



## PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH DERRYN HINCH, 3AW, 12 JUNE 1986, E & O E - PROOF ONLY

- Hi Presumably anybody who did what you had to do last night would be disappointed when you see the papers and hear the reaction to it, the rejection of a lot of the spirit of what you're saying?
- H. One would have liked a more fullsome response but I've been on the air this morning Derryn and I think the sound media has been very, very much more perceptive, if I may say so, I hope you keep that record up. But, people who were expecting a budget speech, where you were putting out, setting all the details of the budget, simply had the wrong set of expectations. I think the judgement needs to be made now in terms of the next steps that are involved, starting tomorrow, with the Premiers' Conference. And then with the Budget, and I've promised that the decisions will be tough and necessarily tailored to meet the challenge confronting the nation. Now I just simply have a great faith in the ordinary Australian people, I think they'll respond. And the other thing I'd like to say is it's fascinating to me to see the statements of the Business Council of Aus. saying, "oh yes not bad in some respects, but we're a bit sorry that the PM supported the productivity superannuation case" they come out and say that now, but what they've been saying to us in our consultations is that they think that's the right thing to happen.
- Hi What you've done or your support for it?
- H. Support for it.
- Hi. The main issue of your speech, surely, was it aimed at the Australian people, to say let's all get together or was it aimed with your eye over the International Market hoping that you'd breathe some life into the dollar?
- H. A good question Derryn, and you have two markets. You obviously are talking to the Australian people and that was my main concern, talking to them. Obviously, also, you're trying to get a message to the business community here and internationally, Unfortunately I don't think that they have been as perceptive as they ought to be in understanding that the policy and approach that I outlined is the best possible one

because if you don't have the centralized wage fixing system and the reduced real wage outcome that I believe can be obtained under the approach I'm outlining, then the alternative is the free-for-all situation that's been advocated by the opposition which, in their last year, produced 16% explosion in wages and that will be disastrous for the business community. Now I think gradually they will have the wit and the wisdom to understand that.

- Hi One of the comments, and I hope that you weren't misquoted, it's sort of buried in the middle of the Age story, a comment that I found very pessimistic and a bit disappointing, was that you were asked about the reaction of the financial markets overseas in London and New York and you said and I quote "I would have to ask the international community what more can a Govt. do?" It sounds as if you're almost throwing your hands up over it?
- H. That was directly related, just to fill out the context in which I was saying it. In the areas in which the Govt on macroeconomic considerations in the area under the Govt's control or influence what more can the Govt do. I said. There are ~~two~~ areas that I referred to. One was the area of budgetary policy, fiscal policy, now I said we are exercising in our processes, getting ready for the budget very, very considerable restraint. Already identified a billion dollars worth of savings against Govt. programs and more to come, and we will be tough with the states, so we will bring in a budget which will be tough and then secondly I said in the area of wages which is a second important area, there we don't set wages but we can exercise some influence, put a position and what we're talking about is a wages outcome of only a 2.3% increase in 1986, the only National Wage Case increase. Discount involved in the delay in this case, a further discount by no further wage increase till January '87, and then arguing for further discounts. So I was saying in that sense what more can a Govt do in these ~~two~~ important areas?
- Hi Alright you've mentioned the states, getting tough with the states, I had Premier Cain on a few minutes ago and, not exactly his words, but I think it gives the message, he believes if you don't give the states the 2% increase that he believes they're legally entitled to, it will be the equivalent of you stealing from a trust fund?
- H. But what you've got to understand, and I know that John Cain does that, the components of Federal Govt. outlays to the State do not consist only of the 2% grant, the current grant. There are other areas of Govt. outlays to the states and I'm sure that John Cain does not delude himself that we're not looking at those areas.
- Hi Would I be right in saying that the "deal" if you can use that word

is they will get their 2% but they'll also have the screws tightened in making pledges over overseas borrowings?

H. Well, you appreciate Derryn that I'm not going to go, before I meet the Premiers, I'm not going to talk about what we're going to be putting to them, that's not fair to the Premiers. The fair thing is to give them a good clear indication that we're going to be tough, The details of our toughness should properly be put to them.

Hi Alright, a different issue, one you raised last night about voluntary work for people who are unemployed especially young people. And I preface it by saying that I know that Mr Howe believes that I have contempt ~~for~~ the millions of Australians who are in that situation, so he said in the House recently, but do you really believe that the way you outlined it it can work. You say that you want to have voluntary work, community work for young people especially, who want to, and you quoted Priority One and say that's what they want to do. In your travels do you really believe that the young unemployed people now, some of them, many of them even really want to do community work, voluntary work?

H. All I can say is that I met literally hundreds round Australia as I did *Priority One*. I don't make things up Derryn, whatever criticism you have of me you know I don't make things up, the talking I did with the young people of Australia was that they overwhelmingly felt, firstly they wanted a job if they could get one, let me put a parenthesis in here, of course there are some people in the Australian community who don't want to work, I'm not saying there are not some, but the overwhelming majority want to do something. And they said well if we can't get a job Mr Hawke in the ordinary market we'd at least like to do something for the community. So our responsibility now is to sit down with the voluntary organisations with the States and local Govt and try and build up a bank of community work which the unemployed can do, not five days a week because they've got to be given the opportunity of continuing to look for work, but it's not something that's being imposed. you see, upon what I believe is basically a reluctant constituency, I think they want to do it and I know that the community feels that it should be done.

Hi Well I as <sup>believe as</sup> a Prime Minister that you're wrong. I believe there are a lot of people there who don't want to work, and I think in terms of the ones who do want to do voluntary work, and it's laudable, are already doing it or trying to, and you wouldn't know the name Allison Rooks she's a young girl from Geelong she's about to lose her unemployment benefits

because she does voluntary work and the CES says she's not allowed to.

H. Well I am not prepared to accept that as the total explanation of the facts, if you would like or she would like to give me the details I will guarantee to have that case looked at. I can't accept that the explanation that you give is accurate.

*I am not saying that you are*

H. <sup>A</sup> deliberately misrepresenting something, but I don't think that that's necessarily all the circumstances.

Hi Alright.

H. I give you and Allison my undertaking that if she or you, or she through, you send me the details here at Parliament House I will have that looked at.

Hi I can leave that one case alone, it's not fair to drop that on you, ....

H. There's no question of dropping it, I'm just simply undertaking that if you send me all the details I'll have it looked at.

Hi But if you look at it this way surely if young people, who you say the ones you've all talked to, who are getting unemployment who can't find work and some of them just can't find work, really want to do voluntary work, they'd be doing it there is plenty of voluntary work out there for kids right now, anybody any age?

H. Well you say that but with respect to you Derryn what you've got to understand is these kids haven't got the opportunity, the capacities for communicating, identifying with the areas where you say these things exist. What we as a community should do is to say, we will organise the availability of community work, we'll accept as a community the the responsibility of doing that so that it can be identified to the young people, so that there can be supervision. What we want to do is to have a situation where, while it's not work experience in the normal sense at least there will be some sense of identity amongst the unemployed with the community. The only nexus at the moment between this *Community* and the unemployed is the sterile connection that exists when they pick up an unemployment benefit cheque. I want to see a situation where the relationship, the nexus, between the community and the unemployed is a much more positive one so that the unemployed can have the feeling that they do have a relationship with the *Community* which is providing the benefit and vice-versa that the community can feel that there is some return.

Hi Why wouldn't you make it compulsory?

H. Because the realities are it's silly to talk about compulsion now when we won't have the opportunity at least for a considerable period of time of getting a sufficient bank of community work which would match the number

of the unemployed. I'm quite certain that as we build up this bank the problem will not be one of compelling people to get in, I believe we will not have, certainly in the early stages, enough work opportunities to match the number of people who will want to do it. I've said that if, much further down the track, you reach the position where you are able to create more community work opportunities than there were there to be filled and there did emerge then an identifiable situation of people saying 'no', not prepared to do anything, then I think at that stage the community would be asking the Govt to look at the question you raised. But it's an irrelevant question in the realities that we're facing, what we need to do, and what I know the community wants and what I believe the unemployed community wants is to get them the opportunities to do this sort of work. And that's what we're going to address ourselves to .

Hi You're well aware Mr PM there's a growing feeling out there in Aus. when you travel<sup>round</sup> the country one of the, I mean Govts suddenly find themselves confronted with one big thing like the Fraser Govt may be hit with one big thing that starts to grow in the community. Here at the moment under the Hawke Govt. after your second election out there there are thousands of ordinary working Joes who are paying their PAYE taxes and they look at what they conceive to be, perceive to be, massive welfare fraud and they are sick of it.

H. And I'm sick of fraud and may I say that one of the basic reasons why I want the Australia Card in, the best way of stopping fraud is to have an Australia Card with photograph.

Hi I couldn't agree more.

H. It will save us millions of dollars.

Hi What are your chances?

H. Well let me put it this way, if you have any influence with the Liberals..

Hi I doubt I'd have anymore influence with them than I have with you.

H. I don't know about that I wasn't implying that you did. If you can persuade the Liberals and the Democrats that this is necessary to get the most effective means of stopping social security fraud then that's what's necessary. My party, the Govt, has make the decision that we should have an Australia Card with photograph, for two reasons. One to ensure that people don't dodge their obligations to pay tax and secondly that we nail social security fraud. Now that's the best way of doing it and if people want that to happen then they should pressure the Libs and the Democrats to make sure that they allow that legislation to pass the Senate.

Hi Yeah I go along with that.

211 ~ *speech (cont.)*

- Hi You invoked last night in your speech, you invoked the names of people like DeCastella, John Bertrand, Ben Lexcen, Joan Sutherland, and I agree they are not only heroes and achievers but out there there are thousands of unnamed Deeks and Bertrands etc etc but the argument can be put that by what your Govt has done in the past 2 or 3 years is that you are putting hurdles in the way of a marathon runner that you're taking the wings off the keel when it comes to people trying their best in small business getting them going, things like the fringe benefits packages, things like that.
- H. It can be argued, but it's argued wrongly because let's look at the facts. As a result of a combination of policies followed by this Govt business profitability, that is for large and small business, is back to the record levels of the late 60's and early 70's and far beyond what operated under the previous Govt. So the combination of policies already there has acted to their benefit. So anyone who wanted to argue it would be arguing incorrectly. Let me just give you, read to you, from a letter that was sent to me earlier this month from a company in Victoria which gives you a concrete illustration of the truth of what I'm talking about. (Read letter "\$70M plant" *see attachment.*) Now there's a specific example of a company writing to us saying thanks Mr Hawke as a result of what your Govt has done this is what we've been able to do. You refer to the FBT okay, I'll take that head on. I am absolutely committed to a proposition that we had to end a system where a very small proportion of the people in this country were able to avoid their taxation obligation, where the great majority of people the great majority of your listeners had no opportunity of doing it. And it meant that the great majority of your listeners were paying more tax because a small majority were able to get their remuneration in a non-wages/salary form to avoid tax.
- Hi I agree with part of that Mr PM, but haven't you thrown the baby out with the bath water? Because it's not only to get people who are say hiding or getting their school fees paid or the big company car, it spreads across a heck of a wide spectrum. And people some in factories and some in Department Stores and some school teachers and..
- H. You can talk about the wide spectrum, and I'm telling you that as far as the actual recipients of fringe benefits are concerned at the maximum it was about 11% of the total wage and salary force. And that small proportion was imposing an added burden on the other 85-90% and that's not the way equity works as far as I'm concerned. The second thing, remember this when you talk about the FBT. The Govt. is not going to get an extra net cent out of it. All the money that comes to the Govt

from the FBT is going back to reduce the marginal rate from 60 down to 49 and the other intermediate rates. We can't give incentive to people in the community, including people in the business community the salaried area, we can't give them the incentive of very substantial reductions in their income tax rates so that they're paying so much out of every extra dollar in tax unless we make sure that we get revenue in and we get it in from the areas of people who in relation to the rest of the community were on a rort.

- Hi Then people on a rort, as you say it, that would also include the country policeman the country school teacher whose rent in the State of Victoria may go up by \$30 \$40 \$50 a week.
- H. Well, I'm saying to you that as far as the implementation of the fringe benefits tax Paul Keating has worked meticulously, has worked assiduously, to listen to all representations about particular difficulties, a large number of adjustments have been made and in the overall approach I believe that he has done a magnificent job of trying to accommodate as far as you reasonably can while retaining a system of getting at those people who have been rorting. And as I say, without the income that you get from abolishing the Fringe Benefits we would not be able to be producing a result where the top rate will be coming down from 60 to 49 and the other intermediate rates will also be coming down very significantly. This Govt. cannot manufacture resources out of thin air. As I said in my Speech to the Nation Last Night, it's not Bob Hawke's or Paul Keating's or the Govt's money that we're using, it's the moeny of the people of Australia for their collective purposes and welfare. And we've got an obligation, Derryn, to see that that money is, as generally as possible, raised as fairly as possible so that undue burdens are not being put on the majority by the opportunities provided to the minorities to rort the system.
- Hi Well, I think despite what you say it's a minority rorting the system, and I think those people should be rooted out, but I think you've got a time bomb on your hands with the extent of the Fringe Benefits Package.
- H. Let me say this, that's your view. All the research that we've undertaken, and independent research shows that the overwhelming majority of the Australian people approve of what's been done on the Fringe Benefits Tax, the research shows it. And it's not surprising when you have the great majority of the Australian people being ordinary PAYE taxpayers with no opportunity to rort the system they applaud a Govt. which is going to say we're going to reduce the burden on the majority by ensuring that a small minority can't rort the system. I'm not worried about the reaction to the FBT because the overwhelming majority of people are in

a situation where they can't rort the system. They are Pay as you earn taxpayers, they go to their office, they go to their factory, their tax obligation is taken out under the PAYE system and they are sick and tired, as they ought to be, of knowing that over the years they've paid billions more in taxation because a minority have ripped them off. They support it.

Hi Alright. One final question Mr PM and I 'said this was a speech last night both for here and for abroad, the reaction abroad was not good, I'm sure you'd concede that with a drop in the dollar..

H. Oh well just wait a minute about that. The international business community might have had some quite false expectations and had an immediate reaction to it. If they were expecting a budget speech in which we were going to detail all our cuts and expenditures, they were wrong. And I think they will come to understand particularly when they start to see the evidence tomorrow of the toughness of this Govt's position, when they understand that what we're saying about wages will produce a significant outcome, I am confident that they will make the appropriate and the correct judgement then, that you've got a Govt which in the macroeconomic area is setting up a policy framework best calculated to produce the appropriate outcome.

Hi. With respect Mr PM, it doesn't matter if they misconstrue it or if they have wrong expectations, they did it.

H. <sup>I am saying that was their</sup> immediate reaction, I am saying that I am confident that as the actual decisions are borne out that they will make a positive judgement, that's what I'm saying.

Hi Alright, if it doesn't work do you devalue again?

H. Well I don't think that's going to be necessary because I think that we have had the worst now of the massive decline in the terms of trade, because since June in that very short period of about 9 months there was about a 9% decline in our terms of trade, I don't think that is going to continue. I think now, that provided there is the appropriate reactions from the business the trade union community and the Arbi Comm, I believe in those circumstances we will have the right setting.

HI. One final question should you have made the speech a year ago?

H. With respect, a silly question mate. This speech is made because in the last 12 months the world by what it has done in regard to our prices that we get for our exports, they've marked us down in a way which has lost us three percent of our National Income, it is because of what's happened in the last 12 months that I've had to make the speech now.

Hi Alright Mr PM I thank you for your time.

ENDS