



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH HOWARD SATTLER, RADIO 6PR - 27
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E AND OE PROOF ONLY

SATTLER: Good morning Prime Minister.

PM: Good morning Howard.

SATTLER: Does it apply, the statement I just read?

PM: Absolutely. I mean there is no point in being in this game but trying to move the common wheel along to make things better and this is a time to try and get the economy out of the recession into a recovery and we have done it I think in a way which adds to the productive focus of the place, by the big rail, road and port infrastructure development programs which will provide work and make Australia stronger and better.

SATTLER: But are you doing it for us or are you doing it to save your own bacon?

PM: Obviously we are doing it for the country. There is no election campaign on now, it's 15/18 months away.

SATTLER: You are kidding. The election campaign is underway it got underway when Dr Hewson delivered his statement, surely.

PM: Let Dr Hewson go for his life. The fact of the matter is this government has continually moved through these large economic changes in the economy and now we are on to all these so called micro changes like airlines, ports, wharves, rail, road and it is these things which we think we can do more with and we have now as a result of this package, for instance you will be able to bring freight into Perth and take it right across on a standard gauge railway to Melbourne and Sydney, and vice versa. We will be building ring roads around the capital cities so that the cars are not driving right through the middle.

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SATTLER: But I have to ask you why have you waited till now, just one year out from the election?

PM: We have been doing a lot of this over time. The rail freight corporation we did a couple of years ago. What we are doing now is quite dramatically adding to the stock of capital which that will have and its charter to do more things. Airline deregulation we started on a couple of years ago, we are now completing it by letting Qantas fly inside Australia and the domestics fly out. I mean this is a continuum of change but again it's the difference between Labor, the party of builders in this country, it always had to build the big national projects and do the big national things and the coalition which is basically about a miserable exercise in accountancy.

SATTLER: But Prime Minister we have had eight Keating budgets and we have had a series of economic statements inbetween and we have had with all of that the worst economic slump since the Great Depression.

PM: Yes but you also had eight years of phenomenal growth and phenomenal employment growth.

SATTLER: Well what went wrong then?

PM: Well what went wrong was that in the end there was too much lending and spending.

SATTLER: You were the government why didn't you stop it?

PM: But this was an international thing. Banks create credit. We had credit growth running at 20% a year in 1988/89 and 1987/88 and this was happening also in the USA, in Britain, Canada and Europe and that is why now they are in recession for the same reason we are.

SATTLER: So you are saying Australian banks included are out of control, out of government control?

PM: Well they were. We are now down to credit growth rates of about 1-2% a year, we were running at 20 and that's what happened. I mean in 1989 we had spending running at twice the capacity of the economy to produce. Now if I had been any Treasurer worth his or her salt the only thing to have done was to try and pull it back so that is was affordable and that's basically what we did. But the reason it got there was not because of any extravagance by the government. Remember this, Howard in those years I cut the public sector back to produce large surpluses, this spending happened in the private sector. But the main point is that we had five times as much job growth in the first eight years of this government as we had in the last seven years of the former government, the Fraser government, we had twice as much economic growth in the 80s as we had in the 70s. Now we have

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PM: (cont'd) had an 18 months to 2 year slowdown, a recession, what we are now doing is getting out of it to get back on with the growth which Labor has always been committed to.

SATTLER: You are talking about producing 800,000 jobs but what is the good of that if more than 800,000 fall out the other end of the pipeline, that's what has been happening in the last 2 years hasn't it?

PM: No, what we are saying is that unemployment will stabilise and fall and with -

SATTLER: I hope so because it's 11.3% over here at the moment.

PM: Well ok but the fact of the matter is we have got to do two things. You have got to have the economy running fast enough to take up the jobs of the new entrants to the workforce, that's the school leavers as they come on and also take up some of the unemployment which is now pooling in the economy so you have got to be running the economy at some speed.

SATTLER: Ok, but what about immediately for instance cutting immigration because how can we keep bringing people into Australia and putting them on the dole queues?

PM: Migration is a long term program for this country. Migration has made Australia bigger, stronger, it's grown faster, it's wealthier as a result of it.

SATTLER: In the good times.

PM: No, in all the times. What the program does is that we lift it and lower it to look in terms of the economic cycles and that's why we lifted it in the good times of the 80s and we have been lowering it ever since.

SATTLER: Well doesn't it need to be lowered even more at least in the short term?

PM: I think it will be lowered more.

SATTLER: When?

PM: When our annual review is completed in April.

SATTLER: In April and you will make an immediate decision?

PM: We do it every April, we make a decision every April.

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SATTLER: So we can expect you think to see some sort of reduction in immigration in the short term -

PM: It was 140,000 at its peak about 18 months or 2 years ago. This year it's down to 111,000, it's down to 111,000 and we have got the review procedures on now looking to business. The people that mostly argue for higher migration intake is the business community who look for the skills they need and skills in demand and it's the skills in demand and business migration program which has been part of the general buoyancy in the migration issue.

SATTLER: But surely you would want young Australians to take up those positions. I mean you are creating all sorts of new positions in technical and further education to train young Australians. Surely you would want business to take them before migrants?

PM: The answer to this is economic growth and that's why in this year we forecast at 2/3, that's from July 1 this year for this 12 months following. July 1 this year we have got 4.75% growth a year. Now for this year we have had zero growth, the economy has just stayed where it is but we will have we think a conservative 4.75%. If you look at any of the graph of this over the years, employment and growth in the economy are tied almost together. When growth in the economy goes up employment goes up, when growth goes down it goes down so if we get growth in GDP up and we get growth in the economy up we will get growth in employment which will be enough to take up the school leavers, chop into unemployment and handle what comes from the migration -

SATTLER: Yes but Prime Minister not surprisingly the economists are jumping out of the woodwork today and one of them a Chase Manhattan economist reckons your forecast for growth in the first year out of a recession are too optimistic.

PM: I was Treasurer in 1983/4 coming out of John Howard and John Hewson's recession and we forecast 6% growth through the year and we got it, we got 6.1% in fact.

SATTLER: And you will get it again.

PM: No we are not even seeking that much we think we will get 4.75, that's what I say -

SATTLER: I mean you will get your prediction?

PM: Yes I think we will get our prediction, yes I think 4.75 is a conservative number. Look, a bank economist, understand this Howard about these fellows it's off the top of the head -

SATTLER: You are not a big wrap for the banks are you.

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PM: They don't have an econometric model, this is put together by the Treasury, the Reserve Bank, the statistician, it's the most complex national income forecasting model in the country, no economic commentator in a bank has such servicing available. It's just an opinion, just basically ignore them.

SATTLER: Can we talk about the easter egg worth \$317 million to people on family allowance supplement. The cynics are saying he is doing this just before the by-election for Bob Hawke's old seat of Wills -

PM: It's got nothing to do with Wills, look this was decided a couple of weeks ago before Bob even announced he was retiring.

SATTLER: Only a couple of weeks ago?

PM: In the Cabinet process a couple of weeks ago when we decided this for the Statement.

SATTLER: What do you expect people to do with that money, go and have a good time for a week?

PM: I think they will basically spend it. What we needed to do before the big railway, road, port projects build up through 1992, we wanted to get the profile of spending up in the early part of the year. Now how can you put money into the economy to give a stimulus to it in a sort of one off way and do it early. It's not very easy. See if you do a tax cut it's very slow it comes out per week and it's very slow.

SATTLER: But what do you want people to do with the \$125 or maybe \$250.

PM: They will do with what they like but the people who are getting it, families, people on family allowance and people on the family allowance supplement, both groups, generally what they will do is spend it.

SATTLER: What in one hit?

PM: I don't know but I think so.

SATTLER: Have one big week.

PM: They will spend it in one hit or maybe little hits I don't know but they will certainly spend it. We took the decision we needed a fiscal stimulus early in the year and we said who will we give it to and we said people who can use it and need it, families. Now if it were John Hewson he would give it to the top end of town he would throw it to the business community or the millionaires, we are giving it to families.

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SATTLER: But it's pretty short term thinking isn't it?

PM: No it's about trying to get spending moving in the economy. It's simply about that task, it's about an early injection of funds to get spending moving, that's the point of it. Now if you say to yourself well look that has to happen, and I believe it does, how do you best inject some money into the economy and the best thing is with a one off payment. If you make it per week it's too little it doesn't have the impact, it takes 12 months. You are doing over 12 months what you can do in a day.

SATTLER: Apart from the consumption tax what is the difference between your policy and the Liberals?

PM: First of all, the main thing is this is a big plan to rebuild the basic infrastructure of Australia. Taxing income or expenditure a la Dr Hewson's consumption tax, taxing it as income or whether when you spend it will make no difference to the Brisbane, Sydney, Melbourne, Adelaide, Perth railway line, it will make no difference to the ports around the capital cities, will make no difference to the roads, will make no difference to the national highways, will make no difference to technical training for children, for kids, will make no difference to any of these things it is basically an exercise in accountancy to tax the low paid to give a tax break to the high paid. It's got no national vista about it, that is the difference here and he offers, you go and pay this 15% slug on everything you put in your mouth, everything you put on your back and he offers you a 30% marginal tax rate. We are offering the same 30% marginal tax rate but no consumption tax, no 15% string attached.

SATTLER: But you have got a hidden sales tax?

PM: What do you mean hidden?

SATTLER: We go to the supermarket and there are sales taxes on goods like soap and we don't know what it is.

PM: But not on food, not on food, not on clothing. I mean the fact is that wholesale sales tax has been there right through the Commonwealth's history from the 30s and the fact of the matter is it works and it works efficiently and you can decide what's low taxed. Like last night we decided to reduce the tax on motor cars we took it from 20% to 15%.

SATTLER: To save Joan Kirner in Victoria?

PM: No no to give the car industry a fillip, to give the car industry a fillip. Do you realise that the average age of our car fleet is 17 years. We have got one of the oldest vehicle fleets in the world because people find the price of cars too expensive and they are belching out leaded

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PM: (cont'd) fuel emissions, they are expensive for people to run and so we are trying to give the motor vehicle industry a bit of a fillip. But you can do that if you have got a wholesale sales tax to change and that's why the wholesale sales tax has been useful. But the main point is we will be saying to the great body of Australian taxpayers from \$20,000 to \$40,000 we will give you a 30% tax rate the same as Dr Hewson but no 15% consumption tax.

SATTLER: Prime Minister the last Budget, John Kerin's Budget was a disaster and is now largely irrelevant. I just wonder whether this statement will obviate the need for a Budget in August?

PM: No no, and it wasn't a disaster it wasn't a political success but it was in economic terms, it was a very carefully crafted Budget. No we will still do another budget this is not the be all end all.

SATTLER: You are saying it was as the budgets that you produced?

PM: Politically it never had the impact but in terms of it's economics. I mean the judgement was that the economy was recovering and their judgement was wrong, therefore the Budget -

SATTLER: Who judged it was recovering?

PM: The government at the time. I wasn't part of that process.

SATTLER: Well the government at the time was not much different to the government now, the same advisers. Have you got rid of them?

PM: Well there is a different Prime Minister there is a different Treasurer and different views are being taken.

SATTLER: And different advisers?

PM: In some cases yes absolutely, in some cases, but not in the key departments. But the point is simply, but that doesn't make much of a point though Howard. The fact is Australia does need a stimulus. Now I notice Dr Hewson running around saying this is a, he is using some ridiculous expression like it's a Bankcard proposition it's sort of you know -

SATTLER: That's the one, Bankcard.

PM: We can't afford this. When he and John Howard cleared off, cleared their desks out in 1983 and left me that wreckage to pick up they left me a \$10 billion budget deficit

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PM: (cont'd) at the time, just on \$10 billion when the budget was about \$50 or \$60 billion. Now the budget is over \$100 billion this is \$2 billion, two in one hundred compared to ten in fifty or sixty. Now the fact of the matter is this is the right thing for the government. I mean he is the only person in Australia saying nothing should be done. The banks said the government should spend about \$2 billion, the ANZ Bank said it, Westpac said it, the business community have said it. The business community have said they want faster depreciation rates, Hewson said don't talk to them, don't talk to the business community, the Prime Minister shouldn't be talking to the business community they only want a tax break, nothing should be happening. He would prefer to see the country sink, live in more troubles, stay in trouble than see the government do something about it lest it reflect well on the government.

SATTLER: How long before any of your plan will start to work. Will it start to work before the next election because it if doesn't -

PM: That was the point of the payment to families it will start to work from April.

SATTLER: Yes but will it reduce unemployment before the next election?

PM: We think so.

SATTLER: Because if it doesn't you are in deep trouble aren't you?

PM: I think our job is to stabilise the rise in unemployment and to see the trend head down.

SATTLER: And do you think that will happen before the next election?

PM: I think so, yes.

SATTLER: Why don't you just call an election now. I mean all the major policies are out in the open, why don't you just let the people decide now who is best and then you can get on with it?

PM: Why, the parliament doesn't expire until June 93.

SATTLER: Would you be afraid to go to the polls now?

PM: It's not a matter of being afraid. The point is we won an election just on two years ago and this parliament has got a long way to go and I think the public would take a dim view of parties going to elections at their whim and caprice.

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SATTLER: Why won't you debate Dr Hewson publicly on the respective packages now they are both out?

PM: I debated him in the House yesterday. He came in yesterday petulantly and moved a censure motion on me for having dare point to the fact that the principal econometrician who examined his GST Fightback proposals pointed out that under all of his scenarios GDP or the product of the economy falls, unemployment rises and inflation rises and of course having been stung by that revelation from one of his own authors he then jumped in petulantly yesterday and called me a liar, a cheat, a distorter -

SATTLER: He didn't, did he?

PM: He did.

SATTLER: He used words like that?

PM: And did just exactly what I said a day or so ago, it would take him a day to turn nasty once there was a bit of pressure on him. This guy has had a dream run he has been wandering around, see he actually thinks that politics is a very easy caper. He dropped Fightback on the table, there was no response from the Government, he has wandered around for a couple of months with people saying well yes, what is your views about this Dr Hewson, what is your views about that Dr Hewson, all of sudden I turn up and say your principal economic author says this reduces GDP, increases unemployment and increases inflation. What's the point of Fightback and he said this is a shocking thing to say so he moved a censure motion on me.

SATTLER: Sounds like he has pinched your acid tongue and you have become contrite.

PM: No what he has done is run true to form and that is he is a very sensitive, brittle little petal and once you go and touch him or say anything about him or criticise him, I mean the old jaw locks and the face gets mean, well it's going to get a lot meaner before I am done with him.

SATTLER: You are back are you, are you back?

PM: What do you mean am I back?

SATTLER: The real Paul Keating, not this one that is sort of is wandering around the place acting contritely.

PM: No no don't give me that stuff about acting contritely. Look I always -

SATTLER: I couldn't believe what I saw after you got elected.

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PM: No no but the thing is you don't see me up close, Howard. I mean at the press conferences here in Canberra I have always been the one that had to entertain them, teach them, cajole them, but what always got run was the 30 second grab on the balance of payments or something. But the discursive Paul Keating, the talkative, the one that sort of you know has to sort of get a result out of the Cabinet and the government and the press gallery and what have you, that often is never in my case very rarely been shown to the public. What you have seen of me of the last few months is me really as I am. Well a broader side of me, a broader view of me rather than simply the 30 second grab on the monthly balance of payments.

SATTLER: An all round nice guy.

PM: Well I would like to think so dear boy, I would like to think so.

SATTLER: Now while you are there I have to ask you one question, you can tell me to go to hell or whatever, but over in England I have to tell you and you know that the gutter press over there are saying you are an awful person who breached protocol when you laid your hand on the royal personage's waist. Did you know you were breaching protocol?

PM: I was not really laying a hand on Her Majesty I was simply guiding her from down a long corridor to the people I knew that she knew like Dame Patty Menzies on one side and there was John Gorton on the other side and she wasn't expected to know where they were or who they were and I was trying to sort of, which I succeeded in doing I think, that was point her along and I think she had a very interesting morning, she enjoyed it immensely.

SATTLER: I have to tell you that as a result of that calls to this radio station overwhelmingly said Paul did the right thing.

PM: Did they?

SATTLER: You got more votes yesterday for that little act than all of the economic statements and budgets over the last nine years.

PM: Come on.

SATTLER: True, true.

PM: That's a bit of hyperbole there, a bit of hyperbole there.

SATTLER: True, we did polls on it.

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PM: You did.

SATTLER: Yes.

PM: Well anyway the thing is I think Her Majesty had an interesting visit to Australia and the point I made to some of the sort of forelock tuggers and British bootstrappers around here like Dr Hewson and Mr Howard and others is that Her Majesty is the Queen of Australia and in fact The Age said it very nicely in an editorial yesterday. It said when the Prime Minister addresses the Queen he addresses her as Queen of Australia and it is entirely appropriate for him to articulate independent Australian attitudes. I mean she is not visiting here as the Queen of Great Britain she visits here as the Queen of Australia and to be saying that Australia is now more independent of Europe, that 80% of its trade is with the Asia Pacific area, that we are a country making our own way in our part of the world is of course a message she understands well. It's only all these sort of people that would like to be up there sort of you know doing business in Whitehall and trotting down to the city and picking up their sort of knighthoods and things. It's all that brigade who are saying isn't this shocking the Prime Minister just actually talked about Australian independence from Europe, isn't this terrible.

SATTLER: You will never be Sir Paul Keating.

PM: Never, if you ever see me, for a start knighthoods are not permitted any more -

SATTLER: Good.

PM: But if you ever see me take an award you say he has had it, he's gone, forget him, it's all over.

ENDS