



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP
INTERVIEW WITH KEN DICKEN AND SONIA FELDHOSS, RADIO 5AA,
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KD: I thought I recognised this face when he walked in. We have seen him a bit on television, haven't we?

SF: He looks a little bit familiar, doesn't he?

KD: Yes, Paul Keating.

PM: Oh well I am clean shaven this morning, I look better in the early morning.

SF: Actually, it was interesting that was one of the questions that came up from our Breakfast Show. Do you have to shave every morning?

PM: Well, I think most people do. I certainly do.

KD: You don't wear make-up? Not for radio anyway.

PM: Not for radio, no. I mean I have got my radio face on.

KD: Good stuff. We have got a couple of very amusing questions, of course, from listeners to the Breakfast program. One, of course, straight away was what was the line you used to chat up Annita on the plane?

PM: Well I can't remember but it was a good one though. It worked.

KD: Did somebody write it for you?

PM: It certainly worked. It worked like a charm.

SF: It wasn't one you used before obviously then?

PM: I don't think so, no. It was spontaneous, it wasn't refined.

SF: Oh there you go.

PM: It wasn't developed.

KD: Was it love at first sight or the coffee was good?

PM: Well it was the nearest thing to love at first sight I think.

KD: On both sides?

PM: Well it was a going concern from day one.

KD: Of course, the good news is that work will start soon on the extension to Adelaide's Mt Barker road which is a horror strip. Have you been aware of this road Prime Minister?

PM: I have and I think this is a big change. It's eight kilometres of road and we are putting a six lane tunnel through it. So it will be a very substantial change to the system, built under the Commonwealth's National Highway program.

KD: And when will work start?

PM: It will start within the year.

KD: Can you give us anything closer than saying within a year?

PM: I can't myself, but I could get you a start time, maybe have it after the program.

SF: How long do you think this project is going to take, are you aware of that at this stage?

PM: Well it is an estimated cost of \$130 million, so a program like that you are probably talking about a couple of years, I would say.

SF: Is this a program that you had a lot of lobbying from our Premier, Mr Brown?

PM: No, no. We are building a highway from South Australia, back through New South Wales up to meet the New England Highway. Again, I did that in One Nation. In two weeks time I am launching the One Nation train, which will have the standard gauge railway from Melbourne to Adelaide for the first time in our history. You will be able to catch a train in Brisbane and go to Perth via Melbourne and Adelaide and that was in One Nation too. They were all done to get the economy started and, of course, it worked. The economy got cracking. You are now seeing these things come to fruition.

KD: That is encouraging from the point of view of rail travel. Whereas, say locally, so many tracks are being closed down.

PM: Yes, and the other thing of course that I announced this morning is that we are going to start immediately to commission design work and do the environmental studies for the extension of Adelaide Airport. So if you look at the further integration of Adelaide into the nation, both by air and by rail and then just improve road access in the State, the Commonwealth is doing a lot for South Australia in these things and I think they will be important for the infrastructure of the State.

KD: So you don't regard us as a backwater as some people would say?

PM: Well the standard gauge idea was my own proposal in One Nation. It didn't come from the bureaucracy or the State Government, it came from me because I think we do need an efficient rail corridor if we are going to get commerce up and I think given the fact that South Australia, as the rest of Australia is now at the foot of the fastest growing markets in the world, it is important to get this airport up to full capacity to take laden 747s and be able to get the frequency up. I think that is important, so I have done these things. The other thing I did, I gave South Australia \$640 million off the State Bank debt, of course, in 1993 and that was the largest single commitment off the budget by the Commonwealth to any State in history.

SF: You have announced this study into the runway, the Adelaide airport. When will we get a decision on that?

PM: About building it. We are saying, we will build it.

SF: Right.

PM: What we are now doing is the engineering studies and the environmental studies. Now South Australia has offered us \$20 million towards us, we will put that into it and we will refund the \$20 million to South Australia when we sell it.

SF: So it will be sold?

PM: It will be sold. But what we are doing is building it ahead of the sale, rather than waiting to sell it and have some build it. We will build it now because we think the State needs it.

KD: Obviously you have come under flak in this State because of the sales tax on motor vehicles. Mr Brown would have lobbied you fairly extensively on that, to the problems of increasing the sales tax?

PM: I can't recall he mentioned that to me. But you remember this, in One Nation we took it down from 21 to 16 and try and kick-start the motor industry which, again, we did. Motor vehicles are now running, again, at a very high

level. So it was, what we call, a counter cyclical policy. When the motor industry was doing badly, we reduced the rate to get it cracking. Now it is cracking we have put it back to where it was. That is what has happened.

KD: But it's not going to take it back, you don't think, into the doldrums?

PM: No, no, I don't think so because there is so much more confidence around. We were out of the recession three years ago. The Treasury has said three more years of growth. So that is why we have done it. But I think the biggest influence on South Australia will be the pressure we took off interest rates. Last year we sold \$21,000,000,000 worth of bonds and this year, as a result, of the Budget we sell \$6,000,000,000. So there is a \$15 billion reduction and that is why interest rates have fallen on the long bonds by 1 per cent in the last week and why we are starting to see banks reduce the housing rates. That will give South Australia more impetus than anything else.

SF: Just returning to the car sales tax. We have had interviews on this show and calls to this show saying that it is going to make a big difference in the industry. That it could mean the difference between some of these businesses surviving and going. That it could cost jobs.

PM: No, I don't.

SF: What you dismiss that?

PM: By and large I do, yes. All industry spokesmen will give you the worst view in the world about it all. But have a look at it. When the Government picked up the car industry from John Howard and Malcolm Fraser it was dead on its feet. It had no future. It was high cost, low quality. Four weeks ago, I opened the new Toyota plant in Melbourne - \$400 million state of the art plant, which this year will sell \$400 million worth of motor cars in the Toyota international network. I also worked with Mitsubishi here in South Australia to get the Magna wagon and the extra engine plant capacity. We are also looking at the Magna vehicle, the car. All this has come about because of reductions in tariffs and the general cost efficiencies of the Australian economy via wages, inflation and the exchange rate. So the car industry has never been stronger than it is at the moment. It has never been stronger as the quality, as the price and we are giving Australian consumers a better price.

SF: But shouldn't we get a stronger foot-hold before we increase those taxes?

PM: But we are not increasing in a sense, we are taking them back to where they were. It is this thing. If the Government gives a benefit to the industry, the argument they are putting is you can never return the benefit, in other words it has to stay a benefit forever. We gave them a benefit because they were in the doldrums in 1992-93. They have come out of the doldrums,

so now basically we have put the tax back to where it was. But it is only a 5 percentage point change.

SF: That is quite a lot though isn't it?

PM: No, it is only going to have a marginal effect on car sales?

KD: You said that you would hold an election when you believe the Labor Party could win. You don't believe you could win an election at the moment?

PM: No, what I have said is I think that these elections are too hard to win to throw away a year or 18 months. You remember when John Hewson was running and saying we are going to have an early election, there is going to be an early election, and there wasn't. Then we had Alexander Downer saying there is going to be an early election and there wasn't. I have always taken the old fashioned view when the community elect a Government, they expect to get value from the Parliament and the Government can go on and get its business done. Now we did this with the Budget last Tuesday, we did it with Working Nation last year, Creative Nation, the big APEC change, Mabo. All these great changes have occurred in the last two years and that is because the Government has had its eyes focussed on the work and not on the polls and not on an election. Now, you know, this Parliament will run its full course, that is it will go into that cycle where it is competent for the House of Representatives and the Senate to go to an election together. This idea, which was put around now for a year, that we were going to have an early poll, I have never taken up and I have never intended to take up.

SF: When will we have an election?

PM: Well we'll have it at a point where the Government believes it is better for us to renew our mandate and to seek that further authority from the community and it somewhere between now and next March.

KD: Senator Alston, of course, has been making some fairly serious accusations over the weekend regarding you and your dealings with Conrad Black.

PM: Look it is just a joke. You know what is happening in the Liberal Party at the moment? Connolly has put on a stink for being dumped in the safest Liberal seat. I mean he has been beaten by Brendan Nelson.

KD: A former Labor Party member.

PM: He was in the Labor Party for 17 years. I mean the Liberal Party is so moribund these days, it is like a club. You join at the door. You turn up at the door and sign and tick it and you're a member. Nelson tried to get a seat here in South Australia. Couldn't do it, in Boothby. Then he moved to Bradfield. He has been backed by Bruce Shepherd who was part of the John for Canberra push. Now you have got to understand this. John Howard is

still hearing voices about Joh for Canberra and he knows about Shepherd's involvement, so he would regard this outcome in Bradfield, last weekend, with horror. Now Connolly said yesterday, went on television last evening, complaining about his dumping and saying that Senator Watson in Tasmania is now under threat by Robin Gray, who was also part of the Joh for Canberra push and the two superannuation spokespersons for the Liberal Party are now under threat. One has been defeated, one is under threat and this comes after Paul Filing and Rocher were defeated in Western Australia. So there is a big yike, a big stink, going on in the Liberal Party and their trick for the day is to invent something about what I have supposedly said to John Fairfax & Sons about their ownership.

SF: Did you make a threat?

PM: No, no.

KD: You didn't make any mention that you were doing a deal with Conrad Black?

PM: It is just complete fiction this stuff. I mean the only people who have offered Conrad Black 50 per cent ownership was the Liberal Party. John Hewson told Conrad Black he could have 50 per cent of John Fairfax & Sons. We have never said such a thing, never.

KD: Just harking away. Are you dismissing Brendan Nelson as a bit of a joke because he is a very good public performer?

PM: He is a complete opportunist. I mean he resigned from the Labor Party because it wasn't socialist enough and next thing he is running with a right-winger like Shepherd for the Liberal Party's safest seat and defeating their spokesman on superannuation. Well, look at their front bench; you have got the front bench behind John Howard is Fischer, who frankly can barely string a sentence together, whose incapacity is such that he can barely put his grammar together. Then you have got Costello, who is like a crow on a fence picking the eyes out of any good news, he has got nothing positive to say. And you have got Alexander Downer, who is a professional failure as the foreign minister. Now you imagine Alexander Downer, the Foreign Minister, and Tim Fischer, the Deputy Prime Minister, and compare them to Gareth Evans, the Foreign Minister, and Brian Howe. Or Costello to Willis. I mean they have got virtually nobody, so they are saying look we are basically bereft, we will take whoever comes along. They say well what about a Labor Party member of 17 years? Would you have him? Oh yes, we will have him; just bring him in, give him our safest seat.

KD: But Brendan Nelson did say he was very disillusioned with the Labor Party. We questioned him on this some months ago. He thought you were losing track.

PM: Well do we look like we are losing track? There is a Budget back into surplus. We have just introduced the biggest retirement incomes change and comprehensive savings plan in the nation's history with superannuation. With every person going to 15 per cent to give not only a very high standard of living in retirement, but a massive pool of national savings and that follows Working Nation where we have got the long term unemployed back to work. Where we have had 5 per cent growth for the year and 2 per cent inflation. Where we have had 650,000 job growth since the last election. Losing our way?: My goodness. You know, an old friend of mine said to me one day, never worry about the sky rockets of politics. At first a shower of sparks, but a dead stick falls to earth. Now that will be Brendan Nelson, just as it was Bronwyn Bishop, just as it was John Hewson. See John Hewson left the financial markets in Bent Street Sydney and dashed in, he was going to show the rest of us in public life what it was all about. And where is he? He is back in Bent Street again.

KD: You couldn't see the same happening with Carmen Lawrence?

PM: Oh no, Carmen is a professional politician.

SF: She is in a bit of trouble at the moment in the public opinion though, isn't she?

PM: No, just because there is this stunt in Western Australia by a Western Australian Government, trying to inquire into the politics. I mean look at the Labor Party people, look at the solidity of the Cabinet.

SF: A Royal Commission doesn't sound very solid though, having a Royal Commission into these affairs?

PM: But I could have a Royal Commission into the Asia Dairy scandal in the previous Government? I could say well let's hear from Malcolm Fraser and Peter Nixon and Ian Sinclair and Doug Anthony and what really happened in that Cabinet meeting on that Thursday night. I mean you understand that a Royal Commission is not the law, it is not the judiciary - as an extension of the Executive. It is a power to extend the arm of the Government. So you have got the Government of Western Australia seeking to, in my view, improperly extend its view into the Cabinet of the former Government.

SF: So have you given her your full support?

PM: Well, of course, I do.

KD: But you gave Ros Kelly your full support too, initially.

PM: No, but I gave her my full support initially and finally. She made the decision to pull out, not me and could I just say, how would people go if I said well look, we'll go and spend \$5 million and we will have an inquiry, a judicial

inquiry, into why and how Ian McLachlan intercepted these legal papers in the Hindmarsh Bridge affair. Did John Howard know about it and when? What did Howard say to McLachlan? And ask them, under privilege, why did they send the papers to the opposing solicitor, why did they send the papers to the newspapers and who authorised it? I mean we could have a judicial inquiry into that.

SF: Are you confident she will come out looking clean?

PM: And what would people say about that?

KD: But it was her own Party that raised the issue.

PM: Oh, that doesn't mean anything.

SF: Why doesn't that mean anything?

PM: Oh a former Minister said something in a corridor or something. That doesn't mean to say that the finality should follow.

SF: That almost seems more damning though, surely?

PM: No, who cares. The general point is, the main point, look at the quality of the Government. I mean, what was our principal commitment at the last election? It was to employment. The thing I said on election night is we wouldn't leave the unemployed behind, we would put our arm out and pull them up, we made a target of 500,000 jobs in 3 years. We have got to 650,000 in 2 1/4 years. That is the hardest possible thing to do in Australia is produce employment. We have got to 650,000 jobs in 2 1/4 years - way beyond our target of half a million.

KD: But Prime Minister these are not permanent jobs.

PM: Oh yes they are.

KD: But it can be an hour here or an hour there, can't it?

PM: No, no. The bulk of that has been in full time employment. The bulk of those 90,000 jobs last month were in full time employment. We have had 4 per cent employment growth since the election. Now look at John Howard: he is running around talking about my credibility. I mean to be credible, I have been in office for 12 years. I have been one of the few people involved in the Cabinet in internationalising the Australian economy, removing exchange controls, floating the exchange rate, opening up the financial markets, taking the tariff wall down, lifting the participation and education. You know, looking at issues such as our identity. Our relationship with our indigenies. Getting the growth back into the economy with low inflation. What has Howard ever done? I mean he is a professional failure, Howard. He was a failure as Treasurer. He left us with double digit inflation, double

digit unemployment and a massive structural weakness in the economy and as Opposition Leader he came to nought.

SF: But we still have 8 per cent unemployment.

PM: But going down rapidly.

SF: Yes, but what do you think we will get down to? What do you consider an acceptable rate of unemployment?

PM: Well the Government's target is 5 per cent by the year 2000 and we are well on the way to doing that. You see, even in the 1980s when we had absolutely phenomenal employment growth, we couldn't get below 6 1/2 and the reason is we couldn't get to the long term unemployed. We couldn't get them into the labour market because they were untrained and they weren't job ready. With Working Nation, we are now case managing the whole of that group of people, about 260,000. In fact, we are case managing 500,000 people, but 260,000 are unemployed over 12 months or more, 18 months, in that area. So that means that we have one person that talks to an individual, one person case manages about 30 people. They get to know their educational attainment, their skills, their work background, their personality and then we give them a job subsidy and then they have to take the job. In that was, as a consequence of that, we have had this year 100,000, of the 650,000 jobs I mentioned to you, have come from the long term unemployed and that means that in this recovery, where before we couldn't get beyond 6 1/2 per cent, we will actually have a capacity to get down to 5 per cent unemployment because of that Working Nation program - getting the long term unemployed back into work.

SF: Mr Keating you have been quoted as saying Kerry Packer is a professional bully and you seem to be trying to get out of it. Are you sorry you said that comment?

PM: No, if you see The Australian today. Have you got The Australian today?

SF: Yes.

PM: The header there says "PM tries to heal rift with Packer". "The Prime Minister, Mr Keating, tried yesterday to end his public feud", it goes on, "by declaring he bore no ill feeling towards" him. Well I don't. I mean he has got his interests and I have got mine.

KD: Is he a bully?

PM: Oh Kerry tries to get his way, but all media proprietors are like that. It is almost an occupational hazard.

SF: You are not sorry you said that comment though?

PM: Oh, of course I am not sorry I say things. I am not sorry when I say things. What I said was, I said that, and I also said to him that he has, where is it now? I said words to the effect look, Kerry is a fellow that has a lot of good qualities, I mean I have known him for a long time. I counted myself as a friend of Kerry's - not a close friend, or one I see regularly or anything like that - but someone who I have liked over the years. I have been disappointed by his attitude and that is what I have said.

SF: Do friendships affect your decisions regarding cross media ownership rules?

PM: Oh you don't have friendships in public life. You have acquaintances.

KD: But Mr Keating, what about when people, say, like Kerry Packer, very wealthy, Sir Peter Abeles. What power do they have over Governments? What power do they have over policies?

PM: They have interests and Governments have got to be alert to their interests and make decisions in the public interest and I have always tried to do that. But, again, you wouldn't want to be a shrinking violet, they would absolutely walk over the top of you.

SF: So has there been any lobbying on this Fairfax deal? Was there a deal struck?

PM: No, well I answered that earlier. The Liberal Party are without people and without policies. I mean John Howard stood up the other night in the Budget reply. He had every opportunity to lay down some policies. He is a complete policy free zone and their personnel are dropping out of the Party at a rate of knots so they're embarrassed, they are on the back foot, so their story for the day is some cooked up story about Fairfax. The only people who have ever offered Conrad Black 50 per cent of John Fairfax & Sons is the Liberal Party.

KD: Although the polls would suggest that Mr Howard is not doing too bad a job.

PM: Look there is no way the Australian people are going to go back to somebody who has 1950s values, who has 1970s policies, who doesn't understand the place where Australia is in Asia, doesn't understand the importance of an inclusive society, hasn't made the commitment to equity and fairness that need to keep this country together, has never made, ever, any big public policy changes. Had all the opportunities in the 70s and 80s to float the dollar, to open up the financial markets, pull tariffs down. He kept them all regulated. He had tariffs rising. They are not going to go back and say let's go back to the future, let's go back to somebody who is basically from another epoch. They are not going to do that. They will go for the Government that is the author of the policies of change. Look at him at the

moment. He is saying I agree with the Government on tariffs now. I agree with their policies on Asia. Well if he agrees with them, just step out of the road and let the authors of the policies keep going.

KD: Mr Keating with the sale of the Commonwealth Bank, somebody correctly pointed out it was guaranteed by the Government, the people's savings, their investments. That will go by the by obviously.

PM: No. Years ago the Commonwealth Bank was Australia's Reserve Bank. Until the Reserve Bank Act of 1959 it was a Reserve Bank and that is why there is a lot of mythology around about it being the people's bank. After the Reserve Bank Act was implemented and we established a Reserve Bank, it became just another savings and trading bank and there is no more reason for the Commonwealth to own the Commonwealth Bank than there is for the State of South Australia to own the State Bank of South Australia - no more reason. And that is why we will do very well putting it on the market and we will end up - not do well, do exceptionally well - as a country, with another great private institution. I mean the Commonwealth Bank, which has now picked up the State Bank of Victoria as well, is going to be for the first time ever a really powerful and great institution.

KD: With all this money going into superannuation does that worry you? Superannuation doesn't have an untarnished record?

PM: I am trying to do it.

KD: No, but there must be some reservations surely. I mean there have been problems with superannuation over the years.

PM: But if you didn't have a Government doing these things, where would we be? When my generation, our generation, reach age 65, there will be half as many again retired age people as now. And when our children reach age 65, there will be twice as many retired age people as now. Can you imagine what pressure that will put on the working people then at the time to sustain this massive retired age population and the pressure it will put to reduce the pension. So what we have done, ten years ago in 1985-86 under the Accord and now on Tuesday night adding to it, is to provide for the first time ever a comprehensive savings and retirement plan so when we reach those numbers people will basically have a retirement income about the same as their working income. So if you take someone on \$33,000, which is average weekly earnings today, in today's dollars that person would have a lump sum on just on 1/2 a million and an ongoing income stream of about \$30,000 a year. Could you imagine the Liberals putting together a policy where a person on average weekly earnings, on \$33,000, ends up with a 1/2 a million lump sum and \$30,000 a year.

KD: I understand that, but people have lost money on superannuation over the years. How can you be sure you will not be losing money?

PM: No. They go up and down. In one half year they will do well, another half year they will do less well. In the last year, they had losses because the international bond market and a lot of these superannuation assets are held in what is called Government gilts, that is Government securities, the long term bond rates went up, therefore the value of the paper went down and holders of Government paper in the United States, in Japan, in Germany and in Australia had substantial losses. This happened to the super funds who were holding that paper. Then look at the stock market, the All Ordinaries has gone from 1500 to 2000 which is again on the other side of the ledger because of that huge bonus in there. In the long run, superannuation will give the country the earnings it needs to give ordinary Australians a good standard of living in retirement. You see with John Howard, the only thing he said in that hopeless reply to the Budget last Thursday, is that he would put a lid on superannuation. You see, there is no way he is going to give a break to ordinary working people. What a sensible person would say and you notice Mr Connolly has been supporting the Government's policies about the maintenance of the Superannuation Guarantee Charge - supporting the Government's policy. Here is Howard saying, look I wouldn't have had the wit or the courage, or the imagination to do this. I didn't when I was Treasurer, I didn't support it when I was Opposition Leader, at least a Labor Government has given the country a decent savings plan. I will just shut up about it and let this one go to the keeper. What does he say? Oh no, I will put a lid on it. I will put tax concessions in there so that the wealthy can get the benefits, but not the ordinary working person. I mean this guy never ever learns. He never ever takes a trick.

KD: Good to talk with you Mr Keating. Finally, have you been around to Bob and Blanche's for a BBQ?

PM: No, I haven't had an invitation at this point.

KD: Are you expecting one?

PM: No, no, I am not.

SF: Thanks for coming in anyway.

PM: Okay, Sonia, thanks and good to see you.

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