



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
INTERVIEW WITH KEITH CONLAN, ABC RADIO, 16 MAY 1995**

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KC: Prime Minister Paul Keating welcome to South Australia.

PM: Thanks very much Keith, glad to be here.

KC: Before we get onto some of those bigger issues, I know people combed the Budget for news on the Mount Barker Road. I understand you may be able to tell us something in Adelaide today.

PM: Yes, I am able to say and am pleased to announce that the Commonwealth Government will undertake the building of the Mount Barker road and also the extension of Adelaide airport. The Commonwealth will build an 8.3 kilometre divided freeway which will include, Keith, a six lane tunnel to replace the present road which is steep and winding and undivided on Mount Barker which is the gateway to Adelaide on Adelaide-Melbourne national transport corridor. I think the total cost is somewhere about \$130 million, it will be funded from the Commonwealth National Highway program.

KC: That has been in the queue for a long time as you know and we expected to hear that within weeks. Does this tell us that you really are, as many commentators suggest, very much in election mode?

PM: We are building this through safe Liberal party electorates. They are not Labor party seats, so there is no electioneering in that. I mean, we are building it because we see the need there and it has been a very unsafe piece of road for a long time. The other thing which I think is important to the State and that is we are prepared to commission immediately design work and undertake the necessary environmental studies to finalise plans for the extension of Adelaide airport. The South Australian Government said they will propose \$20 million towards the extension. We will fund any short fall over that and construction of the airport can then proceed ahead of the leasing of Adelaide airport.

KC: Can you help us with the picture there, Prime Minister, because the Premier here, Dean Brown, is keen to offer you the sort of lock, stock and barrel option. We will take it over, we will get on with it quickly, how does this fit in?

PM: I think, this is even perhaps better for him and for South Australia. That is, we are saying that we will sell it, but what we'll do is we will then refund to South Australia \$20 million from the proceeds. That way we can keep it in the sale program with the other airports. So, in other words, we will build it. South Australia puts in \$20 million. When it is sold, we will refund the \$20 million back out from it.

KC: Now, Minister Alston in the South Australian government has been looking at buyers for Adelaide airport. Again, how does that work, you will talk to him about who is in the ring?

PM: No, well we'll talk to him perhaps, but the thing is we have announced in the Budget that we will be selling the major airports which will include South Australia. What, I think, the South Australian government was after and, I think, what we would like to have seen and we will now see is the building of this airport ahead of the sale process. In other words, we will get cracking on the construction extension ahead of the leasing of the thing and that way South Australia will have this facility, it will get a bigger connection into the rest of Australia and the rest of the world. Can I just also say, Keith, that in a week's time I am launching the One Nation train. Do you remember in One Nation we decided to put a standard gauge railway between Adelaide and Melbourne? Well, I will be launching that in about two weeks from now and that will mean for the first time ever South Australia is linked via Melbourne to the east coast by rail. So, you will get this new decision on the airport and those two things will be important to further increasing South Australia's integration with the rest of the country and the region.

KC: Listeners around the State are keen to raise budget matters with you and I know you are willing to take calls Prime Minister, but can I just tidy up that announcement which you have made this morning. The money will flow in both cases immediately, they are this year's budget?

PM: Well, that is the case with the freeway. With the airport, the construction will proceed as quickly as we can get the design work and the environmental studies undertaken. But, we will commission those immediately. So, in other words, we will start the airport project off now immediately and we will be spending, this year, money on the Mount Barker road.

KC: Can I look at two issues before listeners start to raise their matters. This State has received the Budget somewhat coolly it seems and perhaps that is because even before your comments about small

business, company tax going up in a state like this with nought growth in the last year as opposed to six per cent in Queensland, seven per cent in the west, can you understand that company tax here on small business, which is also the engine of our economy, will be seen as a brake on going nowhere.

PM: Yes, well except the profit share of business, the proportion of national income going to profits, is now so high it has no historic precedent. It has never, I don't think ever, been any higher than this. It is as high as the late 1980s and the late 1980s had no historic precedent. Therefore, you remember Keith, just after the election the Government dropped the rate from 39 to 33. A very big fall. To get the economy going and to get it cracking. We are putting it just back to 36, so it is a fairly affordable cost on business and if those very large profits are coming through and the Commonwealth needs to make up some revenue, you mean should it be the business sector which is highly profitable at the moment or should it be individuals or excise or something like that, we took the decision that the company tax change was basically one that was affordable.

KC: Do you concede that this is not as good as it gets in South Australia, we have nought growth as yet?

PM: South Australia has lagged behind the other States, that is true. But again, I don't think the company tax rate is going to change. There is also very strong investment outlook for South Australia and in the last year we about 34 per cent investment growth in South Australia, from memory, and that is quite high. So, I don't think the company tax rate is going to be a problem. The good thing for South Australia and all the States is that we have taken the pressure off interest rates which is going to have a much bigger effect than any modest increase in company tax. If you ask yourself what is going to happen to big effect, I mean, in the Budget we reduced the bond selling program. Last year, Keith, we sold \$21 billion worth of bonds, \$21,000 million worth of Commonwealth bonds. This year as a result of the Budget we will sell only \$6,000 million. So, we have taken \$15 billion off the bond selling program and that is just an unbelievable number; \$15,000 million off one year. So, what happens, if there is less paper around, less Commonwealth paper, the price of it rises. When the price of a bond rises the yield falls, the interest rate falls. That is why 10 year bonds fell by one percentage point in the last week or so and that is why we are now seeing interest pressure come off on housing and other things. So, for South Australia the big benefit is really that pressure off interest rates and that weight off monetary policy onto budgetary policy, outweighed by multiple and multiples any increase in the company tax rate.

KC: Interest rates will no doubt get a guernsey sometime with our listeners. Now Robert calling.

- C: Good morning, Prime Minister.
- PM: How are you Robert?
- C: I'm pretty hot under the collar, Paul, with your tobacco excise increase. Now, why don't you get stuck into the ... and not the aged pensioners. It is our only solace in life is to have a smoke and watch the rain tumble down.
- PM: Well, I mean, we are trying to get you off it, I think that is the thing. I don't know whether it is real good for you is it?
- C: Prime Minister, I didn't think you were one of these pathological types.
- PM I'm not really, no. I'm not. Look Robert, is basically both a health and a revenue measure. We have been trying to discourage people from smoking, we have all these warnings on the boxes and one of the other discouraging factors is price and again in a budget where we needed to lift the revenue and cut the outlays, where we needed to change the budget balance, it was just one of those things that has been increased over the years and we took the opportunity to increase it again.
- KC: Robert, thanks very much. Student funding now, Prime Minister and indeed there is a student funding focus event on the University of Adelaide campus today and David wants to raise it with you.
- C: My question is why should students support Labor, what have you done to actually take the pressure of universities charging up front fees for post graduate study?
- PM: Why should we support Labor? Because we have added 65 per cent of places to universities since 1985. We have added the equivalent of about 20 universities the size of Adelaide to the system. It has been the most enormous growth. There was 325,000 university places in 1985/86 and this year it is just under 600,000. That is the main reason. That has cost, by the way, \$3000 million, those additional places have cost \$3000 million and all of the proceeds of the higher education charge - the HECS charge - all the proceeds, 100 per cent of them go back into places. So, 100,000 of those places, of the university places exist today are paid for by the return of the HECS funds. So, it is not only equitable, it is participatory and all of the brew-ha-ha about how the Government was going to put up front fees in the budget or change the HECS arrangement, I told people we were not doing it and it came to nothing. So, that is why I thought the Students' Union and other student bodies were pleased by the budget's reception. That is, that we didn't have any up front fees there because the Government opposes up front fees for undergraduate courses. We have made that as clear as day.

C: What about the increase in the number of post graduate courses that are charging full fees.

PM: Put it this way, we will watch the development of that and see how it goes, but again we have given a lot more autonomy to universities and we have, of course, provided many more universities themselves, but the big thing is undergraduate fees. There was a notion being that we would in some way and can I just say to you, the only people who want to charge undergraduate fees are the Liberal party. At the last election their policy was full fees. In other words, you get to university if your parents can pay for it not that you get to university if you have the educational abilities, the attainments in the matriculation or at year 12, but whether your parents can charge full fees. Here we are virtually more than doubling the system and at the same time having a most democratic change with HECS. You understand how HECS works.

C: Yes.

PM: We charge students about 23 per cent only of the cost of a course with HECS, about 23 per cent and then we lend them the money, we don't ask them then to refund any of it until their wages get to average weekly earnings and then it is taken out through the tax system. So, in other words, they only pay 23 per cent in the first place, they don't pay it back until they get to average weekly earnings and when it is paid back, 100 per cent of it goes into more places for students in university. None of it is kept by the budget. It is a pretty fair and reasonable scheme.

KC: If I can just interject, interest rates Prime Minister, it is an important subject for us all, do you think they have well and truly peaked and they will now keep falling?

PM: The best guide in that is the bond market. The short term interest rate is set in the market, but it is set with reference to the Reserve Bank's overnight cash and call rate. In other words the Government and the Reserve Bank had a role in it, but the long term bond rate is set exclusively in the market. It has nothing what so ever to do with the Treasurer or the Governor of the Reserve Bank or the Board.

KC: So essentially, you agree that what happens in the United States may have a lot to do with this?

PM: But also what happens here and I think that is why the chap from Moody's who was on ABC Radio "AM" last week said 'look, what we are looking for is a budget surplus and a big reduction in the bond selling program' and that is basically what they got and the long term bond rate fell from, I think, 10.1 per cent to 9.1 per cent in about eight days which was a very large change and I think that is the influence that has now affected the thinking of the domestic financial market here, including the banks.

KC: What about the notion John Howard puts that yes, they are coming down now, but they will go up again and so you will be going in for something in the way of an election before the end of the year.

PM: But, that is his usual line, the sky is falling in. He has been running around with this cynical opportunist line that we have had five minutes of sunshine. We have had three and a half years of growth since the recession and now the Treasury is saying, forecasting that we will have three more years of growth in the budget papers. So, three years from now is 1998, if you take from 1983 to 1998, you will have 15 years of growth bar 18 months, bar 1991/92. Fifteen years of growth bar 1991/92 and certainly six years of growth since the recession. So, it gives the lie to that little sort of opportunist claim. And, this other claim that the sky is falling, chicken little, the sky is falling in, whingeing around radio stations trying to mislead people, the fact of the matter is that the Government has made a very large change in the Budget and people may say the change was not only about a change in the budget balance from a deficit of over \$12 billion to a surplus of \$700 million, but we have got the biggest change of all in there in terms of the first comprehensive savings plan for the whole country with superannuation. In this Budget we have left provision there for every Australian person to have 15 per cent of their wages and salaries put away for their retirement and what this will do, it will lift savings in superannuation funds from \$186 billion now to \$2000 billion, about 12 times our national debt. The consequence will be, let's take someone on average weekly earnings now of \$33,000. It would mean that such a person, when the scheme is mature, will end up with a lump sum of \$470,000 and an annual retiring income of \$30,000.

KC: But, that person has to be 25 I think Prime Minister, isn't that sum done on someone who is 25 and just coming into the workforce?

PM: Yes, but let me take somebody who is in their 30s now. Someone who is in their 30s now and who retire would go out with an amount about 75 per cent greater than the age pension and their children will go out with an amount 100 per cent greater than the age pension.

KC: To Rhonda on superannuation.

C: I have two questions actually. One really comes before that, there was an earlier Labor promise that all recipients of social service pensions and part pensions would be exempt from income tax by 1995. That hasn't happened, but now we have the newly announced proposal of income tax cuts to be taken as payment into superannuation funds. Now, I'm not in my 30s, I can't look forward to that benefit. I'm in my 60s and those tax cuts are virtually eliminated in the budget for people of my age who are already on superannuation, how does the

government propose to compensate for that lot of tax cuts for a group of people who really badly need it?

PM: Let me just remind you what we did do with pensions. For a start we have got the level of the pension up to 25 per cent of average weekly earnings. That was at 21 per cent when the Government took office. It is up to 25 per cent of average weekly earnings and we have maintained there. The second thing we did was extend quite dramatically the free area, that is the amount of money that a pensioner could earn and yet still keep full pension. The next thing we did was to actually remove any taxation on money earned within the free area. You see, once a pensioner could earn money in addition to pension but you start to lose pension if you did, we have stopped any loss of pension, but you then paid tax on the earnings. We have now removed that completely from the tax system so that free area beyond the pension where you can earn without losing a dollar of pension is also now untaxed. Whenever the general pensioner groups and representative groups of pensioners speak about changes to pensioner values and the pension system they tend to focus on the maintenance of the basic pension and the free area and those arrangements rather than exempting any income for part pensioners from the tax system.

So, we have focussed on those priorities. The benefit in all this is, of course, that when my generation are 65 there will be half as many retired aged people again as now and when my children are 65 there will be twice as many retired aged people as now. That will mean the working cohort then will have to carry a huge retirement population. What we have done on Tuesday night last and beginning of 1985/86 with a three per cent superannuation arrangement then the five per cent and then the nine per cent under the superannuation guarantee charge and now rising to 15 per cent, is we will get to a position where not only will the basic pension system which is the essential building block of our retirements income policy be able to be maintained under the weight of that huge growth in the retired age population, but the actually population will have a much higher standard of living in retirement than say you do now with a pension.

This should have happened 30 years ago, but that is point. Nothing happens in this country unless a Labor government does it.

KC: Prime Minister, we will come to a question on families in a moment, family allowance benefit. Can I just ask you a little on the Commonwealth Bank first - the people's bank and so on - and how very quickly that has turned around, the idea of selling the Government's half. Just 20 months ago, the Treasurer said he had no intention what so ever of reducing its share holding and there was an iron clad commitment, absolute commitment that you wouldn't sell the other half. Can you understand people saying that is getting cynical.

PM: But why get cynical? Let's just go back. The Treasurer did say that 20 months ago and 20 months ago that was our view. We have changed our view because we think we needed to get the budget into surplus more rapidly. That big reduction in the bond selling program I mentioned earlier was important for interest rates and to the ongoing recovery into the future.

KC: It means for economic reasons, promises don't mean a thing.

PM: It is not a promise. If someone asks the Treasurer of the day, do you intend to sell the Commonwealth Bank? And he says no, that is the governments intention. It is not a promise, it is an intention. Governments have a right to do things.

KC: It is an absolute commitment.

PM: It was not an absolute commitment, no.

KC: He was asked that on Channel 9, 'do you give an iron clad commitment?' Absolutely, yes.

PM: But understand this. Governments have prerogatives to do things in the national and public interests, they don't need to respond to Channel 9 reporters.

KC: He gave us the commitment, not just to Channel 9 a commitment.

PM: No, but again people ask for an indication from governments, whether they say it is a commitment or whatever it is, I mean, all that governments can ever do is where they stand at the time. But just understand this point about the so-called sale of the Bank, the people's bank, it was a peoples bank when it was a Reserve Bank. I mean the mythology about the Commonwealth Bank was developed, particularly in Labor circles when King O'Malley and these other people saw it develop and it developed in the 1920s and 1930s as virtually the Reserve Bank. But when the Menzies government bought the Reserve Bank Act in 1959, the Commonwealth Bank remained then simply a savings bank and later became a trading bank. Subsequently became just a commercial bank. I mean, the Commonwealth Bank is just a commercial bank. You have got to say what is the Commonwealth doing in the long run owning a commercial bank? What is the South Australian government doing in the long run or the short run with a commercial bank.

KC: Not for long.

PM: What were they ever doing with a commercial bank and what we have done is price this. I sold the first quarter of it in 1989, then we thought it was worth about \$3 billion. By lifting its profits, getting some capital into it, we have now got the second half of it valued at \$4.5 billion and

we have already raised \$3 billion from it. So, we have turned an institution we thought was originally worth \$3 billion into \$7.5 billion. Now, that is a great benefit for public and that is what governments have got to think about, not what some interviewer asks on the Sunday program or something. What a conscientious Minister does in the public interest.

KC: We are joined now by Michelle.

C: Good morning. I would just like to know why there is such a big difference between the basic parenting allowance and the child care rebate. It has been discussed and protested against and still there is a great discrepancy between a two income family and a single income family.

PM: I don't think the discrepancy is that great. What we did in the election is say we would introduce a generalised child care rebate and we have done that and as you know that is recoverable for people who are in child care from Medicare offices. You go to Medicare and you pick up the rebate. It was one of the important commitments in the election and one that we introduced in legislation almost immediately after the election was over. That is now operating. The parenting allowance is a different concept again. It is looking at where we had a work test on somebody who was unemployed and where the money was being paid to a couple and the wife had to be work tested. In Working Nation we abolished all that, we changed that and we have left it to the position that that person can elect to stay at home, not need to qualify for the work test and be paid half the married rate at home and that is only then diminished once the partners income gets over a certain level. Where once any income the partner received reduced the total family income, what it does now is reduce only the partners income and let's say, in most cases the wife's income, the parenting allowance ends up being kept there and only starts to be reduced after the partner gets over, I think, \$320 a week, from memory.

So, it is quite a dramatic change which recognises the value, the fact that many women who are looking after children and who are in such a family, there is not much point in them qualifying under the work test anyway and that way we give people a choice about whether they leave home and if they do, they have got the child care support, both in places. Remember also that when the government came to office there were 40,000 child care places. There is now 255,000 child care places and now as well as that we have got fee relief and now the generalised child care rebate.

KC: Prime Minister, Paul Keating, thanks for coming in this morning.

PM: Good, Keith.

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