



## PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP  
INTERVIEW WITH DEAN BANKS, 3AW

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J: Good morning. Are you happy with the initial reaction to the package?

PM: Yes I think so. It is a reasonably good response. People believe, I think, that now is the time for the Government to lift activity in the economy, to spend some money, after all we, were very abstemious in the 1980s, turning these huge deficits into surpluses and when private spending was strong in the '80s we pulled the Government back. But now private spendings weak, this is now the time for the Government to spend and do a lot of sensible things like railways, like roads, like technical and further education etc.

J: Reaction is all important for you and I suppose economics is supposed to be a fairly clinical matter that is easy to work out, yet you have the situation where someone like Robert Gottliebsen comes out this morning and says that he basically likes it, whereas your old sparing partner Terry McCrann comes out and gives you a right old bucketing.

PM: But he always has old Terry, he's to the right of Ganghis Kahn, but it wouldn't be fun if he wasn't there would it? That's the point, I mean if he came and gave the package an endorsement I would have to have a good hard look at myself.

J: It would be the kiss of death do you think?

PM: The fact is it is a great package for the community in general. For the business community it is a revolutionary change, it's depreciation for business, and for the community in general, apart from the payment to families, it is rebuilding a lot of our basic infrastructure and getting employment from it. That is, in rebuilding the whole railway system, in doing the ring roads around the capital cities, in a new electricity grid, all these things are long

term things for Australia and they can only be done by the Government, they can't be done by the private sector. The private sector is not going to rebuild a Sydney-Melbourne railway, the private sector is not going to put a standard gauge rail from Melbourne to Adelaide, it's not going to do any of those things, so if you get John Hewson on the program he won't be doing them. Nobody of that ilk believes, that McCrann doesn't believe it, but we know that it's crazy to be carrying around our merchandised freight on trucks between Sydney and Melbourne, crashing into each other, killing people on roads, breaking up highways, these are the things that Government should be doing.

J: Prime Minister, Dr John Michael Hewson as we dub him, has been talking about paying by bankcard and also where there's a will there's a way.

PM: Yes that is an absurd simile. Look, in the 1980s I cut, as Treasurer, the public sector back by \$30,000 million a year, 7 per cent of GDP, \$30 billion a year. We have got a structural surplus laying under the current account deficit, as soon as the economy starts to pick up it jumps back into surplus and it does under this package by 1995. So all this stuff about bankcard and that is simply him, exploiting what he thinks is the ordinary persons lack of understanding of the national budgetary accounts. The fact is, this is half a per cent of gross domestic product, half a per cent of the size of the economy. The economy is about \$400 billion in size, this is \$2 billion, it's half of a per cent. When I became Treasurer, I picked up John Howard and John Hewson who was his adviser, I picked up their deficit and it was 9 per cent of GDP, nearly \$9 billion, about 5 per cent of GDP. This thing is half a per cent of GDP. Talk about bankcard, he didn't leave me bankcard, he left me a mountain of debt to scramble over in the '80s and then tottled off to the private sector and came back when the dirty work had been completed.

J: We all look for deals in this grand economic statement and we all wonder whether there will be some pay-back to Victoria. You've no doubt, just done an interview on Sydney radio with Alan Jones, is there significant whining from NSW about special treatment to Victoria?

PM: No, NSW has done exceptionally well. The big projects are the same in most of the capitals. For Sydney and Melbourne, for NSW and Victoria the principle project is the rebuilding of the Sydney-Melbourne railway line. To get the efficiencies of that up and giving quick access out of Sydney by re-building a line out of Enfield and re-building that whole structure at Dynon in Melbourne and for Victoria, then the standard gauge rail from Melbourne to Adelaide which will do a great deal for Melbourne as a transport hub. It's the place where freight can be shifted north to Sydney, west to Adelaide, west to Perth and south to Tasmania and what we are doing in this package is giving Melbourne the chance to really have a new industry, that is a service industry in freight.

J: How are you going to sell it, are you going to spend time now out of Canberra and across the country?

PM: I will be doing a bit of that, but I will also be doing a bit of this. The good thing about communications is you can be in Canberra and talk to you this morning here and not on a telephone, also with voice quality radio.

J: What about this extra couple of hundred dollars that families are going to get. Is that enough to kick start the economy?

PM: Well what we tried to do, because the big projects like the ring roads, for instance that ring road around Melbourne, we are re-building another sector of that between the Hume Highway and the Calder Highway. Now those sorts of projects are important for the city of Melbourne, it takes traffic out of the city, but it takes a while to build it up. It will take a while now to get that cracking. We wanted a way of being able to inject some fiscal stimulus and spending power into the economy early and we thought the best way of doing that was a payment to families. So they'll actually start spending and lift consumer spending and it will lift it early, we can do that in April, whereas the other things will take more time. So we wanted something in the spending profile to happen earlier and that's why we think the best way to do it is to inject some money into the economy and the best place to do it is into families.

J: This country isn't the only country that is suffering from a recession, as your old mate Max Walsh observed last night, aren't you being a little ambitious trying to lead the world out of recession?

PM: No because we are in the fastest growing part of the world. We are not sitting waiting on the European community to tottler along at 2 per cent a year or the United States at one. We are in the Asia-Pacific which is growing at 6-8 per cent a year and the other thing is because for 40 years we were in the Rip-Van-Wrinkle years of Menzies, and as a result we missed the whole post-war trade in goods and services. We are now picking that trade up in tourism, in manufactured exports. In other words we are getting a share of something that in the past eluded us, so that is why we can actually grow our merchandise trade account faster than say a comparable country could if it were part of the northern hemisphere or part of Europe or part of North America. We are in the fastest growing part of the world. So Max (Walsh) was carrying on last night about how we shouldn't be spending any money - does anyone really believe with Australia in a recession as we are, trying to get out of this hole that we should do nothing, do nothing? To spend \$2.3 billion in a budget of \$100 billion?

J: Dare I say it, we're not waiting for the world.

PM: No, we're getting cracking.

J: Were you concerned when they came to you, or somebody advised you, that this package needed a name called One Nation. I mean we've had all these names, Priority One, Fightback and Clever Country and all these....

PM: What I want to do is to give the sense that this is a partnership proposition between government and business. The tax concessions there for depreciation are really quite profound. They put Australia back in the big league, in terms of tax provisions for business, and the big capital works programs are also about trying to get employment going and use parts of the business community to supply those goods and services employed in those programs. We're also involving the trade unions who have given a commitment to keep Australia's inflation rate at our trading partners' average. In other words, we're bringing the place together, One Nation, and that's why I thought, well look we are bringing it - I'm not Hewson, I'm not saying we'll wipe unions out, I'm not saying there'll be no national wage cases, I'm not saying, as he said, don't talk to business, they're only after handouts. Hewson criticized me for talking to the business community in those consultations. He's about dividing and splitting the place up and I wanted to make the point that Labor's about saying look, we can do this but only do it together

as one nation.

J: I get a strange sense of deja vu, Prime Minister, about One Nation because it was vaguely reminiscent of the basic approach that your predecessor took when he took over in 1983, about ending divisiveness.

PM: I think we proved in the eighties that a country that talked to itself, where unions talked to government and government talked to business and unions talked to business and particularly now with enterprise bargaining, you end up with a better economic outcome. You see we grew every year for eight years at twice the pace in the eighties than we grew for the previous eight years in the seventies. We had five times as much employment growth in the eighties as we had in the seventies and we had that because we had a more cohesive society. Consultation, talking to people and getting their support for things is the way governments should run the place, and this idea that you're governed by a press statement, that some Liberal Cabinet sits in a locked up room then puts a statement in the press boxes and the nation springs to attention is a bit of old nonsense, because they did that in the seventies and what we had was 1.8% growth a year instead of 4.2. And we had three hundred thousand jobs in seven years instead of 1.5 million as we did. I mean it just works, it works.

J: Prime Minister, we get locked into all the terminology when we talk about economic statements. Can you help us with the estimate, the forecast and the scenario?

PM: Look what we try and do in these things is we have these things called national forecasting models and we try and forecast activity some years out, and what we believe is that we'll have a reasonably strong pick-up in activity in '92-3 of about four and three quarter percent through the year, and we believe that over the forecast period which is four years that we'll be able to produce about eight hundred thousand jobs. In other words, reducing and not just finding enough jobs to take up new entrants to the workforce, the school leavers etcetera, but to actually then cut into unemployment, the pool of unemployment.

J: Your colleague John Dawkins has said that some of the figures are based on scenario. How close does scenario get to rank guess?

PM: There's a fair bit of science in all this but these models picked the turn in '84-5. When I first became Treasurer we forecast a through the year growth phase of six percent and people said oh this is terribly optimistic Treasurer, this is

only a bit of greenhorn stuff because you're new in the job. But the six percent turned up. I mean we're not always correct as you know. I mean these estimates are done by the Treasury and the Reserve Bank and the statisticians, in the main. They're not always correct but they're the best summation that can be put together.

J: We were talking about the theatre of the moment earlier this morning Prime Minister. I mean is it the same for you as Prime Minister of a nation, the reaction of the newspapers around the country this morning, those headlines, the critics' observations. I mean are you happy with the response there?

PM: I think so. From our point of view it couldn't be any fairer than it's been. You'll always have the McCranns of this world who say don't give anybody an even break, just make it hard and tough, survival of the fittest, if you haven't got a quid you're a bludger, if you're not a millionaire you're a bum, that's the McCrann view of the world, that's fine. I just reject that absolutely.

J: Well today is sort of make or break day for you in a sense, isn't it, because you are out selling it today, and I note with interest that you are doing a television interview tonight with Derryn Hinch. At which precise moment did you two kiss and make up?

PM: It's not a matter of kissing and making up but just that the sort of format of his program he had in the past has never quite suited me, the time slot and everything else and I never did much with him. But the fact is I'll be pleased to talk to him. The main thing is, look this is a four year plan for Australia. The main point about this is it's Labor doing what it does best and that is the big building programs of Australia. It's only ever been the Labor Party that's built the big railways and did the big road developments and the ringroads and the rest, that's what we're doing again, a national electricity grid. The Liberals gave us a two airline policy and high airfares, we're junking it. We're letting Qantas fly internally, we're letting the domestic airlines fly outside of Australia. It's only Labor that picked up all those kids and gave them university places in the eighties and gave them places in school. We're going to do it again now in technical and further education. This is not a miserable exercise in accountancy like Dr Hewson's Fightback, you know,

changing the tax system from income to expenditure, I mean essentially an irrelevant change. Apart from being an unfair change, an irrelevant change, because that change is not going to improve a railway line, it's not going to improve the airports or the seaports. It can only be done by governments and that's what this huge package is about.

J: Small business in the country has been crying, naturally, you've made some changes there as far as small business is concerned. Could you outline those changes as far as the banks are concerned?

PM: The bank change is quite important. At the moment a bank can't write off a debt unless it sends a business into receivership.

J: Does that apply to all banks or is the Commonwealth exempt there?

PM: No, all banks. Now what this means is that a bank can now write off a partial debt. So let's say somebody owed a million dollars for instance, and the bank decided to put them into receivership and they wrote off the million. What they could do now is write off half a million and let the business remain viable. Do you understand?

J: Yes.

PM: It's quite a big change.

J: And somebody could've been caught in that position by say the mortgage on their house and the valuation of their property today to be a lot less which is worrying the bank.

PM: Well it could be that somebody says look this person's been good, I don't want to sell them up, what we'll do is we'll take a partial write-off here and we'll keep them going. Because people might be able to service half a debt or two thirds of the debt but they can't service it all. So it's a big change for the banks and the Treasurer met the banks and said look we're doing this for you, we want you to do something for the community. We want you to start opening your pockets up again. We're tired of this sort of conservatism where you've pulled your head in, you're turning everybody away, you're withdrawing lines of credit, cut it out, let's get cracking again, help people that need help, that's what the banking system's for and we'll help you.

J: Look at you personally, your image. There have been some who say that the wimp lever has been operated too strongly on you and

that you in the past have been a mongrel and they wouldn't mind a bit of the mongrel back.

PM: Well look, the problem I've always had is that in the press conferences I had over the years as Treasurer it was always my job to entertain the press gallery, crack the funny, to educate them to do all these things. But the bit that always got run on television was the hard comment about the day's balance of payments or something else. But in my normal life, my dealings with the Cabinet, with the Caucus, with the media, it's always been discursive, and I think people are starting to see a little bit of that as me as Prime Minister and they think there's a change. There really has been no change, that's as I really am. They're starting to see now me as I really am and not really through the one minute grab or the thirty second grab on the monthly balance of payments.

J: On that note, Minister Ros Kelly broke Cabinet confidentiality with us not so long ago. She told us that you responded to her in Cabinet by singing the Billy Joel song Allentown.

PM: Oh yes, that's right. When we were doing some of the railway discussions and we were talking about some of the investment allowances for the heavy plant and equipment, you know, some people said well let's not forget some of the short life things like the computer industries and these sorts of things. I said look it's not all going to be the Billy Joel number, it's not going to be the field town, it's not going to be Allentown, you know, and I gave them a little song, you know.

J: Is there a song for One Nation?

PM: Well it doesn't spring to mind but Advance Australia Fair will do because this is about advancing Australia. This is about a bit of vista and vision and faith in the Australian people. It's not about basically sticking your hand in their pocket, taxing the food they put in their mouth, the shirt they put on their back, and of course, look let me just make this point to you. If you're earning twenty or thirty thousand dollars a year, everything you earn you spend, so whether you tax the income or the expenditure is immaterial, you're taxed a lot. But if you're earning a hundred and fifty thousand a year, you spend maybe sixty and you save ninety. Hewson's package is very unfair to the low paid and a big break to the high paid and as well as that

he puts on a tax cut. We've got a tax cut in there of thirty percent for people from twenty and a half thousand to forty thousand, a thirty percent rate, but with no fifteen percent consumption tax. We've got the same rate as he has, thirty, but no fifteen percent consumption tax. So this package is a package that helps the average person, the person in the street who's doing it a bit tough or hasn't got a job or who's got a job, is paying a higher marginal rate than they ought to be. This package is about all that and it's about building a better Australia, a more competitive Australia.

J: It's also a very political statement in a sense and you've got to face an election within fifteen months. Do you realistically suggest that we be popping down to the TAB and backing federal Labor?



PM: Well get on early, that's what I'd say to you. While you're being offered good odds, hop on. Because look, Dr Hewson's been terrific while the games's been running his way. For two or three months he's had a dream ride, but he got a little bit of criticism in the House on Tuesday from me and he was up yesterday with a censure motion saying how dare I criticise the economist who did his Fightback package. The economist who said it will actually reduce gross domestic product in the economy, it'll actually increase unemployment, it'll actually increase inflation, under the three scenarios the economist had proposed and examined. So what does Dr Hewson do? Get up and move a censure on me for it. I mean what a shocking thing. I've actually pointed that his package reduces the size of the economy, it reduces employment and lifts inflation. So as sensitive as one can be, bang, in he goes with a censure motion and of course we cleaned him up in fine style.

J: Alright Prime Minister, you've been most generous with your me this morning. When will you be in Melbourne next?

PM: Well I think tomorrow, I think tomorrow.

J: Alright, we obviously won't be catching up then but maybe

PM: I don't think so but I'm there a lot these days. Anyway thanks for your time.

J: No worries, and you'd be pretty happy with Collingwood's pre-season form.

PM: From what I read I am, yes.

J: Apart from being beaten by the West Coast Eagles...

J: I'll be seeing Allan McAlister soon, he'll bring me up to date.

J: Alright Prime Minister, thank you.

PM: Thank you again.

ends.