



PRIME MINISTER

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TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
JOHN LAWS PROGRAM, 2UE, SYDNEY 21 JANUARY 1992

PM: Good morning John.

JL: You are running close to time.

PM: I'm right on time. Never been so early.

JL: Absolutely right on time. Is that part of the deal when you are Prime Minister you have to be on time?

PM: I generally try to run on time.

JL: Tell me other things about being Prime Minister that come as a surprise to you.

PM: I don't think any of it is a surprise but it is a different job than the one I have done for a long time. You know, it has got many other bits and pieces to it policy issues which are new and varied. Above all else I think taking responsibility for the direction of the thing.

JL: Yeah. Well we saw the pre-recorded, heavily edited dress rehearsal last night so let's get into the real thing now. Can you really sit there in front of me this morning and insist as you did last night and look Australia in the eye, of which you are quite capable of doing, and tell us you didn't do any deals with anybody to get the top job.

PM: No. I didn't do any deals with anybody. It was a matter of choice for the Labor Party and it is like most of these things, I mean you make alliances, friendships and things. But they are not deals. Deals go to people getting positions and policies and what have you.

JL: Are they fair dinkum friendships or are they friendships of convenience?

PM: Oh well, I think, you know, you do end up with a certain core group of supporters in this game and you get a few added on along the way and sometimes there is more of them or less of them, and it just depends on the circumstances I think.

JL: But you didn't do any deals with the left?

PM: No.

JL: What about the centre left?

PM: No. Nor the centre left. The centre left were substantial supporters of mine.

JL: Not that it really matters mind you.

PM: No.

JL: One would expect to swing it around the way it was swung around would require a bit of engineering, a bit of manipulation.

PM: I understand that, but no, nothing which you would call a deal. They know what I generally think about things. To that extent they needed to be sure of what I thought about things. But beyond that, no.

JL: Did you have to alter you attitude to certain things in order to accommodate them.

PM: I don't think so. I think that the fact that I thought the economy more recessed than maybe the official family was telling the Government, the bureaucracy was telling the Government, struck a cord with some people in the Caucus and it was that in which they were interested. And as time wore on they believed that that was true and therefore a number of groups were interested in what they thought I might do about it. But beyond those sort of generalised things, that was about the main.

JL: Anyway, I imagine one of the prime requisites for the job is to be reasonably flexible.

PM: At least keep your mind open. I think to have an open mind about things is important. You can get a closed mind in this game I think. That is, you know, particularly when you have been the author of policies and where you are not just putting them in but defending them. You have got to know when to stop defending things and when to move on.

JL: Tell me this. The general consensus at the moment seems to be, and I only came back last Thursday, that you are not yet looking comfortable in the role of Prime Minister. Do you think that is a reasonable observation, again it would be understandable.

PM: I don't know. I think some of the commentators want me to come out sort of fighting every time they see me. I think they think I'm on the floor of the House of Representatives all the time at Question Time. Well you're not, you're not, and therefore to be thoughtful about what you say and to be not smothering people in argument is, I think, appropriate for the moment. I'm feeling my way. I'm listening. I'm trying to get a grip on where I think the place is going and that is as I think it should be at the minute.

JL: You say that you are feeling your way again, that is understandable. Is the whole thing a bit overwhelming?

PM: Not really, no it is not overwhelming, I don't think.

JL: It is just another job.

PM: It is another job, but it is a different job, and it's a job where the ultimate responsibility is yours, with the direction of the place. I think it is like, the great burden of these jobs is never the hours or the time, it is always the responsibility. The responsibility is what weighs upon you. That is what I find the difference, but as far as the job, I mean a lot of people I'm sure that have had this job in the past have wondered - well what should we do. Well that is really not my problem. I mean, I have got a reasonable idea of what we should do. But what I think is important is to tap other people's ideas of what we should do now.

JL: That is an interesting observation - People say what should we do, that is really not your problem. I would have thought it was absolutely and totally your problem.

- PM: No what we do though is our problem, but I'm saying knowing what to do, that is having an idea of what to do, and what I'm doing with these round of meeting which we have had with the business community and the trade unions and others last week and this week is to tap into community opinion about how they see the economy and society and what they believe the remedy should be.
- JL: Ok, you've got in round terms, 12 months to get the place moving again. Is it possible to do it in 12 months?
- PM: I think so. I think that a is a possibility.
- JL: Only a possibility?
- PM: More than a possibility. Provided the Government takes the right policy steps.
- JL: Well you are the Government, aren't you?
- PM: That's right. And that is why it is very important to see what people think. I mean, we tend to think that most of the various interest groups, they come our way at various times and what they have to say is pretty much on record, or pretty much been said to us a month ago or we have some idea of it. But it is nice to hear their contemporary view and hear it direct. And you can pick things up which you haven't heard before, and I think we have done quite a bit of that in the last week.
- JL: Ok, well you say providing the Government takes the right steps. From that we could glean that in the past the Government hasn't taken the right steps.
- PM: Well I think, all governments can only feel their way through a situation and with this recession, I mean we have felt our way, we rely upon the statistics as they come in, you rely upon anecdotal evidence, you are generally just trying to feel your way through.
- JL: Ok, well the same people got it wrong before. What kind of assurance that they won't get it wrong again?
- PM: Well I think the only way now is up. And therefore what the Government will do will be to take the economy up, to take the place up. So one should hope that we get the general direction right.
- JL: When you say the only way is up, does that mean that anybody could get it up now, it is so flat that it wouldn't matter who was there it would go up?

PM: Oh no, I think it will require changes to bringing it up faster than it might otherwise naturally do, and leaving it to its own natural devices, I don't think it is good enough right now. I think we have to do more and assessing what to do is what we are about now.

JL: Yeah. What did you do wrong, or what did they do wrong that needs to be changed?

PM: It is not they, it is me. I was the Treasurer for a long time. I think that there are two things, I mean, there was first of all the boom in 1988 had to be - the spending spree and the rise in activity in imports had to be slowed down. We lifted interest rates to do it. I think we have left interest rates on probably too long, they didn't come off quickly enough through 1990 and 1991. Remember this, I took interest rates off for the first time in January 1990, exactly two years ago this month, to avoid this recession.

JL: Ok, but you didn't succeed.

PM: but I don't think we took them off quickly enough. And secondly there was what the Americans call the asset price overhand.

JL: Let's keep away from that stuff.

PM: I know, but let's off, but let's say what it is. It is a belief in inflation. A belief that if you bought a couple of shops, or you bought a flat, or you bought another house, that inflation would kick it along and over a period of time without any effort on your part you would be more wealthy. And that belief in inflation was there while inflation was high. But now inflation is low and we have seen asset prices fall it is that fall in asset prices which has knocked a lot of business confidence around and I think as properties have been tipped to the market both here and in the United States and in Britain and in Canada and countries like us. We have all got recessions now at the same time that it is that fall in asset prices which I think has really knocked confidence about at least to unemployment. When unemployment starts to rise, people then start to worry about their spending, so they cut their spending and so the thing generally winds down. So it is a combination of the two things. The interest rate rises and the speed of the decline in them and this big belief in inflation and the collapse of inflation of expectations which has seen asset prices fall and ..

JL: Well all of that is very natural. I mean, if inflation exists you can understand people who want to invest, wanting to capitalise on the fact that inflation is there. So the public can't really be blamed for that. You say that you didn't take interest rates off early enough, are you going to take them off now?

PM: Well we have, we just took them off another 1 per cent.

JL: Are you going to do more?

PM: Not at the moment. We are at 7 1/2 per cent and I can't remember how long it was ago that we had, if you like, bill rates at 7 1/2 per cent. So they are down a long way. They are down 11 percentage points from 1990. They are a long way down. I mean, I suppose what I'm trying to say, John, is this, that if it were not for a long running belief in inflation and asset values and the rest, the recession wouldn't be as deep and if the banks who went into a basically a very big lending spree in the late 1980s because of collapsing asset prices they've pulled their head in. They won't be lending as they were lending. And the combinations of the two has produced a recession of greater depth than any of us believed.

JL: There are 23,000 people in this country waiting for refugee status which can take a long time. The other day some more arrived in the West as you know, claiming to be refugees and even called refugees by some, there is no guarantee that they are in fact that. Why should we continue to allow these people to stay in our country when our country is economically unstable, it needs all the help it can get and we have unemployment running at a dangerous level and we import more people into the place that we can't employ. Now are you going to do something about that?

PM: Well this is where our border was breached by a group of people who arrived by boat unannounced.

JL: Well so did the other 23,000.

PM: Well some of them have come in all sorts of ways. But we are now assessing those to see what their real status is.

JL: And if they are not refugees, are you going to send them back?

PM: Well I will see what the report says. I don't want to pre-judge it. We have got people now up there speaking to them. But on the general point about migration which I think is what you were directing your remarks to, we have seen the program change over the last half a dozen years to rise rather sharply in the late 80s particularly when we saw a need to bring in skill in demand, one of the things which was in evidence between 1985 and 1990 was skills shortages in the economy, and we had a large complementation of skills coming from the migration program. In a slower economy, you don't need that skills supplementation and what the Government has been doing has been slowing the program

up, and it has slowed rather considerably now from its peak of say about 1988.

JL: Why don't you stop it until the place is right economically?

PM: Well I don't think that is the right thing to do. I think that you can't just turn these programs on and off.

JL: Why?

PM: Well because there is a whole system of people being assessed over a period of time, being interviewed between the various categories of migration whether they be business migrants, skills in demand, family reunion. The operation of these various categories which are different than each of the other and to just simply wind the program off and try and wind it back up, you won't be able to wind it back up. And it is not very easy, and it is very harsh often to wind it right back.

JL: Harsh on whom?

PM: Well it is harsh on, I think, the people who have been part of the process to date.

JL: Well maybe it is, but surely your first responsibility and our collective first responsibility is to this country, and you know that politics is all about perception and if we are perceived to be in such a condition that we have almost 1 million unemployed people, it seems to some extraordinary that we continue to import people from other parts of the world who, too, are likely to become unemployed.

PM: Well some will, no doubt. But it has been a long term program, a long term program to complement the natural growth of our population and governments in their wisdom have increased it and decreased it as things have changed, but they have never cut it out.

JL: Governments aren't always wise. Because the Government did it in its wisdom, there might be a limit to its wisdom as indicated by the situation in which this country now finds itself.

PM: But I think they have been wise, I mean it has kicked our population along, the place is a more interesting vibrant place because of the migration program.

JL: Yeah, but I fail to see what value there is in having a whole lot of interesting unemployed people around the place.

PM: Well it won't be all unemployed.

JL: But there are a lot of unemployed. There are a million unemployed people in Australia seeking work and we continue to bring people in from other parts of the world. Now the perception is that that is stupid and unfair to the people who, really are the responsibility of the Government.

PM: But it is a medium term program, well it is a long term program with a medium term perspective and I think that the thing about it is, you have got to decide whether you think this country can take a share of people from abroad. Is advantaged by a more diverse and larger population and if you believe that, a program should exist, and perhaps it should change in its quality and its quantity as time goes by, but most governments have changed it at various times. We had huge numbers come into Australia and then it dropped off to much smaller numbers and it has picked up as prosperity picked up, and where there have been difficult times it has dropped back. Can I say the more general point is by and large I think it has been accepted by most Australian. The migration program has been good to Australia, has made it a more interesting place, made it a more economically robust place. And it has been very important at various times to complement skills, the business migration program is now bringing quite a lot of people from various parts of the world.

JL: Ah yes, we saw what a rort that was being turned into by people coming here from Hong Kong and other places buying real estate and going home, saying they were unable to make their business investment and yet that was part of the package.

PM: But there is a lot here though, John, there is a lot here.

JL: Of course there are and when you say that it has been accepted I agree with you I think that it has been accepted. I'm not sure that it is accepted now, because it has been accepted doesn't mean that it is going to continue to be accepted.

PM: Well there has always been a debate about the numbers whenever the economy goes off the boil and that is fair enough. And I think the Government has taken note of that and that is why the program has been scaled back in the last few years and we have got a review of the program underway now. And then in April, or about April, which is the normal cycle of these reviews, we will consider the intake again for the coming year.

JL: What is your recommendation?

PM: Well I will wait and see what the review turns up.

- JL: Well assessing it at this stage, you see, you say that most people accept it. Most people that I talk to don't accept it and I think that, with respect to you, I speak more of the population of Australia than you do.
- PM: You certainly speak to them, whether you speak with them I'm not sure about that.
- JL: Well they speak to me.
- PM: Well that's true, that's true.
- JL: They pick up the telephone and dial the number.
- PM: That is right. I don't doubt that you have a perception, and probably a correct one, that people think the program should respond to difficult times, and I think it should.
- JL: Shouldn't you respond to the people?
- PM: Yes, but I'm not going to pre-judge what is a reasonably sophisticated process of review every year, and then the Minister, in this case Gerry Hand, will bring a recommendation to the Cabinet.
- JL: But on the information you have know, what would your recommendation be?
- PM: Well I'm not going to make a recommendation. I won't be recommending. It will be Gerry recommending to the Government rather than me recommending to him. But the program has been coming back and I would be surprised if there was a discernible trend in any other direction.
- JL: But down?
- PM: But down? But when I say that, I don't mean down the way some of our colleagues in the Opposition mean down because I think from them we will see a repeat of what we saw in 1988 which was basically about how we shouldn't have more Asians here, we shouldn't have Asians in this country. I mean, if you scratch most of these characters what you get is a little bit of that sort of talk from them and that won't be motivating us.
- JL: No. Well of course it is not specifically Asians, its people that we have to employ, that is the problem, it doesn't matter where they come from.
- PM: I know, I understand that but from the Liberal Party's point of view the sub-plot in the late 1980s was about Asians.

JL: OK, prior to my going away in December, I read a story about a pie manufacturer who warned us that the great Australian meat pie might soon ship to China, tasty products, warned that high labour costs, high taxes expensive food ingredients would force lots of businesses off-shore. Now it didn't seem very important at the time, but when you look into it, in china's Xnandung Province they will give you the land to build your factory. They will provide you with labour at \$A160 a month and offer a flat company tax rate of 16 per cent. Now the \$A160 a month is nonsense in this country. But why don't we consider doing things like they are doing in China. We have got plenty of land why don't we give it to people in order that they can create enterprises and businesses here. And why don't we offer them a special company tax to come in from other parts of the world instead of us going off-shore, bring them here give them the land we have got plenty of land?

PM: Well the thing is, they are a developing country and they are re doing all the classic things which developing countries have done. you know, Korea was doing that some time ago, and now they are doing it. I'm sure it happened in Taiwan.

JL: Do we ever give land away, I never heard it was giving land away?

PM: No we don't, I don't think. I mean, certainly the Commonwealth doesn't. But I mean, the States have industrial parks and they let people have access to them.

JL: When I say giving away, I don't mean give it away forever. Give a lease arrangement to these people, but at a proper rate to encourage business to come here, why don't we do that?

PM: Well, because I think it is important to understand what we are. This is a developed place. We run a sophisticated society and public sector. services here are in evidence wherever you look, whether it be hospitals, roads, or railways, or what have you. And we finance this public sector with the second lowest rate of tax in the world bar a decimal point. We are a decimal point higher than Japan. We are the second lowest tax country in the 27 countries of the OECD. now you can't provide this sort of public sector with these sort of services and this standard of living with the tax rate very much below that. So if you want to give big tax breaks to developing companies, what you have got to do is put tax hikes on ordinary people.

JL: Why can't it be done for a short period of time?

PM: Well it all costs and once you do these things, that is it. you set a new benchmark. I mean, you can't compete with them because you see

JL: Why can't you?

PM: Well let me just give you an example. Now I was talking to a company last week. They went to Malaysia because it had a tax holiday for 7 years - so they said we set up a business in Malaysia - unfortunately they said the 7th year is up so now we are going to Sri Lanka which promises a tax holiday for 15 years. That is no tax for 15 years. Well if we try and run this country on a basis of no tax for 15 years, you won't keep this sort of society of ours together.

JL: No, but this is a more attractive place to be so surely with some sort of incentive.

PM: But we don't need to do the things which those people, in other words, rely upon wage rates and labour conditions that those companies rely upon in those countries. We produce different things.

JL: But we need to do something.

PM: We are doing it. We literally exported our heads off all through the 1980s.

JL: You can't say that because we are developed country that we don't want to continue to develop.

PM: No, but all the developed countries, we have got a corporate tax rate of 39 per cent with full dividend imputation. In other words, you don't pay tax on dividends twice. Germany has got a corporate rate in the '50s. Most of the countries we compare ourselves with have got corporate rates like us, Britain, the United States, what have you. They don't have 15 per cent tax rates. Or zero tax rates as business incentives because they are developed places and you can't run your developed society on zero tax rates.

JL: OK, well if we can't do that for people who want to create businesses from other parts of the world, what sort of incentive could we offer to the people who are one by one going to the wall, and they are one by one going to the wall, here in Australian. Surely at this time, we should be offering them some kind of incentive to keep their business instead of taking it to Sri Lanka or Singapore.

- PM: Well the best incentive offered to them is growth, is to get back to rates of growth and that is what the point of the Economic Statement will be about. to restore growth to the economy, to get the economy out of the recession.
- JL: How do you do that?
- PM: Into recovery. Well it won't be long before you will see. But we are now assessing how best to do that, but one of the things which we have obviously done in the last two years is reduce interest rates, which themselves will have their effect upon the economy and we will be doing other things which we think are sensible in the short term but are also supportive, if you like, of the structure of the place over the long term.
- JL: Like what sort of thing?
- PM: Well I don't want to go through ...
- JL: Well just give me an idea of what sort of thing?
- PM: Well some of the public infrastructure, for a start, which was left to languish in the '80s as we cut the public sector back, and which can take the place of some of the private investment we're now not getting. In some of those areas we're looking closely now.
- JL: Does that mean increasing the public sector?
- PM: Not particularly, but it means for the moment in areas of public infrastructure where there are needs, and where they are an important part of the efficiency of the economy, then they are areas I think which we can look. But the main thing is to provide growth to the economy and that's the best thing we can give the business sector, small, medium and large. And there's not much point in saying well here's a low tax rate, but sorry there's not much growth around, because if you look at the small business community in particular, both them survive on growth.
- JL: By growth, you simply mean that somebody who has, they're making matchboxes, you're going to make the place so efficient that people are going to want to buy more matchboxes?
- PM: Well we're finding, firstly to lift activity and demand so theres a demand for product in Australia and people start hiring people again to produce product.
- JL: How do you do that?

- PM: Just by lifting activity. We did it after 1983-4,
- JL: Well if it was that simple why wasn't it done before?
- PM: Well in 1983-84, when we came to office after that recession, we turned it around within about 12 months. And I hope that in the same way we can do that now.
- JL: We'll have to do it quickly because from what I hear, and correct me if I'm wrong, but from what I hear from business people we are not in a position to be able to trade competitively with other countries, we are disadvantaged here in Australia?
- PM: I don't think that's true. Because what is happening and has happened, we are now running a very large goods and services surplus, we are running a huge merchandise trade surplus. A lot of Australian companies I have spoken to in the last two weeks have said, we've made a shift, because the domestic market is down we've made a more rapid shift to exports and we'll stay in exports. Now we are doing that because the place is largely competitive, its competitive in wage rates, its competitive by the exchange rate, its a generally competitive product that I'm will to support.
- JL: Well, why are we in recession?
- PM: Well we are in a recession in the domestic economy, while the international economy is also not doing well, the truth is we can eat a bigger share of it and that's one of the things which is at least holding employment where it is and keeping the place growing where it is is the fact that we have a thing which we never used to have called net exports. In other words we are now exporting a large part of our product, particularly in manufactures.
- JL: OK that's fine, and I understand it is very important but its very hard to convince people who haven't got any money and have got kids, and they haven't got any clothes and they are flat out having a house, that because somebody is selling something overseas its going to be to their advantage, its not to their advantage now. Surely the domestic economy, as you refer to it, is at this stage in your career and in the history of this country the most important thing?
- PM: Absolutely.
- JL: Well what do you do about that? It's all very well to talk about the exports

- PM: Well, exports are what give you production and there would be a lot of people employed in factories out there now, probably listening to us, who are doing so for products which are going to be exported, and if they were not going to be exported their jobs wouldn't be there. So exports have filled a very large void in this cycle and that's why these export growth numbers and the merchandise trade surplus is very important to us, they are complementary to domestic growth.
- JL: Well its not working
- PM: But it doesn't invalidate your point and that is that the domestic economy has to grow more, we can't have the thing, if you like, in the negative, that is contracting which is what its been. It's contracted by about three per cent in the last year and a half or so. And that's what's produced the angst and produced the unemployment. We have got to get that back to positive rates of growth.
- JL: OK well how do you do that domestically?
- PM: Well a combination of I think, a change in confidence which comes from a willingness on part the of the Government to let the economy grow. That people in the business community know now that the Government wants the economy to grow. Where in 1988 and 1989 and 1990 they thought the Government wanted the economy to slow down which we did. We now want it to grow, and we have now provided one of the instruments of that growth, much lower interest rates, and we can provide a more direct stimulus to the economy coming from the Governments own policies, and that's what we are now examining with the business community as to how best to cast those so they complement, if you like, interest rate reductions. To try to induce and engender a high degree of business confidence to get people out there spending again and to pick the place up.
- JL: Prime Minister Paul Keating back to the subject of Australia and its immediate future domestically, and I think that you agree that that's what matters at the moment. Certainly that's what matters to the people listening to this radio program around Australia.
- PM: Exactly. To get back to growth and to get the place moving again, to get employment shifting and to do it as quickly as possible. That's got to be our first priority.

JL: OK you can understand the frustration of people and confusion of people when you can go into a supermarket and you can buy imported canned tomatoes, I think from Italy, cheaper than you can buy the Australian product. So here we have the dilemma of the people who are doing to tough having the opportunity to buy the product cheaply but we also have the converse situation of those producing the product here in Australia not being able to compete. Why do we import canned tomatoes?

PM: I think a number of reasons. I mean it makes me furious as it does you I'm sure. It does make you furious because its just absurd but I think we really haven't developed as well as we might agriculture businesses which extend beyond the agriculture into canning and into promotion and into the efficient production of canned products often particularly in the horticulture/agriculture sort of ... fruit and vegetables.

JL: Is that because we are not smart?

PM: Well I don't know. I think it might be the fact that a lot of these were done through co-operatives in the past and the co-operatives flourished well enough before the trade in these things world wide, there's now a greater trade in food products and that we haven't seen the sort of efficiency and competitiveness coming from the canning of these sort of foods and their marketing.

JL: OK, well what do you do about that? I mean why ...

PM: Its a sort of breakdown of entrepreneurship. I mean there should be in that particular industry more entrepreneurship I think than there is and its a pity that people say well its not a pity you saying it but its a pity its being said, you know what can we do about the fact that we have got sort of canned tomatoes from the United States or Italy or Israel or somewhere like that and you know, I think one of the things we can do well in Australia is food and food processing.

JL: In order to let us do that, and I know that this is a simplistic point of view but most of mine are, why can't we put some type of moratorium on non-essential imports?

PM: Well because what happens then is that people put a moratorium on our non-essential exports. The trading world is a very nasty place and once you get into sort of trade reprisals everybody gets into you. I mean we are still shipping great stacks of meat to the United States and Japan and if we were to say

JL: But why are we doing that, because Japan needs it, that's why they're buying it.

PM: Yes but they can buy it from other places and

JL: And because America needs it

PM: But again it has got other options. I mean if we get into the trade reprisal business so will they and that's not a goer and the fact is we have got to do better. It's not their fault that we are not doing better, in some of these areas we have just got to do better. Now its happening. You can see it, I was talking to one chap last week in these rounds of consultations who has brought together a whole lot of food products and is now marketing them much more efficiently in Australia. These were formerly brand names which had sort of been left by the way-side, business which were not running efficiently but making largely food stuffs. Now that's changed for that particular person and his business and for those products. And that general change is what we need. In other words you see an opportunity and go and exploit it, not just to say well look we can actually import compete, compete against these imports but actually export them ourselves.

JL: But are you going to encourage people to do it because the number of people that come to me directly and indirectly to tell me that they have had a wonderful idea that they've wanted to start a business doing something here in Australia, and have been unable to get co-operation from the Government and they end up doing it elsewhere and successfully. Now what are you going to do about that?

PM: Well I think it's happening I mean you know and again another company I spoke to last week has just taken over Petersville, this is Pacific-Dunlop has just taken over Petersville which is a big food producer and that includes Edgell and all those business Edgell, you know, peas and beans and these things

JL: and tomatoes

PM: and hopefully now with a larger company, a greater understanding of the value of the product it produces, its capacity to sell into the largely growing South-East Asian market, we will see now the marketing of those products but we haven't seen enough of the export opportunities being obvious to people, investing in them, getting an existing business and making it more efficient, marketing the things better in Australia, I mean its often true of the large supermarket, they have often said to me you can't get people to quote the

supply a lot of the food lines that just don't quote because they think they will get too tied up to Coles or too tired up to Woolworths so they don't quote and so what happens they end up taking stuff from Italy or from Portugal or somewhere like that.

- JL: Would the Government be in a position to subsidise producers of those kinds of products that have unfair competition if it is considered unfair from overseas?
- PM: Well, we don't subsidise agricultural produce in Australia.
- JL: I know we don't, but why don't we?
- PM: Well because when we do it becomes a cost on the rest of us. In other words, you know, I mean we are getting the very thing we are complaining about in the GATT. I mean the reason why our wheat producers are not being able to sell now as profitably in the markets is because of subsidies from the European Commission and the United States. Now if we get in the same game the thing is they can outplay us at that game, theres no point in us getting in.
- JL: Then we can't compete?
- PM: We don't have a deep enough pocket to go into an export subsidy war and wouldn't want to.
- JL: OK well let's get back to ...
- PM: And that's why, can I just say in the GATT in the Uruguay round, the General Agreement on Trade and Tariffs where all this is being discussed at the moment, we're saying keep the markets free from pollution, keep them open, keep them free from this export subsidies, give the honest producer a chance. Now if we were to say well look, forget all that rhetoric we didn't really mean that what we are going to do now is start subsidising canned tomatoes and canned this and something else then the whole game goes bad and I think it will work against Australia over the long term.
- JL: So what do we do? Stop canning tomatoes and do something else?
- PM: No. Do it efficiently. What we should do is someone say look I've got a tomato here which is as good as any other tomato, I can put in a can for this price providing I have an efficient business ..
- JL: Yes but then you have difficulty doing it because of work practices and all sorts of added tariffs here

PM: Well the good management smooths all those things out. I mean the huge shift in productivity which we are seeing in businesses today is coming from the fact that good managers getting rid of work practices which are bad. See, a good management which actually make any of these businesses competitive.

JL: Despite the trade union movement?

PM: Not despite them, with their support. I mean by and large the trade unions are knocking out restrictive work .. I mean if there's one thing which has come through four to three days of very intense meetings now is the almost every hour declaration by managers of major companies and small companies of the changes in enterprise bargaining and workplace reform.

JL: Because the union movement is becoming more co-operative?

PM: Yes absolutely because they are saying lets not only keep our jobs lets make the place better.

JL: What about the 17.5% holiday loading which is a laugh, and laughed at all over the world?

PM: Well a lot of other places in the world have got it to, its in the United States

JL: Not at 17.5% its not.

PM: Well its every higher I think in some places.

JL: But that doesn't make it right?

PM: Well you know why its there, because most people earned, often earn in their normal working week more than the standards weekly wage because they get a bit of overtime

JL: Some, some not all

PM: So when they go on holidays there is a compensation.

JL: Yes

PM: This is a feature of many, many economies.

JL: But the man who introduced it even says its stupid now. A bit late now but he even says its stupid now.

PM: Who said that?

JL: Clyde Cameron.

PM: Clyde, well I didn't know he said that but look the main thing is labour costs in total and labour costs in total in Australia now by OECD standards are low. I mean its another thing that has been said over and over again in the last three or four days in the last week by people running businesses, look this is now basically a low labour cost country. John that is the truth, this is a low labour cost country which includes holiday leave loading.

JL: Well it is and that's why Japanese motor companies and others want to set up large factories here because it is becoming a low labour country.

PM: And that includes the holiday leave loading on these things.

JL: Yes, it would be better still if we didn't have the holiday leave loading though wouldn't it?

PM: Well I don't necessarily think that's right. I mean I think, you know, if someone goes off on their annual leave they don't take a big drop in pay.

JL: What about penalty rates on the week-end though? For working Saturday's, whoever said that Saturday is different from Friday or Thursday?

PM: Well, now this is an old hobby horse one of yours I know, I know.

JL: Its a good one

PM: You're like a dog at a bone on these penalty rates. Look, they are changing, they are changing over time, they perhaps should change more slowly in some places I agree particularly in the hospitality industry but I think a bit of that is changing.

JL: Are you going to encourage the change?

PM: Well part of my job now is to make this a competitive labour cost country and I did that across the board, it was part of my job in the 1980s to get inflation down, we have now got a 3% inflation rate instead of a 10% inflation rate and that was in a large part accommodated by shifts in wages so its not my job to run bull-at-a-gate at one particular thing ..

JL: But nobody wants you to do that, but could we receive some sort of guarantee that you will give your careful consideration to penalty rates?

PM: Your a great one on guarantees you are.

- JL: Yes its very important its very important to me and penalty rates stop people getting work.
- PM: Well look, I can see that the structure of penalty rates are not always conducive to employment and productivity but changing them is not a simple matter the Government particularly can change overnight.
- JL: No but you've got friends.
- PM: Yes well I hope I've got a few.
- JL: Have a quite talk to Bill.
- PM: Poor old Bill, you'd get him to do everything.
- JL: Well I mean he is the man to do it because by having those.
- PM: Well you get him in, next time you get him in you put it on him.
- JL: OK I will but in the meantime you might put in a word for me because you're keeping young people out of work and the same thing in the United States. If you want to go to a restaurant in the evening or at lunch time you drive up the to the restaurant, get out of your car somebody parks it.
- PM: Look the whole service sector in the United States is far more
- JL: Fantastic?
- PM: Sophisticated than here.
- JL: That's right.
- PM: And we have got to learn to be like that.
- JL: Ok and people are doing it Saturday nights, Sunday nights and their lunch time and they're doing it for what they get in tips. No you couldn't do that in Australia because you would have to join the Transport Workers Union before you could drive the bloody car. Now that's stupid isn't it.
- PM: Well I think that the proof of the pudding is in the eating. They have a service sector which is a vast employer, I mean we do to but theirs is greater and the services are more varied and more sophisticated.
- JL: But you see a bunch of young kids could set up valet parking as they insist on calling it in America, and be contributors to the economy but making money and

keeping them gainfully occupied instead of hanging around sticking needles in their arms, but they can't do it because of some stupid work practice or having to belong to some union and pay union fees.

PM: Well that's not necessarily true. I mean a lot of people are working in places which are not unionised. It doesn't stop people working.

JL: How long do you think it would take before the TWU wasn't down on people who set up valet parking outside restaurants? About a day and a half?

PM: No, no I don't think its going to worry the TWU very much. The truth is as long as it doesn't happen because it hasn't occurred to people. I mean we just don't have these sort of services here. I mean in the US

JL: It has occurred to me.

PM: I know because you travel and you experience it. But you can see there was a time when there wasn't propriety car parks, you know car parks operated as businesses in Australia that happened in the United States many, many decades ago, its been with us a couple of decades only and I think, you know, we will see a much greater sophistication in services, personal care things.

JL: Ok but you can only do that with the co-operation of the trade union movement?

PM: John don't underestimate the co-operation. I mean we are seeing, this is not rhetoric, we're seeing now such mammoth changes in productivity and work place reform the likes of which most businesses could not have contemplated a decade ago, could never have contemplated and it is why Toyota is coming to Australia. Toyota motor company, probably amongst the most efficient in the world and which is going to set up a \$400M state of the art plant in this country. It's not doing it because it thinks labour relations are bad, they know that productivity is good, they know that the trade unions are co-operating and we are making great strides.

JL: That's right, but I have watched the progress of that from fairly close quarters and its been interesting to note the reaction of the trade union movement who have been more than co-operative. Now obviously they are smart because Toyota obviously are going to employ a lot of people in Australia, now that kind of co-operation is the sort of thing that will help to get the place back. But it means that the unionists, the

trade union movement has got to co-operate with the Government doesn't it?

PM: It does and what I'm saying to you is that it has, and that's why the inflation rate is 3% and that's why interest rates are 7.5%.

JL: Ok but tell my why.

PM: If inflation was 10% interest rates would be 13/14.

JL: Its great to have 3% inflation. One of the reasons it is three per cent is nobody is spending any money and one of the reasons is nobody's got any money.

PM: The main reason is wage change in the 80s and the second reason is, in part, the deflation coming from the recession. But its only a part, a very large part, the largest part was a decline in inflation coming from wage changes.

JL: Yes, but obviously inflation is going to be low if nobody has got any money to spend.

PM: Well, that's not true. We came out of the 1982-83 recession flat on our backs with a 10% inflation rate.

JL: That's true. What about the engineering company that can buy Australian made BHP steel cheaper in Singapore than it can buy it in Australia? That's slightly bigger than tomatoes.

PM: True and I think we need competition in steel like we do in everything else and I think it is a great pity that we have to import certain varieties of steels because they are not available here.

JL: Yes but this is Australian made BHP steel which can be brought cheaper in Singapore \$700 a ton in Singapore, \$1000 a ton here. Now how can you allow that to happen? Not that its your direct responsibility.

PM: No its not my responsibility, but look obviously, I don't know that the numbers are actually right I can only take your word for those.

JL: Well do.

PM: It may be its been part of an export deal, a package deal which BHP has done a sort of shop deal for steel to some supplier in South-East Asia which they are now supplying back. But I'd be surprised, well pretty surprised if you could buy BHP steel cheaper abroad than you buy it here.

- JL: Well you can, you can buy it in Singapore for \$700 a ton as opposed to \$1000 a ton here.
- PM: Well no doubt that someone in BHP will hear this conversation and give us an answer.
- JL: If the answer is yes that is a fact, what can you do about it?
- PM: Well I think BHP would say it seeks to be competitive inside the Australian economy and supplying product. The complaint against it is it doesn't supply enough product, enough of various types of product that it should, but there is no doubt the export markets are very competitive and if you've got people saying, well look you can have an Australian job at BHP we export steel but we've got to export it cheaper than we have been exporting it then BHP will probably taken the view that we want to keep that employment and we want to keep those exports. So its losing profitability and margin exporting but better to have the product export and have the jobs than not have it all and that's probably the position right now.
- JL: Yes except they are paying the price here in Australia and obviously they are going to suffer long term because people are simply bringing it back from Singapore cheaper than they can get in Australia.
- PM: Well look, I mean the international steel market is now becoming over supplied, it is very competitive out there and there is not there is probably price falls and theres discounting in all markets.
- JL: There's a dreadful expression that has come into our language and that I hope you'll never use, when people talk about a level playing field which seems to be all the go, why are we doing that with a level playing field when nobody else seems to be?
- PM: I don't think we are. I mean, I think anyone who believes there's a level playing field off-shore outside of Australia is basically deluding themselves, I mean its catch as catch can out there and survival of ~~the fittest and the smartest~~ and I think that if anyone believes it is fair and reasonable and above board and level they are having themselves on.
- JL: Ok well we are about to run out of time and I know you have got a lot to do with your day jut to rap it up, the illegal immigrants, these boat people, apart from costing us a fortune in searching, if we find out that they are not what they claim to be will you send them home?

PM: Well I don't want to pre-judge that.

JL: Would that be your desire?

PM: I don't want to pre-judge that let's wait and see how they interview, where they're from, what their claims are and there's a very clear process there in dealing with people who cross our borders and there is no reason why that process won't work just as well on this occasion as on any other occasion.

JL: So it would be likely that if they are not what they appear to be that they won't stay in this country?

PM: Well again that is pre-judging them and I don't want to do that because to do it in the position I hold, prejudice is their position, and the processes are such that they shouldn't be prejudiced.

JL: Ok the other point, when you assess immigration in April it won't rise?

PM: Well I'm not saying that

JL: No I was asking.

PM: The trend has been down, the trend has been down but that is not the dissipation of the program which some people wish and it won't be and it won't be motivated by crude political instincts like we have seen from the Liberal Party in the late 1980s and which we are seeing a bit of now. In other words we will be looking at the long run future of the Australian population, its growth, a contribution of the migration program and looking at the labour market and the capacity to absorb people in that market, to house them and making a judgement about the intake for the following year.

JL: OK but in the present circumstances being as they are, would it be reasonable to say that it is unlikely that it will rise?

PM: Well it hasn't for the last couple of years. It's unlikely to rise this year.

JL: Ok something else that I think we should touch upon briefly. Will you be doing something to restore confidence for the job getters in Australia quickly?

PM: Well that this the whole point of what I'm doing now, that is trying to make sure whatever the Government does that is what we announce, when the statement is announced, that we have assessed as fully as we can with business and with other groups in the community

the likely measures to have the greatest and earliest impact upon activity and employment.

JL: Will the dole rise?

PM: Well that's not an issue which we are examining right now but the question I think is not a matter of the dole rising its activity rising is what we need. We need basically more people being employed and that can only come from producing more product and that means getting confidence going, getting people confident again about the economy that they think there is a future out their. We actually face a good 1990s in many respects - low inflation, lot of good structural things there's no reason why this country can't get back to decent rates of growth and more satisfying levels of employment.

JL: Prime Minister thank you very much for your time and let's hope we can talk again very soon.

PM: Thank you John.

ends