



PRIME MINISTER

E & OE - PROOF ONLY

TRANSCRIPT OF INTERVIEW WITH THE PRIME MINISTER BY HAYDN
SARGENT (RADIO 4BC BRISBANE) - 1/12/86.

- HS: (missed the beginning of the question but it went along the lines -)
How has your position on uranium and other things affected your Government's performance and standing in the community? And the call for restraint?
- PM Sure as we come to the end of 1986 there's been an acceptance and appreciation by those people and others that they have a government that's prepared to take tough decisions, not for the sake of being macho and saying look how tough I am, but when you lose \$6 billion of national income as we did then adjustments have to be made. There's got to be restraint all around and we've been prepared to stand up and do that, to make tough tax decisions, to withstand a lot of dishonest advertising, misrepresentation and I think in the end the people, including the ones you talk about, will say well I'd rather have that than the deception and opportunism of our opponents.
- HS If you had known the furore that the FBT was going to create would you have handled it differently?
- PM Well it's clear from the fact that we made some changes that we didn't get it right the first time. That's almost inevitable because because the whole maze of contrivances that come under the category of fringe benefits were so extended that it was I guess almost impossible we were going to pick it all up exactly right first go. If we could have known what the unintended consequences were well we wouldn't have done it obviously the way it was done. But again I think I know the general public pretty well and I think in the end the majority approves of a government that says well all right we didn't get it exactly right, the principle is unshakeable we'll make adjustments in line with that principle and get it right the second time. I think they approve of that.

HS Do you think Mr and Mrs Average understands what the fringe benefits tax is trying to do?

PM Yes I think they do now. They know, Mr and Mrs Average, that they pay their tax on their full income every week on their PAYE system. I think they are becoming increasingly aware that there is a minority of their fellow Australians who don't get their full remuneration in their pay packet in the way Mr and Mrs Average do and that that had meant that minority has been avoiding paying the full tax obligation and the fringe benefits tax is calculated so that Mr and Mrs Average is not put at a disadvantage and I think they increasingly understand this.

HS Talking about the economy and you mentioned the disappointment during the year as far as the economy's concerned, as I understand it by 1988 our Bicentenary we could be up around about \$100 billion in national debt compared to \$3.5 billion in 1970...

PM Well I wouldn't say what the figure would be now, what I am concerned about is will we as we go into 1987 be seeing the turn-around in that growing monthly deficit in current account figures, and I believe that we will. That will be happening for two reasons - firstly the volume of imports will continue to be falling as the impact of the depreciation hits and our own manufacturers become more competitive, and on the export side we will be exporting more, so that on the two sides that deficit will be coming down provided that not only we but the international markets sees that that approach is working and that we are not going on accumulating debts in an accelerating fashion and that we're restructuring our economy in a way that is relevant to the changed circumstances, then the Australian economy will be in good shape not just because we will be doing the restructuring but because the judgement about the Australian dollar by the market will be one of stability and we won't, therefore, be under those pressures to maintain a high interest rate to protect the dollar, the dollar will be stable, and that means you will be able in that circumstance to relax monetary policy to have a downward movement through 1987 in interest rates and the inflation rate coming down in 1987. Those are the important things.

HS But that's a fairly slow process really, isn't it?

PM Sure. You don't overnight change the accumulated problems of decades. I mean the Liberals were in for seven and a half years, they kept our dollar over-valued, they ruined the structure of our manufacturing industry meaning it wasn't competitive, and in those circumstances what you've got to do is gradually make the changes in restructuring the manufacturing industry so that we can retain competitiveness that's now been brought about by the fall in the value of the dollar, and that's what we'll do.

- HS John Leard who published the book "The Worst is Yet to Come" made an interesting sentence, and I don't apply it just to your government but to the previous governments including the Fraser government, the Whitlam government and maybe even before that, he made a sentence - "This generation has mortgaged Australia and future generations will have to pay", do you think that's true?
- PM It's a matter of definition that if any generation has a situation where it is undertaking significant borrowings - let me remind you there is an overwhelming proportion of the overseas borrowings which we have now which has not been done by governments, it's been done by the private sector like Mr John Leard, and I'm not saying John Leard - I don't know what's he's borrowing - but I'm saying it's the private sector who borrow overseas, they have borrowed overseas on the basis of a commercial judgment that they can invest money that they have borrowed in enterprises which they judge will be economic, so that over that longer period they will be able to generate income which will meet the service costs of that capital that they borrowed. So in that sense borrowing of itself should not be seen as something which is negative as long as the country has the economic capacity to service that debt out of future income.
- HS We're servicing some of our debts out of borrowed money, aren't we?
- PM Well that of course happens to some extent and we could not go on as a country where at the government level you were having budget deficits which I remind you when we came to office, the upcoming deficit which we inherited from Mr Howard as Treasurer amounted to 5 percent of our gross domestic product, and you can't go on doing that, you can't go on maintaining standards by way of public expenditure.
- HS What is it now?
- PM We have brought it down to 1.4 percent.
- HSindividuals and companies suing unions for losses experienced as a result of unauthorised strikes. What's your reaction to that?
- PM Our response to this whole question of industrial relations and sanctions will be delivered in the Parliament in the Autumn session when we resume in 1987 and our consideration in this matter will come out of a process of considering the Hancock Report which consisted of representatives of employers and trade unions from with an independent chairman, Professor Hancock. They've made recommendations to the government on how the whole system of industrial relations should be reviewed and changes which go also into the question of sanctions and obviously I'm not going to announce in advance Hayden, I

can say this that I believe when you see the decisions we'll be making in that area of sanctions that you will approve of what we do and importantly I think there will be a widespread community approval of the way we go about this.

HS What do you think of the achievements of your government in 1986?

PM Oh there's no questions that the main achievement if the bringing into place the most far-reaching reforms in the taxation system of this country ever, without going into it in all its detail what we inherited was a tax system which was virtually on the point of collapse and the most outstanding feature of that collapse was that an increasing burden was placed upon the ordinary honest taxpayers of this country who are PAYE taxpayers and they can't avoid their taxation obligations, and in the event the marginal rate of tax comes far too high. Mr Howard's legacy to this country when he walked out of his office of Treasurer in March 1983 was a top marginal rate of 60 cents in the dollar. Now I have already now as a matter of law changed that, the first element of the tax cuts in this program coming in today and by legislation the second lot coming in on 1 July 1987 that will reduce that top rate from 60 down to 49 and corresponding reductions from 46 to 40 and that will mean the average tax will be cut in the order of \$10 to \$12 a week and that will restore incentive. You can't have incentive when the top rate is 60 cents in the dollar so we've brought that down to 49 cents. Now we've financed that by ending the rorts - the entertainments allowances, the fringe benefits - so that there's been a whole restructuring of the burden and those that have avoided their obligation now have to pay it and as we get contributions from those who have avoided it in the past it means we can lift part of the burden on the ordinary honest taxpayers. That will restore incentive and it will also make for more efficient economy because resources will now be going into productive areas rather than into concocted schemes using resources.

HS I raise the question of your defence of Paul Keating who has embarrassed you on two occasions - one was on this question of living away from home allowances, the other was on the tax return that he failed to lodge....

PM Let's take the two points - first the travelling allowance, Paul Keating has acted absolutely within the rules relating to travelling allowance laid down by the independent Remuneration Tribunal as have those people sitting on the front bench of the Opposition who are acting in exactly the same way. Neither Keating nor the leading members of the front bench of the Opposition who

are drawing that allowance are acting other than within the rules of the independent Remuneration Tribunal as Paul Keating's also acting within the strict guidelines laid down by the Cabinet.

HS The tax return thing must have been a bit of an embarrassment though?

PM I'm glad that Paul Keating has, without equivocation acknowledged that he is at fault and he has unequivocally expressed his regret for that fault. There's no excuse and he doesn't attempt essentially to excuse himself for that fault. Let us have this fact clear there has been no impropriety, the loser as a result of Paul Keating's fault is Paul Keating because he will be getting a refund in respect of that return which he hadn't put in and again correspondingly therefore, has been the Commonwealth revenue. That doesn't excuse his fault nor do I condone it, but there is no question of impropriety. I, of course, wished he hadn't made that mistake, but if I have to draw up a balance sheet about Mr Paul Keating and what his activities have meant to the welfare of ordinary Australians then I say that his unsurpassed achievements in bringing in a fairer tax system, in seeing that there's going to be an end to the rorting and that those honest taxpayers are going to be able to get a fairer go, you can put all that against this mistake which has cost him money, then at the bottom of the balance sheet I have a remarkable man.

HS Prime Minister on a personal note you had a fairly meteoric rise to the job of Prime Minister, few other people have come into the House and spent as little time on the backbench of the Opposition and then into Prime Ministership - what are your thoughts about politics in Australia? Are you disappointed with what you find, are you disillusioned, is it as you expected?

PM No I'm not disappointed, what you've got to remember is that politicians in any country are not really going to be any different to the people of that country itself and politicians, therefore, of Australia reflects the strengths and weaknesses of the Australian people.

HS So we get what we deserve?

PM Yes and in some respects you get good things and in some respects you get bad things because Australians are a mixture. Let me say because I love Australians and because without any bullshit if I can use that which is not offensive but which really picks up what I mean, Australians are great people but in their makeup they have excesses, they have rough spots, they have a toughness about them and that is reflected in our politicians. Australians also have a sense of a fair go, they do I think have an underlying sense of concern for the under dog they do have an underlying compassion - and I think all that's in our politicians. So when you say Australians

get the politicians they deserve or however you want to express it, we as a group of politicians are in a sense a microcosm of our fellow Australians.

HS What happens to Bob Hawke after the next election if he wins. Will he stay on for a full term or....

PM When we win the next election we will go the full distance....

HS You won't call an early election?

PM No.

HS You'll go the full distance?

PM Yes.

HS In spite of whatever may come?

PM My position is that we go the full term and I can't see any reason to qualify that.

HS So if you win you stay on for another full term or...

PM Oh I would be looking at that full term. I mean I don't want to stay in politics forever, if I get another term I would have to take it and at the beginning of the 1990s I would have been there seven or eight years...

HS You could become an eminent person then....

PM Well our people might describe me so Haydn but er... I believe by then I will have put my mark on this country I

HS Is that a fairly good feeling?

PM Yes I hope it will be a good mark I'm trying my best to make sure it's a good mark not so I can sit back and say 'look what a good job I've done' but I do really believe this period the latter part of the eighties is a critical turning point for the future of this country and let me frame very quickly why I mean that. It's just at this period that Australians I think have come to be able to be persuaded and to understand that great changes have to occur, we've had it luckily in fundamental respects - we've had our meat and our wool and our dairy products, and the world wanted them, then we had our iron ore and our coal and the world wanted them but now suddenly, rather than by a gradual process, the world has marked down massively the prices of those things which cost us about 8 percent of our export income. They said we're not going to pay you your prices for those things. Now if we're going to prosper we have to change and restructure our industry and the more competitive

manufacturing sector, have a more competitive services sector, and so if we're going to be competitive in the world we've got to be prepared to change our practices and our habits, we've got to defer our expectations somewhat. So it's hard but it's also a glorious opportunity because we've got so many great resources, both politically and naturally, we're prepared to make those decisions now we, this generation this time in Australia and the people in it, can make an enormous contribution to the future welfare of the coming generations of Australians. I'm not being dramatic that is factual that to be put in a position where you've got the opportunity of leading the country to make those changes is a privilege and an opportunity - something that hasn't been given to anyone before. I'm excited about it but more importantly I'm optimistic about it.

HS And if at that next election you happen to lose, would you sit in Opposition?

PM No I wouldn't think that would be appropriate, if my party pressed me to I would consider it if there was a suggestion that that was the way forward but I know that by the time we go to the next election the people will know we've had enormous achievements and for that reason I believe we will win.

HS Prime Minister, thank you.

PM Pleasure Haydn, always to talk to you.

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