds of AWE and we are taking the rate down from 38 to 30.
- J: Do you rule out bringing it forward?
- PM: Yes, but let me just remind you, who lifted the tax free threshold to \$5,400 from \$4,900? Who cut the bottom rate from 30 per cent to 20 per cent? The Government. And did we ever get any support from the Opposition when we were doing it? No way. Who put in the Family Allowance Supplement? You know what he says, giving is the sort of compassion that suffocates, this fellow has no clothes whatsoever when it comes to support for low income people.
- J: Mr Keating, do you rule out bringing your tax cuts forward?
- PM: Yes. Michelle (Grattan) I had the pleasure of delivering sixteen economic statements on behalf of the Government. They had in terms of their figuring and their deliverability, in terms of tax changes and policy changes a tightness that we've never had before in Australian public life. We've done that again in the One Nation package and we have been so precise about our commitments we put the changes through, the compliance changes to the fringe benefits tax so as our starting points would be within acceptable ranges. Here's this person, Dr Hewson adding \$6.6 billion, \$7.6 billion and \$7.6 billion to the starting point deficits, saying don't worry we've got a shonky asset sales program, it's going to raise \$10 billion a year. You say is that right Dr Hewson? What is the maximum raisings in the private equity market of Australia? Oh \$12 billion, so you're going to add ten to the twelve.

**J:** You'd sell a lot of Telecom through trade sales Mr Keating, you know that the US carriers and other will be very interested.

**PM:** We are not selling Telecom. We've got a competitive model.

**J:** ... privatised asset ...

**PM:** Let Dr Hewson say that the major Australian carrier is going to be sold to a foreigner, let him say so if that's what he means.

**J:** (inaudible)

**PM:** No, what he's saying is this will be raised in floats. That's what he's making clear here.

**J:** ... asset sales.

**PM:** No, he quotes McCaughan, up the back, talking about how much the Australian capital market raised. "The capacity of the Australian equity market", page 75, "should comfortably cope with accumulative equity raising of around \$12-15 billion". In other words, he's talking about the capacity of the domestic markets to absorb these, not the foreign markets.

**J:** They are going to sell some of it by trade sale.

**PM:** Maybe they could sell a bit of it by trade sale, but they won't sell the bulk of it by trade sale. The thing is, does anybody think ... when the Commonwealth Bank came along, which was what, \$1.5 billion, the market digested it but only just digested it. The underwriters were telling me at the time the market may not be able to digest this. Woolworths pulled its float because it didn't think the market could digest it. Do you really think there's any credibility in these numbers, that we're going to have an asset sales government program of around \$10 billion? Really.

**J:** Mr Keating, why don't you sell Telecom?

**PM:** No, because I think there's a place for a private carrier in the system. We've set up a competitive model with Optus as a competitor. We're already seeing now a very large lift in productivity, a very large shift in efficiency, a very big fall in tariffs.

**J:** What's the rationale of keeping Telecom in public hands?

**PM:** Michelle (Grattan), I'm not here to have an ideological discussion with you about the Government's view in relation to public authorities. I'm saying we're not selling Telecom. He's saying he wants to add \$6.6 billion in the next financial year to his deficit, and \$7.5 billion in the subsequent years, and he wants to call the

magic pudding of Telecom his way out. If you go back to Fightback Mark I, if you look at the table on page 76 of this new document, where you see the lines \$9.8 and \$10.1 billion, that was formerly in the first document \$5 and \$5 billion. He's just added \$5 billion on in two years. That is, in '93-4 he's put another \$5 billion on. \$ 5 billion! \$5 billion - half of the raisings of the total equity market and the same in '94-5. That is the total science of this document.

- J: Mr Keating, you came to office 365 days ago, do you see it as a sort of achievement that you've managed to kill off the original Fightback, or do you regret parting with it?
- PM: No, one of the things I said is I'd expose Fightback for what it was, and that was no answer to Australia's problems, a document laced with ideological fetishes, that was unfair, that was inequitable, and that didn't do the right job. What Dr Hewson's basically admitted to us by this shift is that Fightback wasn't the right policy, that it was unfair and inequitable, and he sought to change it.
- J: Were you too successful in changing his mind because surely this is much more attractive to voters than the original document?
- PM: Some of you were telling us that it was such a good thing not so long ago.
- J: Mr Keating, do you think you need to take a pay cut?
- PM: If ever Dr Hewson had the guilts about Mr Kennett trying to jack up Ministerial salaries and looking totally duplicitous while they were trying to cut ordinary people's wages and salaries, in terms of the most paltry, token things in this statement, I think that's just about got to be it. I never heard him talking about private sector salaries in the '80s, I didn't hear him ever saying that there should be restraints on the \$1.5 and \$1 million plus senior executive salaries around the place.
- J: What effect will this have on your election timetable? Will it be pushing it out further?
- PM: That will be for me to think about, Amanda (Buckley), I don't know.
- J: Mr Keating, you're saying two slightly contradictory things here. You're saying that you don't believe that Dr Hewson actually intends spending the money through the Rebuild Australia Fund and it will never see the light of day, but you're also accusing him of spending all this money at the same time.
- PM: Let's get this clear. If he spends the \$3 billion in a way which was expeditious, then the numbers upon which he is relying would basically add substantially to the Budget deficits of the country, and in my view, would not be covered by his asset sales program, and even if they are they are akin to borrowings anyway. But the



notion that we're going to have a big infrastructure program delivered by courtesy of Mr Ralph's committee, I think as a notion will only last through the election period, and then I think that committee's work would be shuffled to one side like the Cole Committee.

**J:** Do you think he can spend the money or not?

**PM:** The thing is, in the end you won't know. But if one relies upon the stated intention of having a \$3 billion stimulus to the economy, what I'm saying is this will simply blow fiscal policy in this country in a way which I'm sure the financial markets and the media would never have tolerated for a second from the Government.

**J:** You spent \$2 billion yourself at the beginning of the year.

**PM:** Yes we did, but we said why against the backdrop of putting in the savings bank of the country two \$8 billion surpluses and a heavy surplus in the first year. We've brought down government debt from 24 per cent of GDP to 14. We've got one of the lowest government debt to GDP in the world.

**J:** Now it's going up again.

**PM:** Cyclically yes, not structurally.

**J:** Why won't you allow him the credit for the tax compliance changes and the FBT changes? Why can't he use the revenue for that that you're going to use?

**PM:** Because ours are devoted to the starting points.

**J:** That's what he's ...

**PM:** No he's not, he's just trying to spend it, he's trying to garner out. We're required to be totally pedantic about the points. I had someone asking me about it recently, about what if we were a billion or two under balance. I said, 'let's not get a fetish with all this', and that was reported as a fiscal revelation. Was it not?

**J:** He's entitled to spend money, isn't he?

**PM:** No, he's not entitled to require of us standards of accountability and then come up with a shonky little operation like this.

**J:** If the money is there for you, it will be there for him if he does the same things.

**PM:** Yes, but we're not adding these amounts, we're not adding ...

**J:** I'm talking about the compliance to the FBT changes.

- PM: Put it this way, I give you those as a guide. The 6,6,7.6, if you put the FBT and compliance monies off it, it comes to about what \$5 billion or \$6 billion, something of that order.
- J: Mr Keating, how did you actually get to those figures, because you said \$7.6 in the second year, whereas if you take the second year the balance itself is about zero.
- PM: You're quite welcome to talk to my staff about that, or the Treasurer's staff.
- J: I was just going to say it looks like the figure is something like about 4.
- PM: No they're not, I've got a tabulation here, but you can talk to the staff later.
- J: Mr Keating, why is your deficit acceptable and a deficit not acceptable for Dr Hewson?
- PM: The point I made yesterday, Glenn (Milne), was this: if the Opposition wants to deliver parts of the Government's policy, let the Government deliver it. The Government believes in it. Let the Government deliver it. And the Government said, after putting away massive surpluses in the '80s, that it is appropriate for public demand to be lifted during a period of low private demand, that a fiscal stimulus was appropriate and necessary. So has the Government of Japan said that, so has President Clinton said that, so has the OECD Secretariat urged that world-wide. We're in the mainstream, he's out of it. All I'm saying is, we're the people who have brought the big fiscal imbalances in Australia down, we're the ones that reduced the government debt, and we're the ones that are saying that a stimulus to the economy is appropriate because we believe it to be appropriate, we believe it to be necessary, but it will be a cyclical stimulus, the structure of the budgets will return to the kind of balance we had before the recession began.
- J: But isn't your problem that he's jumped right into the mainstream?
- PM: The thing about that, Michelle (Grattan), is that I'll just make it very clear to the public, that all the big nasties are still there. He's not in the mainstream with a 15 per cent tax on goods and services, he's not in the mainstream with zero tariffs, he's not in the mainstream with the Geoff Kennett industrial relations policy. We'll just say to the people of Australia, when he makes these protestations about listening to people and shifting his ground, don't believe him.
- J: On tariffs, is there a temptation to draw a bigger contrast between yourself and the Opposition on tariffs by being more lenient about tariff cuts, in particular to the sugar industry?
- PM: We made value judgements over an extended period of time, after talking to industries over a period of years, about where the end points ought to be on tariffs. And I think we got them right. But in a lot of cases they are not zero.

- J: When will you announce the decision on sugar tariffs?
- PM: I think Mr Courtice has presented his report, did he not, in the last week or so? We'll consider that and make some statement.
- J: When?
- PM: I'm not sure.
- J: Mr Keating, does this policy make you inclined to stay and attack it for a while or are you inclined to perhaps go for an early election on the basis of the policy today?
- PM: I'm inclined not to tell you, Tom (Burton), not that I want to rob you of a good line in The Herald.
- J: Are you waiting for the next polls?
- PM: They came out interestingly, didn't they? Taken the weekend after the announcement he made on the Tuesday. Wednesday, Thursday, Friday, Saturday - four days later, and the Coalition seemed to deteriorate further. These are only straws in the wind, I know.
- J: Does this give you enough material to keep doing Dr Hewson slowly, Mr Keating?
- PM: I like to think I've done a reasonable bit of that to date.
- J: Why do you think he was wearing his socks on the beach? He said he was not wearing his socks.
- PM: I don't think that's a matter of ...
- J: How did you know about his socks?
- PM: Apparently people reckon he had socks on, I don't know.
- J: As I said, he'll stand fluff on the navel, but he won't stand sand in the toes.
- PM: And why do you say that, what was that based on Mr Keating?
- J: It was based on an eyewitness, was it not?
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