



PRIME MINISTER

E & O E - PROOF ONLY

PM-SCHILDBERGER3LO.....3/12/86

PM I apologise to you and your listeners but I had a very important call before I was due to leave and then the traffic was much worse than we thought, I'm sorry to you and I'm sorry to your listeners.

S Can you tell us about your important call?

PM No.

S How about S & P. You weren't talking to them by any chance?

PM No I wasn't talking to them but I must say, as is so often the case, I had a bit of a giggle about Michelle Grattan saying it's a blow to the Govt. Some blow.

S Well, isn't it?

PM No of course it's not a blow. It's been anticipated and when you have an international agency of that kind keeping you in the top eight sovereign borrowers in the world and saying as they did that they approved of the policies of the Aust Govt, welcomed them and said that they were the right policies to deal with an externally imposed circumstance. If that's a blow let me have a few more.

S At the time of the Moodys downgrading you and the Treasurer seemed to indicate that that's alright S & P won't do the same.

PM We didn't say anything of the sort. It was expected that dealing with the same circumstances you get the same sort of analysis because what they are saying is that there are difficulties in debt servicing when you have a dramatic turn in the terms of trade against you and of course there are. Both Moodys and S&P have spoken very highly of the economic policies of the Govt to deal with this externally imposed circumstance and I would welcome the fact that we have this endorsement of our policies by these agencies.

S. You'd prefer Triple A wouldn't you?

PM Well I don't feel at all upset because it is still a very high rating, accept we're in the top eight sovereign borrowing nations in the world, the top eight, and we've had imposed upon us these difficulties a massive turn-around in the terms of trade, which creates its own problems and if these agencies say well look you're still a very good credit rating and in making that judgement we're going to tell the world we think you're pursuing the right policies I don't have any upset about that and I suppose significantly nor does the market.

S. Now talking about the market, we know we're now sitting on about 65c in the \$ against the \$US, to what extent will you try to keep it there?

PM Well, I'm not going into details of what the Reserve Bank policy's going to be other than to say we think generally the market has settled at an appropriate level at this point in time. It is one that represents a very significant opportunity to Australian manufacturers to compete against imports and to find export markets overseas they never could have done before.

We're relaxed about the sort of level that it is now. We're not going to be getting upset about that.

S You do have an input though as to what the Reserve Bank does?

PM Yes, well the Bank conducts its operations. There is discussion between the Bank and the Treasurer and I'm more than happy with the way things are going. I'm not going to cause any other speculation by any further comments on that.

S The tax cuts seem to have been swamped by other issues?

PM You can make that judgement if you like I don't think they've been swamped. The fact is that people are going to get the tax cuts now and they are going to get further significant tax cuts in July. You know I am always amused by professional commentators, your Gattans and so on, who sit in the gallery and get overwhelmed by what they think is the big issue of the day. They're more often wrong than right. The Aust public, an institution in which I have great faith, they are much more sane and are much more capable of getting things in their longer term perspective. They might get a bit excited for a while about a particular issue, but they in their daily lives make the judgements about what's important and I'm quite content that by the time we go through next year and when these rates are brought down in the way in which the conservatives never could do, because they were engaged in allowing the tax system to be absolutely rorted and imposing greater burdens on your average taxpayers, the taxpayer of this country will make the right judgement.

S. When you are critical though of the Gattans and other political observers, if I open the lines now, in fact I did a few moments ago

PM I listened to your lines.....

S Well, the very first question was why didn't you sack Paul Keating?

PM I heard that.

S Why don't you?

PM There are 16m people in Australia and you get one question why don't I sack PK what sort of conclusion am I supposed to draw from that? I'll give you the answer to that person and whoever else might be answering (sic) it. Because he didn't deserve to be sacked. He made a mistake, a significant mistake and I said so. I repeat that it was a significant mistake and it is not however a mistake which deserves sacking. There was no impropriety, there was no attempt to advantage himself, he is the loser, the financial loser through not having lodged his return. Now I told him he made a mistake. He knows he made a mistake. Now if we're going to have an analysis of PK let's have it.

S Did he offer his resignation to you?

PM You know he didn't offer his resignation.

S I wouldn't ask you if I knew.

PM I don't mind Michael. I know you've grown up a bit more than that. Don't be silly. You know that he didn't so don't let us waste time because time is valuable.

S. Yes it is.....

PM You know that he didn't so why do you suggest that you didn't know?

S Here is an issue though that has taken media coverage , not only media coverage I suggest to you , that people are interested in this and are concerned about it.

PM I didn't say they're not interested. Of course they're interested and I'm saying to you as PM I didn't ask for his resignation .While he made a mistake and it was one I criticised him for there was no suggestion of impropriety and he did not advantage himself by not putting it in , he disadvantaged himself financially. Now I wish he hadn't made the mistake .I believe he certainly won't make that again but I have to in these things make a judgement and the judgement is that in terms of the interest of the Aust people , this is the man who has been responsible for the greatest reform in Australia's tax history , which will mean that we've got a significantly fairer and more efficient tax system as a result of the changes for which he's been responsible. Now I'm not going to be in a position of having all those things in the balance sheet which show him to be a great Treasurer and say against that , yes he's made this mistake, this personal mistake , and because of that mistake which involved no impropriety no financial advantage but a financial loss I'm going to sack him.

S Will that significant mistake cost you votes at the next election?

PM I don't believe so.

S Are you sure?

PM Well Michael, how can I be sure. You asked me

S You're worried about his credibility ?

PM No I am not. At this time he is down. There's no doubt about that. Of course he is down. He is not well regarded for some reasons including that but what I've said before by the time we get up to the next election in the whole sweep of tax reform for which this Govt has been responsible we'll be up there against the record of John Howard, the worst record of any Treasurer in the history of this country. They'll be the two contrasts JH , the man who walked out of office with a top tax rate of 60c in the \$, that's his legacy , PK 49c in the \$. Howard on the other hand who was condemned by his own Royal Commissioner as having presided over the worst 5 years of tax avoidance and evasion in the history of this country which had cost the ordinary taxpayer more than had ever been inflicted on him before .That was the Fraser-Howard record. Against that the cleaning up of the tax system by PK. A more efficient , fairer tax system with all the rorts and the rants wiped out , which had been allowed to flourish under the Conservatives. That'll be the record.

S Well, I want to talk more about lux reform in a moment but there is this question about rorts and there was this question from a listener a moment ago about the travelling allowance so-called rort.

PM Well, you know the answer to that. The fact is that what PK claimed in regard to TA was precisely in line ^{with} the findings and decisions of the Remuneration Tribunal. And in line with the Cabinet decision. You know that. It's the same way that it's being done by people in the Opposition. Is there any question....I have not wanted to raise other people on the other side but you know if you wanted to look at the Deputy Leader of the National Party Mr. Hunt, exactly the same position. But Mr. Hunt 's not doing anything wrong. He's doing it in line with the decision of the Remuneration Tribunal.

S It's not just a question of PK's it's a question whether TA now is a fringe benefit.

PM The simple fact is in regard to the TA that has been put in question in regard to Mr. Keating it is not something that he is doing other than in strict accordance with the law and what's been decided by an independent tribunal and is what's being done properly on both sides of the House.

S Parliament on the ABC When are you falling and Indian going to get together and shake this is not the place for Paul, to be broadcast?

PM I don't know. It's not on my agenda at the moment Michael.

S Do you think we can put it on the agenda?

PM Oh, it might get on one day.

S Tax reform. Did you make a mistake with the tax summit which prevented you from introducing an indirect tax like a consumption tax?

PM No I did not make a mistake with the tax summit because I believe the concept of consultation with the community has been one of the distinguishing marks of the success of this Govt's economic policies. It was appropriate that we try and talk with and listen to the community. If there hadn't been a summit the community would still have made its position very strongly apparent: on the question of the consumption tax. That they were able to do that within a summit situation where we got views on a whole range of issues including some of those matters we were then able to include in the alternative approach and as I've said all along on the issue of tax I think we have got the best that we can in the absence of an approval by the Aust community of a consumption tax and there will be a clear distinction to be made between the conservatives who had 7½ years to put their policy in, left with a top marginal tax rate of 60c because they are a party which approves of allowing privileges and rorts to minorities in the community. If you're going to do that you're not going to have the amount of tax available. We've knocked those rorts out and have used the proceeds to bring down their top marginal rate from 60 to 49 as it'll be by July of next year.

That's the reform and and that's quite clearly going to be there for people to judge between one situation and the other.

S You and the Treasurer wanted some sort of consumption tax when you went into that tax summit. When you talk now though of the community being upset, they're upset now with FBT .What difference is that if they'd been upset about a consumption tax?

PM You say they're upset about a FBT .I have no doubt as that tax settles in, the arithmetic of it is going to be quite clear and that is the great majority of people benefit from the fact that there is a FBT imposed upon the minority who previously avoided any tax at all on that part of their emoluments. Now I have no concerns about that .We took a battering because we were in the process of getting the whole thing together .We weren't able to have the benefit of either an exposition system once the tax was in or the opportunity for people to see it in operation .As that goes on the FBT will be seen as a positive by the great majority of the Aust people. There's no question about that.

S Can you see the time where it will be necessary for you to introduce a consumption tax?

PM No, I don't see that.

S After the next election?

PM No I don't see that. I'm concerned at this point with getting these changes bedded down and I believe as they are bedded down they will give Aust the best, fairest, most efficient tax system that this country's ever had. So you are now going to have incentive back in. I have an uproarious giggle when I hear these posturing fellows from the Liberals " we're in favor of incentive. Incentive in the tax system" what was their incentive? They had a very clear system of incentive. That is an incentive for the minority, for the privileged saying we'll give you the incentive of being able to avoid paying any tax at all. But as far as the ordinary honest taxpayer is concerned , the incentive the Liberals provided for them was a top marginal rate of 60c in the \$. My Govt has provided real incentive by knocking that top marginal rate down as it will be by July of next year for a 60c of John Howard, that's his incentive tax rate, the Hawke incentive rate will be 49c in the \$.

S To be able to maintain that you're going to have to find other revenue, particularly as we've got our balance of payments the way they are at the moment.

PM Well, I'm glad that you've flourished as a economics expert , Michael, I might just add in to you profound knowledge of the subject that you'll find that economic growth will ensure that our capacity to sustain those rates will be there.

S You have no doubt that you'll be able to reduce the deficit despite my lack of knowledge in this area , I know that much, you need to reduce the deficit and because you've said so

PM What has been our record then in the reduction of the deficit.

S It's gone down.

What I'm asking you is how are you going to maintain it?

PM It was 5% of GDP when we came in that was what we inherited. We've got it down to under 1½% .So the point I'm making my friend is that from the \$9.6B , the 5% GDP, the record is having got it down from 9.6 to 3½B to 1.4%.Now I simply say to the Schildbergers of this world who say well what are you going to do. Well I say look at what we've done. We've brought it down from 9.6 to 3.5 , from 5% of GDP to 1.4 .I say you just look at the record. I'm entitled to say we've done it.

S You're doing well at the moment. You've done it so far .My question really is what are you going to do next time around?

PM Well, if you don't understand the point I'm really making. I'm simply saying

S I do...

PM Well, be satisfied my friend that I'm entitled to say there's the record , we came in in '83 , that's what we've done, I'm entitled to say we'll continue to do it and we will.

S Can I be blunt and ask you this question, can you give an undertaking now that we won't have a consumption tax if you win the next election?

PM Yes , I can. I am not concerned with bringing in any more taxes. We've faced up to this. We've brought in the range of taxes that are necessary and I am satisfied with what we've done.

S An ongoing question, another one that was raised by a listener this morning, is a prices freeze.

PM I heard the lady in question and you were on the right track in saying we haven't got the constitutional power to freeze prices. She was wrong in saying the PSA had brought in a freeze. They've suggested that that ought to happen .They've got no constitutional power to impose a price freeze.Now what we're doing is to try and strengthen the resources of the PSA so that their oversight capacities can be increased and so their power to publicise the activities of price setters can be strengthened.

S But would you like to see the states get together and initiate a prices freeze?

PM Well, I'd much prefer a situation in which the price setters in the community , the business community themselves exercise their own powers and had an attitude of trying to ensure the lowest possible prices because I think an economy works better with the minimum amount of regulation provided the players in the scene play the game according to the right rules. Now therefore I would like to see the situation where companies in this country did respond to the activities of the PSA when you have regulation in you're going to substitute the decisions of market forces for the arbitrary decision of bureaucrats and ideally I don't think that's what you want .

But that does require for the market forces in fact to be operating.

S What about wages now and there is this question the employers are asking right now is for a wages freeze.

PM Yes, they are . So what's new. They've been doing that for 20 years.

S You have come forth with your submission saying you'd recommend a \$10 increase in the first tier. The ACTU hasn't put forward a figure at all. Why did you choose to?

PM Well, because we've looked at what we've achieved in the area of wages policy since we've been in office. We believe, and indeed the commentators we've been talking about agree with us that we've had an outstandingly successful wages policy which has been one of the reasons why we've been able to create the 670,000 new jobs which is a record in employment growth in the history of this country. Now we think it's the responsibility of ours to indicate to the Commission the sort of wages outcome which can be consistent with that sort of record we've had in the past. When we brought down the Budget it was based upon an earnings movement in '86/'87 of just over 6% and we are saying therefore to the Commission the sorts of increases that'll be consistent with our Budget planning for 86/87 and what we have in mind for 87/88. We think we have that responsibility to say to the Commission what sort of outcome will be a part of the general economic approach.

S Can you see a bigger shift in industrial relations in the future. I mean we've seen quite a bit in the last few months I suppose with more flexibility, that there's more than relationship between employer and employee rather than the way it's been happening in recent years?

PM There can be more flexibility .I mean this is not just a question of hypothesis. I mean I've been doing things about it in two major ways. Firstly we're giving our support to the concept of the 2-tier system will allow a greater degree of negotiation and flexibility between employees and employers .Secondly and most importantly in that meeting I convened in September of the BCA and the CAI on the one side and the ACTU on the other and I congratulate them all for their positive response. They came there by request and have agreed now to to work hard now on improving work and management practices. This is going to now mean, and it's starting to happen as a result of that, that more discussions at the workplace at the enterprise level to eliminate inefficient work and management practices. That's going to bring employees and management closer together. So in both these ways we've been responsible for stimulating a greater degree of direct discussion between employer and employee and that's what needs to happen.

S The Australia Card. If you lose that in the Senate what's your next step?

PM We'll put it up again. We've said that Michael.

S Is it an issue big enough for a double dissolution?

PM You seem to want this program for me to come on and repeat what I've said publicly several times. This Parlt is going its full term.

S There's no issue big enough to prompt a double dissolution?

PM Not that I can see. I mean I am simply going to put that up again so people will know our determination, our commitment to have an Australia Card with photograph it's what is right, it's what the people want because it is what will be the most effective instrument to stamp out social security fraud and tax evasion. We are committed to that, the people want it. The Liberals and the Democrats don't want that. So OK if the Libruls and the Democrats want to keep telling the Aust people that they are opposed to the instrument which the Aust people know is the most efficient to wipe out social security fraud and tax fraud let the Liberals and the Democrats keep saying it because we'll keep giving them the opportunity to say it.

S Would you like to see the Democrats wiped out at the next election?

PM I am basically as you know a kind, generous, charitable person I don't want to see people get wiped out. I want to see people follow sensible policies and if the Democrats are going to make decisions for instance like on the Australia Card. they are opposed to the instrument, which as I say is going to be the most effective instrument to wipe out fraud and tax evasion and an instrument which is being brought in with the greatest amount of care to ensure the protection of civil liberties, individual rights, and if they make wrong decisions like that they ore the ones that run risks.

S Gough Whitlam says your reforms haven't been good enough.

PM I'm again as I said before a kind, charitable person by nature I made the observation that Mr. Whitlam approves of this Govt sufficiently to accept every position that we've offered to him and accepts those decisions of Govt

S Why is he having a go at you?

PM I find it rather interesting to observe past politicians some are able to accept the transition with grace and effectively. On both sides of politics you can think of those who do it and you can think of those who don't. Now I could if I wanted to I suppose make observations about my predecessor, but what good does that do, what good does that do anyone, what good does it do the Labor Party. what good does it do the people of this country. It would perhaps give some degree of satisfaction to make some observations. Well, I think there's an onus on people in life to not just indulge yourself in personal satisfaction. I could on so many occasions do it about so many people including I might say Gough but I don't think that does any good.

S You have tried to distance yourself , on your party now, and the Govt now has tried to distance itself from the previous Whitlam Govt.

PM Well, you say that. What's your evidence of that. What I've done is to govern this country according to the needs of the time and the needs of the future. Now if anyone doesn;t understand that 1986 is a ^{sea} change difference from 1972 then they don't begin to understand anything. Govt in Aust in 1986 requires decisions which are relevant to the circumstances of this time and what we can see is necessary for the future of this country. And I'm providing , with my colleagues, that Govt. If people want to make comparisons with another era, another time ,well OK let them do that. I will go about the business of making the decisions with my colleagues that I believe are necessary for the welfare of this country and according to our resources and our capacity at this time. I'm not going to succumb to any temptation to get into a slanging match with anyone , whether it's Gough Whitlam or anyone else.

S Are you enjoying the Prime Ministership?

PM Love it.

S How long are you going to stay there?

PM We'll have an election at the end of the full term of this Parlt .I'm confident the Aust people will make the comparison between 7½ years of conservative govt and the 5 years of our govt .Our record in that time will surpass the conscrvatives in every relevant respect. We will have done better by light years than they did in every respect in terms of economic growth ,EMPLOYMENT, inflation, social welfare, environment, in every issue, the pursuit of peace ,in every issue 'we'll be light years ahead of them and I think we will get the verdict that we should get of another term. I will then enter into, I hope , an historic third term in terms of the history of Aust Federation .It will be the 3rd successive Labor Govt and I will then try to do the job that's necessary. Now as to how long, it's a matter for them, but I would simply say that I'm not one who wants to break every record in sight and go on forever .I've been given a great opportunity and privilege by the people of Aust .I hope I'm proving worthy of it I would think that within a period of 8 years or something like that you would have made your mark, your contribution then it would probably be time to step aside for others.

S Has it been harder than you thought it would be?

PM Well, this is a real politician's answer , yes and no. I mean yes and no. The sense in which it's been harder is that I don't think until you are there that you can quite understand the never ending demands that are made upon you .I don't say that with any sense of burden , because the demands are interesting , stimulating and you've always got the opportunity of doing something that's useful. But it is nevertheless incessant.

The NO part of the question is that I didn't think there would just be the range of help that's available .You've got within the PS, and I've had my criticism of the PS, and I'm bringing in a lot of reforms making it leaner and tougher and more efficient but within, let me say, the PS there are some magnificent resources .Also I didn't realise that I'd be able to get such a great band of people around me. Changes have been made but I've continuously had marvellous people around me. Within the business community , within the trade unions, within the Aust community generally again I couldn't have imagined in advance the enormous strength of support that's been forthcoming. In saying people have been marvellous in an organisation, they really have been good and they have made the job easier in that sense than I thought. So that's the sense in which I say YES and NO.

S Is consensus govt more difficult than you thought?

PM Striving to get as much agreement as you can in a community is a very difficult process but the results are worthwhile .We could not have turned the economy around after '83 and created 670,000 new jobs and done all those things and got Australians liking one another again. Do you remember what '82 was like ? Australians just hated one another , they were fighting one another. It was divided ,bitter ,the process of getting them to like one another again and to work with one another again, and to recognise the challenges together that's beaut. I get enormous satisfaction out of that. It's not easy but it's worthwhile.

S You're not getting the credit though in terms of opinion polls?

PM I don't govern on the basis of trying to get the opinion polls up .You've got to take tough decisions on the basis of that's what's necessary you take them. I said in my address to the nation in the middle of the year what was important to me was the future of this country and I take the decisions even if it means loss of office .People had gone "Oh will he?" and the answer was yes I did. I got my head down and we made a series of tough decisions and the polls went down .But they were the right decisions .Now for what it's worth the polls are coming up again.

S Couldn't those decisions have been tougher so that you could have tried to reduce inflation more so and unemployment?

PM You couldn't have made any tougher decisions .I think that we're right. We've got the right sort of mix. I mean you can't just cut the economy off altogether at the legs .You've got to keep the economy moving but not at such a high level of activity which is going to suck in imports at an unsustainable level so you had to decide to get just that level of activity which would keep the employment situation as good as you could without bringing about an unsustainable balance of payments ^{DEFICIT} problem.

And I think we hit the balance just about right. Now you see my whole time in public life has been based upon belief that the Aust people are decent and sane and sensible that in the long run they will make the right sorts of judgements. I have no reason to believe that's going to change. They couldn't quite see just what we were about in the middle of the year and they saw the \$ tumbling and all the gloom. But now they're seeing I think more and more that the Govt got its head down, got its act together, got the right sort of policies, they are starting to sharpen and the people will make their judgement. I'm not one who believes that politics is for the day, that you just make that decision today what you think is going to be the popular one. You've got to make the decisions which are right for the longer haul. We have made them and we'll get the appropriate judgement.

S You say you want Australians to like each other but you don't want to shake Jay Pendarvis by the hand?

PM No, I didn't agree with what happened there, and the tactics on both sides. I think the gentleman you mentioned was at fault, I think the union was at fault and I think it was a process of total confrontation which is alien to my concept as to how we've got to go about improving this economy. We've got to try and get the situation where people do co-operate with one another, recognise one another's interests. I wasn't going to make a hypocrite of myself in this matter.

S It wasn't history....that's the past?

PM When you have a leader of the Opposition who says he wants thousands of Mudginberris around the country you can hardly say that that's a thing of the past.

ENDS