



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING
RADIO 2UE WITH ALLAN JONES
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AJ: He has reinvigorated his Party, that was obvious on television, but he has thrown down the gauntlet to Dr Hewson, and injected a feeling amongst Australians that he must fight to preserve, that there is hope and vision around, which we need to both generate and exploit. Put simply he seems to be saying that currently the private sector is unsure of itself and therefore weak, so the Government will jump in and fill up that void with a massive capital works program.

They will change Australia's road and rail and ports, and in this way he says, aid exports. He seems to be saying that he knows that families are in trouble, so he is going to give them money from April 2 to help alleviate some of their problems. He seems to be saying that tourism and the motor vehicle industry are in strife, so he has provided tax relief for both of them. He seems to be saying the same things about the banks. And he seems to acknowledge, though not to the extent that I would have liked, the crisis in education. And he said the Commonwealth Government will fund entirely a \$720 million program in technical and further education.

But most importantly he is saying to Australians, and this is going to be the election issue, you can have tax cuts but you won't have to pay for it with a 15 per cent GST. By election time this is going to be a powerful point as Mr Keating bids to hang onto the job that Dr Hewson wants.

But some would say there are omissions, Australia is more than an economic entity, if we are to become 'one nation' as he called it last night, our 15-19 year olds have got to be treated as a critical resource and University structures may have to change. And if we are to be one nation you've surely got to be able to walk the streets and be free from being bashed up or made victims to violence and drugs. The dissolution within our society isn't just a function of the economic downturn, but a function of emotional, psychological and attitudinal concern about where Australia is heading. Are we asking then too much of a Government to provide the answers to all of this? The Prime Minister is with me, Prime Minister good morning.

PM: Good morning Allan.

AJ: Could I just take that last point first, that we are not just an economic entity are we? What about the psychological and attitudinal problem of families, in relation to violence and drugs and those sorts of things?

PM: The structure of our family relationships have changed over the years, there is no doubt about that. One can't explain the drugs phenomena well, but one thing is certain, that is if people have gainful employment it certainly helps their view of the world, it lets them believe they are part of society, they don't feel cheated or jilted by society. And I think that is why it is important, particularly for young people, for kids to give them an education and find them job opportunities, and you mentioned TAFE, it is one of the reasons, you see at the moment we have got now the very high retention rate in Year 12, we have got about eight children in ten completing Year 12, and while the university places have increased enormously in the '80s, not all kids can go to university and that's why we want to bring TAFE, up at least to give them technical and vocational training so they have got that practical training to get a job.

AJ: But you have got a young son that might want to go to university and you will say to him, work your backside off, and suddenly he doesn't make the numbers. Why couldn't you say, well we will re-orient our spending priorities of family and pay to send you, because we think at 21 you might be university material? We still can't do that yet in Australia can we?

PM: As a private show you mean? Well we have got the Bond university, it's about our only private university, I think, but Allan can I just say this, that since about 1987 the Government has created 120,000 university places. And the average university campus is about 10,000, it is the equivalent of about 12 universities and we are pretty well on track for the proportion,

what we believe to be the optimum proportion of kids coming into university from school by the year 2000, we are on track for that. But we are not on track for technical and further education.

AJ: Well let's come to that question, you projected last night 800,000 new jobs, 4 per cent growth rate and an \$8 billion Budget deficit. If there is a criticism today of those three figures, it may well be that when consumers and business attitudes change, so do the economic models, lose their ability to predict. What if something comes a stray and one of those doesn't come to pass, I mean your growth is going to pay for it you say, but what if the growth rates don't reach those levels?

PM: Well it is a very conservative assumption. The year after the '82-'83 recession, we had growth running at 6 per cent over the course of the year. We have got to, in this forecast, 4 3/4, but there are so many more fundamentally good things around today than there were in 1983-84, for instance the inflation rate at 1 1/2 per cent, not 10. The profit share will rebound rapidly as soon as volume and manufacturing and business picks up. We have got a competitive exchange rate, which we didn't have in '83-'84. I mean, there are lots of things there, now which I think will indicate to me that the economy will respond more quickly than it did in '83-'84, and therefore 4 3/4 is a reasonably conservative consumption.

AJ: Could I just take two of those points, your arguing strong points, and they are technically inflation and interest rates. There are many who are listening to you now who know that because you have now committed yourself to keeping inflation low, that the value of some of their assets, either in shares or real estate or whatever, will be significantly eroded over what it once was.

PM: Well not really. You won't see the dash in real estate prices like we saw between say, 1986-87, but the time before that was when 1979-80. So what happens is if you look at real estate prices you have a flash in prices and then nothing for six or seven years, another flash up in prices. What you will see I think with low inflation in Australia is a steady, generally inflation-related increase in prices. So I don't really think people are going to find deflation as a problem.

AJ: May inflation place money in more productive investments than the real estate industry has often been responsible for?

PM: Well I think what will happen is, low inflation, a proper tax system as we now have, and particularly with these very large depreciation rates for business which I announced last night, and the banks having being

burnt with real estate, I think you will see banks rationing our scarce national savings into the most productive places in the economy, and that's business, plant and equipment, the things that will actually provide the jobs you mentioned earlier, and make people wealthier. You can't draw wealth from sitting looking at a building built in the 1960s increasing in price, it is not doing anything for anybody, and in the end it doesn't do anything for the country.

AJ: What about interest rates though? Many people listening to you right now say, he has cut interest rates, but in so doing that benefits the bloke in debt, not the bloke like me who has actually saved, he has actually cut my income in half.

PM: Well the interest rates were up for a purpose, and that was to cut some of the crazy spending of the late 1980s, they couldn't always stay up there obviously. Lenders have not always had such rewards, but I think what has happened Allan, we have brought interest rates down at the same time inflation has come down rather sharply so, there is a bigger impact there for lenders than there was, but the real rate of interest, that's the rate of interest above the inflation rate will remain pretty constant. And the other thing is that people who are living on fixed incomes, or who are lending their money will find because of low prices, they don't need the higher income to survive.

AJ: Can we say though that we have enough incentive to save given that spending was one of our problems and that debt, is one of the issues facing us, is their enough incentive to save?

PM: Well I think the big disincentive to save was inflation because it simply ripped away at the value of some monetary asset, but that has now changed, it is at very low levels and I think, sort of inflation and the tax system ... the reaction will actually now reasonably encourage people to save, and it means that people are not going to be desperate about running out to buy a property because they think the price is going to go sky rocketing tomorrow morning.

AJ: Dr Hewson would say a consumption tax is a disincentive on spending and an opportunity for people to exercise their own decisions about concessionary income.

PM: But they don't. But the fact is it's a discipline on spending it will lift the price of products, but there is not a commensurate return in the tax cuts, so therefore people are going to be worse off, therefore in my view they won't save. The savings device the Government is supporting is occupational superannuation, we have actually got in a way a mandatory savings system developing now.

- AJ: Now are you going, I know there was nothing said about superannuation last night, I mean that given that debt and savings are two of the biggest issues, I mean how are we going to wind back a debt of about \$135 billion which has to be stopped before it can be wound back, how are we going to do that?
- PM: Well, two ways. The first thing is to put a suture on it by making sure that our merchandise trade account performs better and that that current account deficit is lower. As we say in the papers we expect the debt to stabilise about '94-'95.
- AJ: What will it be by then though?
- PM: Well it will roughly in the region where it is, maybe a bit more. But the other thing about it is that it is private debt, it is basically debt which is financed upon projects and businesses able to service it, it is not sovereign debt of the South Americans variety where Governments borrowed the money without any basis for it being serviced. This is borrowed by the private sector of Australia, on plant and equipment, businesses, projects etc. And the other thing can I say, we have got \$60 billion of private assets now off-shore. So that \$130 odd billion of gross debt would be only \$70 had we not borrowed \$60 billion to put \$60 billion of assets abroad. In other words we are counter-weighting.
- PM: Well let's come to that counter-weighting then, the other counter-weighting is saving. We seem to have a very significant pool of national savings that you're building now through compulsory savings, which is called superannuation. You made concessions last night for businesses under half a million to be 3 per cent by July 1 and progressively increasing that to the end of the decade. but Australians I suppose are saying, if this is our only national savings is it right that it should be invested in Texas oil wells and exporting jobs overseas, why shouldn't there be a commitment, not volunteering Government intervention here, but it is a Malaysian scheme which has really regenerated business by using those funds for the benefit of the superannuant and for small business.
- AJ: Well the savings come from three places, household savings, corporate savings, that's the savings of companies, and now superannuation. And we expect superannuation to be running at about \$6-800 billion by the year 2000, which is about 4 or 5 times our national debt. So that savings balance and superannuation is critical to Australia getting its sovereignty back completely over that debt situation.
- AJ: But you're not going to let the insurance companies and banks manage that are you? They made a mess of the other stuff.

PM: Well you have given them a decent old bagging there. Well what is happening we are seeing a lot of proliferation of funds management organisations now, managing that superannuation dollar, but you ask about money going off-shore, the tweak in the tax system we have to keep the money invested in Australia is a thing called dividend imputation. What is simply means is that we don't pay a tax credit to super funds if they pay tax to a foreign treasury, so if super funds want to invest in Germany or Britain or the United States and they pay tax to the German or British or American Treasuries, we don't give the super fund back here a tax credit. Therefore they balance very carefully, their investment in Australia, where they get tax credits and their investment out of Australia where they don't. That will guarantee that not too much of those superannuation savings are spent abroad.

AJ: Yes I just wonder whether it prevents the double dipping though, I mean the purpose of your compulsory saving is that those people won't be dependent upon welfare in retirement. Can you be absolutely certain we are not going to be paying twice?

PM: Well there will always be an interaction between, the basic retirement element in the system is the age pension, but there will be a more sympathetic sort of interface between superannuation earnings and the age pension. But the result will be that people will be better off and the Government will be able to afford the baby boom generation which will double the number of retired aged people.

AJ: Just on that you are making compulsory a business pay-up. I am sure you are aware that Governments around this country have phenomenal unfunded superannuation liabilities. My information is that the figure is about as high as \$80 billion, in other words they aren't paying as they go. That doesn't appear as part of our national debt. But what are you going to do about making sure that Government continue to pay-up annually as indeed business must?

PM: Well the award superannuation, or cumulation schemes where companies pay, some of the older superannuation schemes which existed before then, what you say is correct some of them are unfunded.

AJ: So the Government is the employer?

PM: The Government is the employer.

AJ: And when it is the employer it sort of uses that money for something else, as an unfunded provision.

PM: Government does not normally fund the provision, but again I don't think it is a problem for us.

JONES: Just as many of your critics would have you believe that you're the person, that you're the reason that Australia is in a mess and, therefore, as I've said many times, perhaps you've been - though we haven't known it - President of the United States, Prime Minister of Britain, President of France and Prime Minister of Japan, because they're all in a mess. Equally given that you can't really be blamed for the economy entirely because the world problem has existed, how then can you say we can get out of it at a time that General Motors are saying.. shedding 74,000 jobs, closing 21 plants, when Germany, Japan and France are all in strife. How can you say: "Well, I can quarantine Australia, what I've said last night is to pitch-fork us on to a recovery." But so far it's been elusive for them?

PM: Well, we missed the post war trade in goods and services. I mean, what happened to us was that we stayed with commodities for 40 years too long. Now we're out there, picking up our share of tourism, our share of manufactures - the things we should have been doing. While it may be true that the rest of the world is growing slowly and, indeed, right now so are we, and they will pick up as we will. The fact of the matter is, we will get a bigger share of that trad in goods and services and, particularly in our region which is the fastest growing in the world. I mean, they're growing at 6%-8% in the countries around us where most of our trade is. I mean, we're not trading most of our trade with the United States or Germany or Britain or France. We're trading it in the ASEAN/Asia Pacific area.

JONES: You've got a bit belted over the head for making that observation when the Queen was here. Do you have any comment about that? You seem to be saying that we belong in the Asian region, and I'm not sure the Queen objected as much as some of your critics, but what essentially were you saying?

PM: Well, I'm saying that 80% of our exports and I think, just off the top of my head, I think it's about 83% of our exports go to the Asia Pacific area and 70% of our imports come from there. In other words, we're now a country trading with the Asia Pacific area. We're not a country trading with the European community or in a way of great substance with North America. We're trading with that part of the world but that does include North America. So, I'm simply making the point that we're lucky to be in the fastest growing part of the world. And that's why Australia can grow

a little faster and that's why, I believe, we can do that and at the same time still run a healthy merchandised trade account.

- JONES: Well, yesterday there were some good figures out on skilled job vacancies. Now, do we have a capacity to fill those vacancies as they arrive or do we have to rely on migration. I mean, someone rang this morning and said: "Well, what is your view about migration?" If growth is something you're predicting, does this mean growth in migration numbers, where from and what sort of people?
- PM: Well, Alan, I think Australia.. migration generally has been good for the Australian economy, good for the Australian nation. That's the general policy. Governments have always reserved the right to raise or lower the quotas, as the intake, as economic conditions have dictated. We peaked at about 140,000 migrants a couple of years ago. This year we're down to 111,000 and I think when our review comes in in April we'll be going lower. But the most important thing is, Australia can grow faster and particularly with a larger population.
- JONES: Yes, sure. Well, now, employers sometimes say when they ring here: "Why is it that the Government pays an unemployment benefit to a child or young person that is out of a job and gives us such limited incentives to employ them?" I suppose what they're saying is why would you pay the unemployment benefit to an employer and use that as a subsidy for taking on an apprentice or giving a kid a job?
- PM: Exactly, and that's what we've done last night with Jobstart.
- JONES: Does it go that far?
- PM: Yeah, it does. Because we pay it to employers, we got another 44,000, another 44,000 young people likely to pick up a job under Jobstart and well, young, young and old, we've increased funding to create additional job opportunities for up to 44,400 through wage subsidies to employers and to apprentices.
- JONES: But, see, the same thing applies to apprentices, doesn't it. I mean, if a kid wants to sort of do Arts or Pharmacy or Architecture, he gets automatically paid for by the Government via his entry to university. But if you're an apprentice, you've got to find a willing employer to start with. And the

balance seems to be stacked ahead of the kind of skill that we need.

PM: That's true. So, what we've done here, we've got funding in to assist the retention of indentured apprentices. That is, apprentices at risk, people who have already been indentured but might be put off in a recession. We've got funding there to keep them on..(inaudible).. assistance to training groups schemes and reallocations of entry level training programmes. We're also trying to generally support that pre-vocational...

JONES: But the principal of what I'm saying you understand, don't you?

PM: Oh, absolutely.

JONES: If you want to do architecture, that's going to be funded for by the taxpayer. If you want to be a construction apprentice or an electrician, you've got to find a willing employer.

PM: Exactly. And we've also got Jobtrain and Jobstart and these other labour market assistance programmes which are about job skills. For instance, we've got another \$30 million on Jobskills which will provide 6 months of employment and training to young people. But in terms of apprenticeships we've got this programme there to keep people at risk and, also, provide a further 10,000 pre-vocational training places from July, 1992.

JONES: Just on jobs: you saw in the Tasmanian election a diminution in the environmental vote, the green vote, by about 25%. This surely means that the public want jobs before - I mean they want the environment as well - but some sort of balance. I noticed that you seem to be resistant to Coronation Hill. Why is that when Gareth Evans said it was just a piece of clapped-out buffalo country and Bob Hawke found a spirit up there. I thought that you might have come in and said: "Look, this is nonsense, really." We gave a commitment to BHP, when you were Treasurer, why not sort of get on with it and create some jobs and export income?

PM: Well, it's a small mine. It's in the East Alligator's River region. Look, that's the whole.. there's so much made of Coronation Hill. The concern of Coronation Hill, when you got to the bottom line, it was in the Kakadu National Park area, catchment area. That was the big concern. It was a very small deposit

this small mine. Now we, as a Government, sort of, you know, argued ourselves ragged over it and, finally decided to say 'no'. And I think there's not point in continuing that sort of debate for us. There's no point for the country, no point for us. It's better to say 'that's it, a decision's been made, the Aboriginal community has again written to us saying 'please don't change your mind'. So, as far as I'm concerned, until the Aboriginal community up there take a decision themselves and they took expressly the opposite decision to say that they didn't want this area mined. And I think that's the end of it, I'd rather get on.. see, Alan, it's not stopping the bid projects being built. Look at Marandoo which is a large iron ore deposit. I mean, a real mine, not a thimble-full of minerals. A real mine. We've let it go.

JONES: Just a quick one, before you go - and we've got to take a newsbreak: you've given the banks, behind closed doors, a bit of plain speaking about what you expect from.. they were very significant inhibitors to continuing business recovery, if you could put it that way. We've had several callers here to say 'I've heard Mr Keating say this many times but I can tell you, it's not happening out there. We're not getting the money at the kind of price he thinks we're getting it at'. Now, you've given very significant concessions to the banks in the Statement last night about bad lending and bad debts. How can you be sure that small business are actually getting what you think they're entitled to get?

PM: Well, we've got.. the Treasurer had the banks in, said to them we want them to be sensible in their lending policies, we want them to be more ambitious than they've been - they've got too frightened, too careful, too backward - and we have put a very significant concession in there so they can partially write off debts. So they don't have to send a business to the wall.

JONES: But they've got what they wanted from you now..

PM: They can partially write them off and what we want them to do is go back to lending to people, to those who need support.

JONES: And if they don't, will you withdraw, will you withdraw this thing which you've given them last night?

- PM: Oh, I don't think we can withdraw it. But what we'll do is, we'll keep the pressure on them. But we've got a commitment from them that they'll do it. That they'll be easier with their lending. I think what's happening to them, Alan, is their books are running off too quickly. Their books are getting too small too quickly. I think they've overdone it themselves and they now realise they have.
- JONES: And then got frightened, do you think that?
- PM: I think so. I think they know that the business they had in the Eighties, which might have been a bit hairy.. hairum scarum at the edges, is now actually contracting and they are concerned about the pace they're running off.
- JONES: There was a show you just cancelled - a very quick one about Paul Keating and how tough he is. I mean, out there they actually think there's a whole heap of money being wasted. Taxpayers money. And we saw this project the other day, \$200,000 to fund a revolutionary booklet. And Brian Howe withdrew it, and you had something to say about that sex diary, and so on. How tough is Paul Keating? He must see these anomalies out there: a waste of taxpayers' money on a range of fronts. Are you going to kick, continue to kick a few heads?
- PM: Well, in the Eighties we cut this place back by \$30,000 million a year. And that's why in this package, that's why this package is affordable. I mean, when the times were good, we cut those big deficits back to a surplus. And now that times are difficult, this is the time to actually spend some money. So don't let John Hewson or anyone else say: "This is not the time to give the economy a bit of the spend." It is.
- JONES: Good to talk to you. Thank you for your time.
- PM: Thank you, Alan.
- JONES: Prime Minister Keating.

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