



PRIME MINISTER

14 June 1996

**TRANSCRIPT OF THE LEADER OF THE OPPOSITION
THE HON JOHN HOWARD MP
7.30 REPORT WITH KERRY O'BRIEN:**

E&OE.....

O'BRIEN:

observer there was the events of the last two days looked suspiciously, in terms of the Howard/Costello effort, looked suspiciously like the good cop/bad cop routine. You wouldn't do that would you?

PRIME MINISTER:

Well, can I make it very clear that the decision that Peter announced a few days ago was a Government decision. The idea that it was a frolic of his own to which he personally takes responsibility is wrong. We are colleagues. I support him, I have great confidence in him. We put it forward on a certain and that report acknowledged that basis. The states that were vehemently opposed to it I still remain a little bit surprised at the priorities that they took but that was their view. We always said that if that vehemence was there then we'd look at an alternative. We did. The bottom line outcome for the Commonwealth is good. I don't say that triumphantly, because these are difficult times with budgets and the States have been cooperative. Many have cut their budgets very hard at great political cost and I respect that, and what I sought to do was to get an outcome that balanced all of those things. Now...

O'BRIEN:

It still sounds like the good cop talking.

PRIME MINISTER:

Well, look I am trying to put the thing in proper perspective. What Peter said about the policy quality of that proposal is right, and still it is right...

O'BRIEN:

But the Premiers obviously didn'tthe politics of it, of having to sell the politic...

PRIME MINISTER:

Well that was their judgment. I had a different judgment that they had taken the view that rather than have a sales tax exemption removed principally from motor cars bought by State Governments they would rather give up cash given each year by the Federal Government to the State Government.

O'BRIEN:

But it wasn't just about the motor cars was it. I mean, their concerns were much broader than that, when they began to analyse the extent to which a total loss of that exemption was going to take in areas like a public school.... favouring private schools over public schools and private hospitals over public hospitals.

PRIME MINISTER:

But the initial down-payment, the initial part of it was cars and that other part was to be the subject of discussion but Kerry they reacted against it and they

O'BRIEN:

Have you ever seen such a solid wall of hostility directed at one federal figure like Peter Costello in this instance. And have you ever seen such a united front of opposition from the Premiers.

PRIME MINISTER:

Look, I've been to a lot of Premiers' Conferences and there was a sense of deja vu about some of the rejections. I mean, I was there as Treasurer so I know something about the attitude of Premiers towards Treasurers and I think some of the things said about Peter were quite unfair and I defend him and I repeat that he was arguing a Government decision. And it is utterly wrong of people to go around saying that this was just a Treasury/Treasurer conspiracy. I can tell you that is wrong. It was a Government decision, it had my support but it was obvious to me that the Premiers were vehemently opposed to it. They came up with an alternative way of addressing the Budget problem.

O'BRIEN:

I am surprised that you were surprised by their opposition. I mean, you are an old and shrewd politician - rather than old - long term politician.

PRIME MINISTER:

Well, I'll tell you one of the things that did...

O'BRIEN:

And the question sorry that I'll finish, the question that arises out of that is whether there's been some bad political judgment here on your part as well as Peter Costello's.

PRIME MINISTER:

Well, I'll tell you why I was surprised. Because I spoke to a number of the Premiers before the meeting and their clear message to me before the meeting was 'look John, we know you've got a Budget problem, we know you have to make cuts but please under no circumstances touch our financial assistance grants, that's the untied cash'. That was elevated in those discussions above other things. Now true it is in those discussions I didn't raise the sales tax exemption thing because at that time it had not been settled as a Government decision. But I'm simply making the point that in the end they agreed to give up some of the payments that they had previously said to me were the most sacrosanct of all. But that was one of the bases of my view that their reaction was a little surprising. But at the end of the day it's the bottom line that counts in a financial discourse between the Commonwealth and the States at a Premiers' Conference. We did reach a deal that is very good from the Commonwealth Budget point of view. It's a reasonable deal ...

O'BRIEN:

But by the same token...

PRIME MINISTER:

... because it's \$16 billion of Federal Government payments to the States each year, it's not unreasonable given you're staring \$8 billion in the face that they give up \$600 million or \$700 million and that's basically what happened.

O'BRIEN:

They seem to have accepted that they had a role to play in what seems, to me, to be essentially your problem. Not just the issue of the \$8 billion deficit but also...

PRIME MINISTER:

Well it is their problem too because one of the Federal Government's expenditures every year is a general revenue payment of \$16 billion to the States and another \$10 billion in grants to the States for their own purposes and another \$4 billion passed through the States to other parts of the economy. So there's \$30 billion which is a big chunk of the federal Budget and this idea that that expenditure some how or other can be put to one side, it can't.

O'BRIEN:

But there's also the fact that there's a fairly sizeable chunk of the federal Budget that's going to be taken up with you meeting your election promises and it could be argued that the Premiers have been landed in it, having to go back to their States now, to cut their own programmes and possibly federal programmes, but they do the cutting. Some of them, at least, are considering raising taxes themselves to pay for you. It could be argued that they are subsidising, in part, your election promises.

PRIME MINISTER:

Well Kerry they supported them all. I mean, one of the election, well they did.

O'BRIEN:

Yeah, but who should pay for them?

PRIME MINISTER:

No, no, no but enthusiastically. I haven't heard any State Premiers say we shouldn't honour our promise, as we will, to bring in a tax rebate for health insurance. I haven't heard any of them saying I shouldn't go ahead with my family tax package or give a \$200 million tax relief on capital gains paid by small business. I mean, you can't chorus your support for things like that and then say, "well it's entirely your problem". Look, it is not entirely our problem in the sense that it's got nothing to do with the States. It's our responsibility, but we have a right in exercising that responsibility to say to any of the recipients of federal government spending, including the States, "you ought to make a contribution". Now that is what we did. We proposed an alternative which they didn't like. They came up with another way of doing it. The bottom line outcome is very healthy from our point of view and I thank the States for their cooperation. I really do because bottom line outcome from our point of view is really quite healthy.

O'BRIEN:

It's true isn't it that this would have had to go through the Senate...

PRIME MINISTER:

Yes it is.

O'BRIEN:

... the dropping of the tax exemptions and you surely would know that that would have been extremely difficult, if not impossible, politically.

PRIME MINISTER:

I think if there had been the united opposition of the States to this measure its passage through the Senate would have been very difficult. I'm not saying it would have been impossible. I think it would have been very difficult. I think if the measure had the acquiescence of the States then its passage through the Senate would have been a lot easier.

O'BRIEN:

I'd like to push you quickly on this one point.

PRIME MINISTER:

Please.

O'BRIEN:

The issue of the Northern Territory becoming a State. What timetable and how would you deal with the issue of increasing the number of their Senators to as many as twelve like the rest of them?

PRIME MINISTER:

Well, I am against any increase, in the time that I'm in Parliament as Prime Minister, any increase at all in the size of the Commonwealth Parliament. I voted against that ridiculous increase back in 1984 and I think Parliament was made too big then but I'm not proposing any reduction but I'm against any increase. As for the timetable for Statehood, they would like it by the year 2001. We're not formally wedded to that but we'll cooperate in a facilitative way.

O'BRIEN:

John Howard thanks very much for talking to us.

PRIME MINISTER:

It's a pleasure Kerry.

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