



PRIME MINISTER

Transcript of Interview with Howard Sattler, 6PR Sattler File
13th April, 1989

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Sattler: Well on July 1st Australian households will be awash with new money, \$5.7 billion of it as tax cuts announced by Treasurer Paul Keating last night begin to flow through pay packets. Family allowances and dependent rebates will go up, pensioners will be able to earn more tax free money than they have been at the moment, go and get a few little jobs or if they have got investments they won't be hit by the taxman. The Government hopes that its new found gratuitousness will make you thankful, I am sure it does, so much so that you will vote for it at the federal election, that has to be held in about the next 12 months or so. Well we are about to find out if you have been won over by last night's mini-Budget, with me is my guest Prime Minister, Bob Hawke. Good morning Prime Minister.

PM: Good morning Howard.

Sattler: My calculations and forgive me if they are a bit awry are that you personally, you and your wife will be about \$22 a week better off after the tax cuts. What are you going to do with your money?

PM: Well I am fortunate Howard, I can probably save mine, but I know that others can't. But it's very interesting that you should raise that, I think I actually get a bit more, it might be in the order of \$26 a week. It is very interesting to compare the shape of my tax package which means that people like myself and John Howard don't get very much, that it is concentrated in the middle with him. I mean we have been waiting like we have been waiting for Halley's Comet for their tax policy, so the only thing you can do is look at their last package in '87. Now under the Howard package then, I would have got a straight \$156 a week tax cut ^{under} Howard's approach in '87, under mine \$26. In other words what we are doing Howard, is deliver to the lower and middle income where the need is greatest.

Sattler: The reason I ask you what you are going to do with it is because I don't believe you want Australians who are going to get the increases to just run out and spend it all, you'd want them to save a bit surely?

PM: Yes that's part of it and I am very thankful for you asking that question. There are two things, obviously Howard there are going to be some of your listeners who are going to need to spend some of their tax cuts and what they get in increased family allowances and I understand that. But I hope that as far as it's possible they will save, but there is a second point that I would like to make and I hope I can get your support for this Howard, that the extent that your listeners are going to spend their tax cuts and the wage increases they get and the increase in family allowances I plead with them as far as it is humanly possible to spend on Australian made goods. Because that's the way Howard that your listeners can become involved in getting what we want and what they want, the best for Australia. I mean we believe that they are entitled to this increased income, but we don't want to get a flood of imports with it, so let's all of us just consciously think every time we make a spending decision, let's buy Australian.

Sattler: Well you won't have to do any encouraging to get me on side for that, because I have always believed that that ought to be the way. But with the savings, I would have thought perhaps you would have considered some further encouragement to put the money in the bank perhaps making, introducing some tax concessions on savings bank deposits.

PM: No this question has been looked at all around the world and when you look at this sort of thing, you have got to look at the other side as to what you do in regard to the side of income where people pay interest charges in terms of acquiring the income. It is a very complex thing and basically no country in the world essentially has gone to this sort of approach.

Sattler: Well Andrew Peacock said they're looking at it?

PM: Mr Peacock says they are looking at it. I mean isn't it marvellous what Mr Peacock is looking at. You know the main thing that Mr Peacock is looking at at the moment is the numbers certainly, but they are not economic numbers, he has got 34 votes at the moment against Mr Howard, he wants to get up to 41 before he launches a challenge in the next few weeks. They are the numbers that he is looking at. Look, when we came into office and they left office, look at what they left us and left Australia. A top rate of 60 cents in the dollar, the bottom rate was 30 cents in the dollar, they left us double digit inflation, double digit unemployment, I mean they had seven years there where they could have shown the people what they are going to do. And even now, even now they haven't got a tax policy and the only wages policy that they have got now Howard is the same one which blew the country apart. In other words, throw it open, let it be open slather and we'd have a 16 - 17% wages explosion again like we had in 1981. I mean they've been there, done it, wrecked the economy once and got exactly the same lack of policies now and say give us a chance to knock you around again.

Sattler: I know you were talking to journalists very late last night in Parliament House, they are the arch cynics, the people who inhabit the galley over in Canberra, how did they react to the package?

PM: Well a mixed reaction, it was basically fairly favorable. I think the fairest way of saying it is that they were saying well look Hawke and Keating have kept their promise and that's good, it is politically sound, they say there is perhaps some economic risk in it. But if you look at the papers today basically I think it is a fairly fair coverage they have given us. I have got no complaint about the media's treatment of it.

Sattler: Our correspondent said it seemed to him there was an indication that you had given up on trying to bring down interest rates in the short term?

PM: No. Look I have said before last night Howard, that interest rates have to stay high for some time. I don't want to burden your listeners with a whole range of statistics, but I will just make this point. In this last 12 months consumption in Australia has increased by about 8%, that is not just personal consumption, but that takes in investment expenditure and all that type of thing and our production has increased by 4%, so the gap is imports. Now we can't just keep on with that level of activity and sucking in that level of imports. So we can't make fiscal policy any tighter, we are not going to cut back on expenditures any more. We have got real reductions in Commonwealth outlays. We can't therefore in the fiscal area get tougher and tighter. We can't get tighter in the wages area otherwise it would just explode. So that just leaves monetary policy. I mean Howard I think you know and every one of your listeners with whom I have got the pleasure of talking to through you, everyone of them know that whatever they might think about Bob Hawke they don't think he is an idiot. Now Bob Hawke would be an idiot if he had interest rates higher for one day longer than was necessary. I want interest rates to be lower, but I know I would be letting the country down if at this stage I had lower interest rates. We have just got to get the level of activity down somewhat so that we are not sucking in so many imports and I go back to my first point Howard. Your listeners can become part of running the Australian economy for the better if they make decisions, purchasing decisions which are in favour of buying Australian.

Sattler: You could orchestrate lower interest rates couldn't you if you wanted to?

PM: And I am not going to do it, not going to do it because it would be the worst thing possible for this country at the moment because if you deliberately orchestrated a reduction in interest rates now that would lift the level of activity, lift the level of consumption, lift the level of imports and then you'd just blow the economy apart.

Sattler: Is the announcement last night timed to win us over for long enough so the majority of us will vote for you at the next election. I mean how close is the next election after last night's statement?

PM: You will have heard me on 'AM' this morning. I have said no election this year. Just let me go to this point, it is very important and I know your listeners are interested in this. I made them the promise in the middle of 1988, I said on July 1 1989 I'll deliver you tax cuts, provided that in 1988/89 in this period between then and now the wage outcomes have been reasonable and that we can negotiate a reasonable outcome for next year. Now they have been reasonable in this period since I made that promise in the middle of last year, we negotiated a reasonable outcome for this, so I am delivering on a specific promise that I made to the Australian people 12 months ago. Now what would be saying if I said now, I am not going to keep that promise, I mean Johnny Howard and the rest of the cynics would be saying oh look Hawkey promised this, he is going to give it to you on the 1st July, he hasn't delivered. I am delivering on a promise made 12 months ago, the election is not on this year, the election is quite a way away.

Sattler: What about the other promise about no child living in poverty in Australia by 1990. Paul Keating now reckons that he has brought that forward 6 months. Are you fair dinkum?

PM: Yes of course I am fair dinkum. It was accepted by the social welfare industry, the people with whom we discussed this, that the way in which we produced the situation I promised which was that there'll be no financial need for a kid to live in poverty, was that the allowances that families would get, the low income families would get would be a percentage of the married pension rate. That is it would be 20% for the upper age bracket of the kids and 15% for the lower age bracket of the kids. Now by the increases that we have made now to the family allowance and the family allowance supplement we have reached those percentages agreed upon with the welfare industry, reached them this year ahead of target.

Sattler: All right, well what are we going to do about all those kids still living in the streets in poverty?

PM: Well as I have explained, it is a pretty miserable sort of approach which says Hawke has brought in what is recognised in this country and around the world as the most historic delivery of a promise to give the financial capacity to eliminate poverty which has benefitted millions of kids in this country and it has involved expenditures of unprecedented proportions, to say all right Hawke has done all that, provided the money, but there are some kids living in poverty. Because Hawke never said, Hawke never said that I can control every domestic situation, that I can create a situation where a kid and his parents are not going to break up and the kid is going to run away from home. I mean do we want that sort of society where I can command and control every household? The only thing I can do and which I have delivered my promise is that we will provide to every family that amount of money which will mean that there is no financial need for any child to live in poverty. I have delivered on that promise now absolutely. Now in regard to those who through a variety of domestic situations leave home are in the street, now that is something that together we of the Commonwealth and the States have to address. We have got the Burdekin Report that came out a couple of months ago, now we are working on that, we have from our point of view since we have been in office had a very substantial increase in the amount of funding for refuges, a very substantial increase in funding from the order of about 15 million upto about 60 I think the figure is, I mean it is a very substantial increase. I offered at the end of last year another \$40 million to the States for increased funding in co-operation with them to meet homelessness situations. We'll do all that we can in co-operation with the States to meet that particular problem, but no reasonable person thinks that Bob Hawke or any other Prime Minister for that matter can control every domestic situation.

Sattler: The Premiers are heading off to Canberra in a months time, they're not going to get too much joy, I don't think there will be too much money on offer to them will there?

PM: No and they have got to play their part. We have slashed off now another \$360 million off our expenditures and we are going to ask them to pay the same, because they are the ones that with us get the benefit of the lower wage outcomes. All this package is calculated to get lower wage outcomes than would otherwise be the case and if we get that, as we will, the States and Local Govt benefit, so they have got to make a contribution.

Sattler: Prime Minister our listeners want to talk to you this morning on the day after the night before about the mini-Budget or tax-wage package announced last night, call it what you will, I am sure you'd be happy to get some reaction from them?

PM: Sure, love to.

Sattler: 221 1233 is the number if want to speak with the Prime Minister. He is happy to speak with you for a few more minutes that he is on the line and you can tell him what you think of the package announced last night. We will take a short break and back with you and him in a moment... Taking talkback on this morning after the announcement last night of a new wages-tax package for Australians and we have got Prime Minister Bob Hawke and he is taking your calls. First is Clem, hello Clem.

Caller: Good morning, good morning Mr Hawke.

PM: Good morning.

Caller: Thanks for what you have done for the pensioners.

PM: Thanks mate.

Caller: But what I want to talk to you about now are the forgotten pensioners in the Budget.

PM: Who are they Clem?

Caller: According to the Social Security Review towards the national retirement incomes policy, there are approximately a 1,800,000 aged and service pensioners, of which 13.5% have no other income and in addition there are other pensioners who have other income ranging from \$1 to \$10 who don't have to pay any tax. In all I assess there would be at least 300,000 pensioners who receive no benefit from the tax deal. You have repeatedly said that any benefits should be channeled to those pensioners most in need, well you must agree that these pensioners that I am talking about are the needy ones. Will you take this up with Brian Howe and Paul Keating with a view to paying these pensioners a special income supplement to compensate the tax benefits gained by the more affluent pensioners?

PM: Clem let me, I appreciate what you have said, let me just say one of the two things that we did last night will benefit all pensioners. I mean you have referred to the fact that we have moved to relieve the tax burden on that income up to \$40 which pensioners can currently earn without losing any of their pension and we are going to make that tax free, now your point you are making is that there are some that don't get any income. Now let me say the second thing of course that we did last night benefits them and that is by bringing forward the operation date. You remember that in 1986 we put in the 6 weeks delay and pensioners were very good in co-operating about that as a result of the decision we made last night Clem, we not only going to make up that 6 weeks, bring forward the time of adjustment after the CPI comes out, but also bring it forward by another 6 weeks so that by September of next year all pensioners will be getting the adjustment 12 weeks earlier than they now get it. And that benefits all pensioners, but I would have to just remind you Clem that the things that we have done in the area of the pension since we have been in which has been directed particularly to those in the category that you talk about which don't get this extra income, don't earn this extra income, I mean we have made sure there have been significant increases in rent assistance, we have introduced a carer's pension a remote area allowance and of course we have adjusted pension rates for inflation so that in fact in the period we have been in office the real purchasing power of the pension has increase by just under 8% against what our predecessors did of having reduced the real purchasing power.

PM: cont... So we have got in mind the area of pensioners that you talk about.

Sattler: Okay next caller on the line is Mervyn. Hello Mervyn?

Caller 2: Good morning, how are you.

Sattler: The Prime Minister is listening.

PM: Good morning Mervyn.

Caller 2: Good morning Bob. Bob I didn't hear or didn't see any mention in any reports I have seen about us poor unemployed people. What's in it for us Bob, what have you done, what's happening for us? We have all got our home mortgage rates, we've still got our shire rates, we still got electricity and water rates...

Sattler: Okay Mervyn he has got a lot of people waiting on the line, can you just let him answer?

PM: Well Mervyn the first thing that I can say in respect^{of} the unemployed in this country, what we have done is to reduce the numbers of them drastically. I mean when we came to office in 1983 the level of unemployment was over 10%. We have drastically reduced that by creating 1.3 million jobs. In other words, the level and rate of unemployment as a result of the policies that I and my colleagues have introduced has been drastically reduced. But we haven't then said well okay bad luck for those who are unemployed, we have significantly increased the benefits for those who are genuinely unemployed, there has been a significant increase both in the money payments and the associated benefits, but the important thing Mervyn in respect of the unemployed right at this time is that we pursued policies which are going to mean that we can continue to create jobs. Now, quite simply, what had to be done there was to have a tax deal which the workers would accept as a substitute for wage increases so that they would get increases in their income but not in a way which was going to be super-inflationary and create unemployment. So the best thing that we can do for the unemployed is to make sure that we create more jobs.

Caller2: When you are 57 years old, there is not a great deal of opportunity there, been retrenched and you are 58 years old what are you going to do?

PM: Well Mervyn the things that we are doing is in there as to very significantly increase the amount of money that we have put into training programmes and retraining programmes to make sure that those who unfortunately have been retrenched from one job have more opportunities for training and retraining to fit themselves for other positions. We've just massively increased in real terms the amount of funding that's gone into training programmes of that sort and I sympathise that there are still some legitimately like yourselves who in no sense can be called dole bludger or anything like that, that want a job. All I can say mate is that we have created jobs in the period that we have been in office four times faster than Fraser and Howard when they were in before us and we are creating them twice as fast as the rest of the world. The big thing is to go on creating more jobs and to have these training programmes and retraining programmes which are going to give people like you the best sort of opportunities. Could I make this personal suggestion, I don't know whether you have done it, I guess you may have, but please go to the CES or your Social Security office and get the details of the training programmes that are available to help people like yourself, because there is a range of them which you may not be aware of.

Sattler: All right Prime Minister, thank you very much for being with us today and taking some of those talkback calls, I hope I have asked most of the questions that people wanted to and we will look forward to your company when you get across here in Perth pretty shortly.

PM: As always Howard it is a pleasure to talk with you and through you to your listeners, thank you very much.