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PRIME MINISTER

21 August 1996

**TRANSCRIPT OF THE PRIME MINISTER
THE HON. JOHN HOWARD
RADIO INTERVIEW ON THE AM PROGRAMME
WITH FRAN KELLY, ABC RADIO**

E & OE.....

KELLY:

John Howard, the Daily Telegraph spells A Fair Go, in fact it shouts A Fair Go this morning. Does that spell success for this budget?

PRIME MINISTER:

Well, it spells truth and it does, I hope spell success and acceptance because it is a fair go budget. It does the economic job that we were required to do. It gets rid of the huge liability on the national bankcard that we were left by the former government but importantly, it does it in a way that delivers on the great bulk of promises we took to the last election, particularly in the family area and the health insurance area, the capital gains tax area, small business, and we have kept intact, as we promised we would, the social security safety net for the less privileged in the community, and it also does it importantly in a way where the pain is spread around. I mean, better off people who can really afford to do so are being asked via the increase in the superannuation contributions tax, for high income earners to make their contribution. We're also saying to high income earners who don't take out private health insurance, if you continue to refuse to take out private health insurance you can make the contribution towards strengthening and improving and deepening the fairness of the Medicare system by paying a surcharge.

So I'm very proud of this budget. It's a budget that reflects the values and the commitment to the mainstream of the Australian community of the new Government and I congratulate Peter Costello as Treasurer on the fine job he did of getting the budget together and delivering it so well last night.

KELLY:

I'll come to some of those specifics you talked about a bit later on but let's talk about how fair it is. As you say, it does slug the wealthy to some degree, and perhaps an unexpected degree, but welfare groups this morning are estimating that roughly 30% of the massive cuts in this budget and the cuts are bigger than the Fightback cuts, the cuts announced last night, they say that more than 30% of those cuts will be borne by the poor. Is that a fair budget?

PRIME MINISTER:

Can I just say firstly that they're not bigger than the Fightback cuts. You are looking at \$10 billion of cuts with Fightback.

KELLY:

Isn't this \$13 billion worth of cuts?

PRIME MINISTER:

Well we can argue about... this is the problem. Are you talking about one year or over a number of years? This is the problem. I mean, we've now got into this jargon and everything is multiplied by three or four, and when you use a one year figure, it sounds....

KELLY:

Is it \$19 billion over four years, is that the figure?

PRIME MINISTER:

My understanding is that this is nothing like the scale of the Fightback cuts, but anyway, that's a bit academic. The question is, how fair is it. We have certainly saved money in the labour market program area. I make no bones about that. We believe that many of those programs were wasteful. The former government's own inter-departmental taskforce reached the same conclusion. Some programs were returning seven and eight people back onto the unemployment queues after having passed through training programs after only a few weeks, or in some cases, a few months. We are changing that. We are not getting rid of all of the former government's programs. We are reducing the number of programs down from 28 to about four. We are going to introduce a new, simplified system of training and apprenticeships. There will be more apprenticeships under the Howard Government. There will be a training system attuned to job outcomes and there will be a job placement system which will involve the substantial privatisation of the Commonwealth Employment Service process. We will be encouraging people through the use of incentives to find jobs for people who are out of work. If you provide people in the Australian community with an incentive you are more likely to get a result.

What we are doing for the first time in this area is starting to reverse the incentives. If you give people an incentive to behave in a particular way, they will respond to it. To a too great an extent in the past, the labour market area and the welfare system in this country has had some of the incentives the wrong way around and by turning them around, I believe that we are going to get much better outcomes.

KELLY:

All right. By turning them around you may get better outcomes and yet in terms of unemployment, which most people would agree is the biggest social and economic problem for this country at this moment, your budget, for all its cuts, for all its changes, for all the turning around that it does, is doing little to shift the unemployment level at the end of the first year, I mean staying around the same amount of 8%. Is that good enough?

PRIME MINISTER:

No. No it's not. Of course it's not, Fran and it is true that the fall that we forecast is very modest. I have two comments on that. Firstly, you don't get rapid improvement in six or twelve months in an area like unemployment, and secondly and crucially, we won't get real movement on unemployment until we get small business booming. And we won't....

KELLY:

But Mr Howard, this budget according to your forecasts, we won't get real movement for four years, will we with growth at three and a half?

PRIME MINISTER:

I'm sorry, I'm sorry. Just let me finish. You won't get unemployment really falling in this country until you get small business taking up the slack, and to do that, to achieve that, you've got to get certain things of the back of small business. You've got to give them a decent industrial relations system which we are desperately trying to do, and if the Senate passes our law, I hope by the end of the year and it's in operation from the first of January next year, we will not only be rid of the unfair dismissal law but we will have a far less burdensome industrial relations system. We have delivered on our capital gains tax promise. We have cut the provisional tax. I will have the report of the Bell Committee in a couple of months on cutting paper work by 50% in the first three years. So as those benefits flow through to small business, which I regarded in the election campaign, you'd have heard me say it, now I say again, it's the hope of the side on unemployment. I really do believe that a driven small business sector in Australia can provide the long sought-after breakthrough in unemployment. It's not going to come anywhere else and that is why we are so committed to improving the climate for small business.

KELLY:

Does that mean then that the growth forecast in this budget is predicted to three and a

half percent basically for the next four years, which is not enough really to bring down the unemployment levels, does that mean those forecasts will be adjusted as small business comes on line?

PRIME MINISTER:

Well if the independent, economic data justify the adjustment of forecasts, I mean we don't politically adjust them in the Prime Minister's office, as occurred with One Nation...

KELLY:

No but I mean you must be expecting something. I mean, three and a half percent won't bring down unemployment, will it?

PRIME MINISTER:

No, three and a half percent is not high enough but all you can do when you're putting together a budget is to make the best projection on the basis of what current policies have produced in the economy. As our new policies come onstream and have the beneficial effects, you can then start to make some adjustments.

KELLY:

It does make 5% unemployment target by the end of the decade look like a dream though, doesn't it?

PRIME MINISTER:

I have always been very wary about specific targets of that kind. My promise to the Australian people is to try and deliver the lowest possible unemployment level, particularly in the area of youth unemployment. I am not identifying a particular target. I saw the former government do that and the whole thing be treated as a bit of a joke. My promise is to do all I can to reduce unemployment and to direct the resources and the energies and the skills of this new government towards that end and I am particularly committed to doing it via a resurgence in the small business sector.

KELLY:

Let's talk about promises if we can, Prime Minister. You promised in the election to maintain spending on labour market programs yet you've slashed \$1.8 billion. You promised to maintain spending to universities, to the ABC. You promised not to increase taxes and yet some people will pay a higher Medicare levy and a higher tax on superannuation after this budget. There's many more promises that have been broken in last night's budget. How do you justify that?

PRIME MINISTER:

Let me take some of those. To start with, to say that we have broken the promise on

tax is ridiculous. We haven't increased income tax, sales tax, petrol excise. We are putting an optional surcharge on the Medicare levy for...

KELLY:

That's not an increased tax, the Medicare levy is not a tax?

PRIME MINISTER:

For people... look, it's purely optional. If you take out private health insurance, you don't have to pay it, and it is an extremely good policy change. Everybody recognises that it is a good policy change to say to people who are on high incomes, if you really believe in the Medicare system, it is essential that it be underpinned by a thriving and expanding private insurance system, take out a bit of extra insurance. I mean, people following that election campaign, what did they remember, what did they really associate with me as far as promises are concerned? The family tax package : delivered in full, delivered in full. The private health insurance rebate : delivered in full, in fact a little more generous because the income test is more generous. It went from 65 to 70 000. The Capital Gains Tax reduction on small business : delivered in full. The commitment to maintain Medicare, community rating and bulk-billing : delivered in full. The commitment to ACOSS to maintain the twice yearly indexation of pensions, to maintain the social security safety net : delivered in full. It is true in some areas there have been deferrals, given that the state of the economy that we inherited. Oh and another one that we delivered....

KELLY:

Not just the...do you concede that some things....

PRIME MINISTER:

Another one that we delivered in full, I forgot, and that is the commitment to self-funded retirees to increase in two stages the tax free threshold for those older retired Australians so that they are treated equally with people in the same age grouping. So you are looking at a situation where overwhelmingly the main commitments of the Government have been delivered and I'm very proud of that. I mean, even in areas, look at the Superannuation area. We promised to lift the threshold for low income earners the Superannuation Guarantee levy. That's been delivered in full. We promised that if a person worked all of his life and retired on the proceeds of the sale of business they'd have a capital gains tax exemption up to half a million dollars. We've delivered on that in full. The spouses at home superannuation contributions can now be paid by her husband or wife and get an 18% tax deduction - another promise delivered in full.

KELLY:

So you don't accept that because you haven't been able to or have chosen not to deliver some things in full, or deliver some things as promised, you don't accept that

you've broken your word, made during the election that you would deliver on your promises, even at the cost of the bottom line?

PRIME MINISTER:

I have every confidence that this Budget will in its aggregate be seen as a budget that delivers on the great bulk of the commitments that we made to the Australian people at the last election. The Australian people will understand that because of the circumstances that we inherited that the delivery of every single commitment was difficult, but they will respect and I believe applaud the fact that the core commitments of the Government have been delivered. They have been delivered to families, they have been delivered to small business and we have delivered importantly, because I believe in a fair Australian community, they have been delivered in the areas of maintaining the social security safety net. I mean one thing you can say about politics in Australia now is that the debate about whether or not we should have a decent social security safety net is well and truly over. Nobody, on either side of politics disputes that. I certainly don't. I will never support any attempt by my side of politics to hack away the basic social security safety net. I'll support measures to prevent fraud. Our message is that people who are entitled to support ought to get it, but those people who aren't entitled to support that are trying to help themselves to it oughtn't to get it and our message to people who are trying to rort the tax avoidance system is that they won't get any sympathy or any kind of understanding from us. We do want a fair Australia and part of a fair Australia is to have a social security safety net which is not the subject of a three yearly put and take whenever there is an election campaign.

KELLY:

Well, let's look at two of the groups. Families, as you've mentioned a number of times, a central promise that you made during the election, delivered in full. You say your family tax package is a plus for families. Under your family tax package though, a two income family with both people earning around \$30 000, they're not big income earners with two dependent children, will be \$7.70 better off a week from your tax break. Now, is that going to buffer them from the increased cost of childcare, the medical costs, pharmaceutical benefits, the cost of university later in life, that also comes with this budget.

PRIME MINISTER:

Well, an enormous amount of those people's child care costs won't change because the child cash care rebate for example...

KELLY:

I'm talking about the operational costs to community childcare, won't that make an impact?

PRIME MINISTER:

I'm sorry, a very large number of those people, in fact far more of those people use family day care than use ... Family day care centres are completely unaffected by the operational subsidy.

KELLY:

But aren't community childcarewith two working parents in many cases.

PRIME MINISTER:

But a lot of those Fran, you should have a look at the profile of a lot of those and a lot of those now have people who are quite high income earners in some of the inner city areas. The profile of childcare centres have changed quite dramatically. There's an enormous growth in the family day care centre and what was happening with the operational subsidy was it was giving an unfair competitive advantage to the community based systems over the private ones and in many cases the fee differentials were not very great at all.

KELLY:

Okay, another group. Older Australians. Under this Budget people in nursing homes or about to enter nursing homes...

PRIME MINISTER:

Well not people in nursing homes, the changes are grandfathered...

KELLY:

Sorry, okay, people about to enter...

PRIME MINISTER:

Well it's a very very important thing. I mean we are not altering the goal posts for people who are already there.

KELLY:

Okay, people moving into nursing homes over the next three years will be means tested, they'll pay \$26 000 I think it is for the privilege if you like of being admitted. Do you think older Australians were reckoning on that when they voted for you in March?

PRIME MINISTER:

I think older Australians will understand that if you have that kind of requirement for people going into hostels, it's not unreasonable to have that kind of requirement for people going into nursing homes. What's got to be understood about nursing homes is that there is an absolute starvation of capital resources going into nursing homes and

unless we can open up a new stream of capital for nursing homes, the quality of the buildings, the quality of the amenities and the whole quality of the nursing home industry is going to decline and I think you will find that a lot of people, including in the welfare sector who operate nursing homes will see the sense of this decision. I mean, all you are doing is allowing a person who now has to make an upfront contribution if he or she goes into a hostel, you are putting that person in the same situation if they are going into a nursing home. You have the ludicrous position now that some people go into a hostel which is co-located with a nursing home and when they have to go from the hostel to the nursing home the deposit that's been paid to the hostel has to be refunded even though they are just going from one side of the road or one part of the complex to the other and that really is ridiculous and it just ignores the expense and the operational difficulties of nursing homes.

KELLY:

Finally Prime Minister, the change in the Senate yesterday, Queensland Labor Senator Mal Colston resigning from the Labor Party now sitting in the Senate as an independent. Is that a gift for you at a time when you are trying to get a tough budget through the Senate?

PRIME MINISTER:

Well I think the situation in the Senate is better now than it was last Friday, let me put it that way. Mal Colston decided to resign from the Labor Party, you can speak to him yourself. I welcome the fact that he did say, yesterday when he resigned from the Australian Labor Party he did say that although he was a life long Labor man and I respect that, there were certain electoral mandates that the Howard Government had received and the implication was that he would respect that. Now, if that means that he is more likely now to vote for certain things, then I welcome that, but we'll have to wait and see.

KELLY:

But it has put a smile on your face hasn't it?

PRIME MINISTER:

Well, I'm not unhappy. I'm not unhappy at all and the other thing that's put a smile on my face is the fact that this Budget is being seen by middle Australia as fair, as delivering on the commitments we made and is essentially keeping faith with the great mainstream of the Australian community and I'm very happy about that.

KELLY:

Prime Minister thank you.