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PRESS GALLERY PARLIAMENT HOUSE CANBERRA
PHONE: (06) 273 1300 FAX: (06) 273 1079

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JIM WALEY: After a bold start to his bid to catapult Labor to a fifth election victory, Paul Keating has lost some of his momentum of late. The forced resignation of Senator Graham Richardson, continuing revelations over the Marshall Islands affair, factional brawling and a massive budget blow-out - all helping to rob the Prime Minister of the political initiative. With an election looming it's imperative he get it back quickly. Time is a luxury Mr Keating simply doesn't have.

The Prime Minister is in our Canberra studio this morning and here to talk with him, Sunday's political editor, Laurie Oakes. Laurie -

LAURIE OAKES: Thanks, Jim. Mr Keating, welcome back to the program.

PAUL KEATING: Thank you, Laurie.

LAURIE OAKES: Almost a year ago to the day you said on this program there would be a touch of excitement if you became Prime Minister. But presumably the sort of excitement you had in mind wasn't allegations of scandal, ministerial resignations, factional brawling?

PAUL KEATING: We've had, I think, more than a touch of it. We've taken Federal Labor's stocks from a 28 per cent in the polls, to around 40, and the One Nation package has totally re-launched the Federal Labor Party, in terms of issues, running up to the next election and I wouldn't pretend like anyone else - any other real person in public life - that

every week goes swimmingly for you. Obviously it doesn't but the main thing is in this last week we in the Cabinet have been working on the big issues.

And I might say that the issues we've been working on, while the Opposition have been rabbiting on in the Senate about letters and correspondence, we've been looking at a revolution in aviation and telecommunications and also we've had on the stocks a long term consideration of the technical and further education system.

LAURIE OAKES: I'll ask you about those in a moment but do you accept that the Government has hit a wall? As you said, you were going well for a while but you've fallen in a hole haven't you?

PAUL KEATING: I think, Laurie, you've got to make an impression of these things outside. I believe that a party's progress builds cumulatively. I think a week of these sort of things doesn't knock the cumulative effect down. It may retard one's progress but in terms of the broader sweep I think the public are a bit smart about all these things.

Look, last weekend we had Wal Fife, the Leader of Government Opposition Business in the House of Representatives, knocked out of his seat under protests by John Sharp, the Country Party member. We had Durack, Dr Hewson's shadow Attorney-General, defeated by the Crichton-Browne faction in Western Australia. We've got similar problems in the New South Wales selections at the moment. I mean all parties have these running up to a poll and I think the media sort of put a big discount through the public's intelligence about these things.

LAURIE OAKES: But you haven't got much time. Do you have a strategy to get out of the hole, to get back on track?

PAUL KEATING: I mean the strategy for me has always been, throughout my whole ministerial life, and public life for that matter, keeping on pressing on to the structural and major policy changes. That's what I've been doing. This week, when the journalists ran out of the Senate after each question to Senator Evans, and out of the House of Representatives, and

back to file their stories - we went back to the Cabinet Room working on issues of substance.

I didn't spend my week rattling through Senate Hansards. I spent them going through the policy discussions around the issues I mentioned to you earlier and looking at Cabinet material around that.

LAURIE OAKES: Let me ask you about some of those issues? You mentioned aviation. Are we to see a merger of Qantas and Australian Airlines?

PAUL KEATING: What we're contemplating is the building of an international competitive aviation market in Australia so that the interface between international aviation and domestic aviation is not the broken one it is now, but one where the domestic players are international players. That'll mean building at least two international carriers, maybe more.

One of the options we're looking at is the merging of Qantas and Australian Airlines but, as you know, the Government intends to sell 100 per cent of Australian and 49 per cent of Qantas. If we roll the two into a merged entity it would mean one of the options for us is to sell the value of 100 per cent of Australian and 49 per cent of Qantas in the merged entity, which would probably run out to about 70 per cent of Qantas, which would mean that Qantas would then have a domestic arm in Australian.

We are setting up a commission by legislation this week to award routes to other carriers. The other carrier, of course, in that context would be Ansett. That is to internationalise another domestic player.

LAURIE OAKES: And where does Air New Zealand fit into this? Part of your original plan was an integrated aviation market with New Zealand, was it not?

PAUL KEATING: That's still part of the plan and very shortly, I believe, we'll secure an agreement with New Zealand to create one Australasian airline market and in that we will see Australian planes and New Zealand planes more frequently flying across the Tasman. The question of on-routes outside of Australia will also be resolved.

So what you'll see, Laurie, is the capacity of Australians to have a better airline system, cheaper fares and a rational development of the airlines away from that terrible two-airline policy the Liberals saddled us up with for 30 years and, I might say, which they renewed three weeks before the 1983 election. Again, Labor's been the only party to break these arrangements up and now try and thread its way through to a really decent, tremendously competitive structure.

LAURIE OAKES: Let me get this straight. You'll sell something like 70 per cent of a merged airline. Why not the whole lot?

PAUL KEATING: The options are these: that we have Qantas acquire Australian; that we sell 49 per cent of the merged entity. That would mean nothing for the Budget. That would mean all of the proceeds going back into the recapitalisation of the merged entity.

The alternative would be to sell down the value of 100 per cent of Australian and 49 per cent of Qantas, which would be about 70 per cent of Qantas. We could do that by a float to the Australian people, as we did with the Commonwealth Bank, and maybe reserving in that float substantial sections of the shares for other major international airlines who might wish to take a piece of it and manage it because part of the weakness of Qantas is its management structure.

LAURIE OAKES: The two things that arise out of that, of course, if you're going to sell 70 per cent - why not 100? You haven't got control, anyway.

PAUL KEATING: That is again an option, but it's a matter for the Party then. We have to I think then consider that at a conference level, whereas we have authority from a year or so back for 100 per cent of Australian and 49 per cent of Qantas.

LAURIE OAKES: The second thing that arises: at that conference you talked about the argument was there's no place for a government-owned airline in domestic aviation. Now you're stepping away from that.

PAUL KEATING: Well, the point is the synergies which arise

from the purchase of Australian by Qantas are quite profound and if we were to sell down the stock of the value of 100 per cent of Australian and the 49 per cent of Qantas, to all intents and purposes that point I made then would be well and truly satisfied.

LAURIE OAKES: You also mentioned broadcasting. What's going to happen to pay television? That's on the Cabinet agenda for tomorrow as well, is it not?

PAUL KEATING: It is.

LAURIE OAKES: Are we looking at the Richardson plan being put up by the new Minister?

PAUL KEATING: Graham Richardson was basically moving along with the policy as it obtained before he became the Minister. What I've said is I've been quite uncomfortable about the fact that we're about to exclusively nominate satellite television as the only vehicle for pay television between now and the year 1999. Particularly when other technologies are available, like fibre optic cable and MDS - that's local radio transmission of television into homes. So what I've said to Bob Collins, and he agrees, is we should look at the option of taking away the exclusivity of satellite transmission of pay television. In other words, the satellite will still be the forerunner because it's got a number of years head start -

LAURIE OAKES: Yes.

PAUL KEATING: But there's no particular reason why we ought to make it exclusive. There's no particular reason why Telecom, who has cabled up most of the Australian suburbs at least to the street corner, if not to the home, that anyone else that wants to be in the pay business shouldn't be able to be in it.

LAURIE OAKES: Immediately?

PAUL KEATING: Well they can't because they haven't got it wired up to the homes. So the only immediate one will be the satellite and because the satellite is immediate, the Government is going to put on it ownership limits that it would be less likely to put upon cable or the local radio transmission style - MDS style - pay TV.

LAURIE OAKES: So if you get your way it won't just be a four-channel satellite pay TV consortium. That will exist, but anyone else can get into the business as well once the cable is there?

PAUL KEATING: There'll be a four-channel consortium. There can be another consortium for the separate transponder - the fifth transponder; another one for the sixth transponder; and anyone else who wants to come with any other technology, including cable. This of course, Laurie, would virtually create a revolution in Australian telecommunications and give Australians -- You see fibre optics has the capacity to put 200 channels into a house and also to answer back. You could deal with your bank or deal with your supermarket. Whereas the satellite can at this stage put only four channels into a home and even though there's a thing called digital compression rattling down the road which may increase that, it's not going to do in the long run what fibre can do.

I don't believe, having kept the slate clean -- Can I just make this point: We kept the slate clean on colour television for years so that Australia in the latter part chose the right technology. It chose Pal-D. We've kept the slate clean on pay but at the eleventh hour I believe we look like choosing a very limited technology and denying to ourselves the right to at least choose alternative and maybe superior technologies. So, you know, I've said to Collins I don't think this is on. I think he agrees and we're now trying to construct --

That's what I've been doing this week, Laurie. Not reading Senate Hansards.

LAURIE OAKES: Will that go to Cabinet tomorrow?

PAUL KEATING: It'll go to Cabinet Monday and Tuesday.

LAURIE OAKES: Mr Keating, we'll pause for a commercial break.

PAUL KEATING: Thank you.

(Commercial break)

LAURIE OAKES: Welcome back. Mr Keating, just to finish off

the pay television issue. What role will the networks have in this? Will there still be a place for them in the consortia?

PAUL KEATING: They're going to be thrown a difficult entrepreneurial choice. They always tell us how good they are. We'll now see how good they are and they can make a decision whether they actually bid for the four transponders off the satellite; just go for a movie channel on the fifth, or a sports channel on the sixth; or wait and do something else on pay.

The one thing is, Laurie, obviously with that diversity it'll be a case of many are called but few are chosen. The public will choose few, as has been the case in many other countries. But at least we shouldn't be locking these technologies out, which I think the sort of restrictive approach we had, did. As you know, we're going over a bit of old history but I never liked that.

LAURIE OAKES: No. If the networks can get involved, what restrictions will there be to minimise concentration of ownership?

PAUL KEATING: In terms of the satellite, because there will now be other technologies the case for restrictions diminishes. So I think Senator Collins is proposing 45 per cent all up for the networks and any one level of 20. But then if the networks of course don't choose - I mean it's very likely the networks, or a network, would not choose the satellite and just let it go to somebody else and just try their hand three or four years later, on cable.

LAURIE OAKES: The big issue, though, is still obviously economic policy and the big issue in economic policy is unemployment. I gather Bill Kelty gave you the rounds of the kitchen on Thursday night about that and told you you couldn't win the election unless you did something about that.

PAUL KEATING: No, that story is untrue. That's just a furphy. We had a debate there about tariffs and the impact of tariffs but not about -- Bill Kelty knows as well as anybody what the Government's done about employment. He's on the Reserve Bank board. He knows we're now looking at bill rates

of 6½ per cent because he's been party to the decision which reduced interest rates by one per cent. He knows we've got \$2.3 billion in the One Nation spending and, as part of the discussion with the trade unions last Thursday, I went through the progress of the implementation of One Nation - in the rail programs, in the payment to families, in the various other changes.

So I think the ACTU is well aware of that but the textile, clothing and footwear industries have been beating a drum about tariffs now for some time. That was picked up by a few other people but -

LAURIE OAKES: Did you promise to look at some way to cushion industry's hurt by the lowering of protection?

PAUL KEATING: No. What we said was where we think there have been maybe unfair trade practices on the part of others, we would look at that. Or, maybe in some areas where better adjustment programs can be put into place, that perhaps we could examine that.

LAURIE OAKES: What about youth unemployment? Are you planning any initiatives there? That's clearly the most worrying aspect of the whole problem.

PAUL KEATING: I think the most significant thing there is in technical and further education. I've spent the last couple of weeks with Kim Beazley and John Dawkins and others talking about this. You see, Laurie, Labor took the participation rate of kids in secondary school from 3 in 10 to nearly 8 in 10. Now, 40 per cent of those - or just on 40 - 35 to 40 are now finding tertiary places. The others are cascading, not into technical and further education - only some are. They are just not being trained. I think that's a tragedy and that's why in One Nation we try to lift the whole, if you like, level and profile of the training institutions through TAFE.

We put this proposition to the States that the Commonwealth take over TAFE. Frankly, some of the States have been quite obstructionist about this. We're getting cooperation in Victoria; quite a bit from New South Wales;

virtually none from anyone else.

LAURIE OAKES: What do you do about that?

PAUL KEATING: Well, I think we have two options: that is that we will maintain our recurrent effort for the existing TAFE system. We won't take the dog and the manger approach of pulling out but we will wind our capital program back and the Commonwealth will itself build a new system of vocational education.

We will build new institutes of vocational education which have a much closer focus on the labour market and industry and perhaps do it with industry in areas which are going to be important. In other words, as we have lifted up the quality of tertiary education with the universities, we can so too do that with a new system of vocational education while at the same time continuing the recurrent effort but having a greater grip over the policy the States employ for the recurrent funding we provide them.

LAURIE OAKES: So you'll run a parallel system to TAFE?

PAUL KEATING: That's one of the options. We're still in this discussion -

LAURIE OAKES: A serious option?

PAUL KEATING: A serious option. We're still in discussions with them but it is a serious option because a lot of the people providing TAFE training are trades persons who stopped actually practising their trade 15 or 20 years ago. The whole world's moved on. TAFE's a system provided by the providers. It's not necessarily a system that looks after Australian kids - trains them for jobs and trains them for things to do. So we're focussing on that and if we could get a breakthrough there it would totally revolutionise education from the tertiary level down - that is beyond compulsory education.

LAURIE OAKES: If we could just finish on general politics, Mr Keating. The Government has been taking a pasting. You've had Gareth Evans talking about documents going astray in his office; Ros Kelly blaming her Department for a terrible mess up. You can't be very happy with the way your Government's performing.

PAUL KEATING: We've had a better week than we've had in the last couple of weeks, Laurie, obviously, but the day that Senator Evans's office apparently received these documents was the day of the attack on the Iranian Embassy. Senator Evans was himself abroad. I mean requiring of his staff, weeks ahead of this becoming an issue, that all of these matters are referred to - referred to the Minister abroad - putting him on notice with it for issues which then were seemingly of modest relevance, at the time, is being unfair after the event.

This is what Oppositions are about but the Senate's trying to behave like a court and the silly notion is that the Government has actually got an obligation to help Senate Ministers provide information. I mean we don't, and we won't.

LAURIE OAKES: But aren't you concerned that the Government looks sloppy?

PAUL KEATING: Yes, but -

LAURIE OAKES: What do you do about it?

PAUL KEATING: You tell people about the issues I've just spoken to you about. You tell people that in the real changes - which the Federal Liberal Party of Australia and the Country Party and the National Party never ever contemplated - in television; in airlines, from their lousy regulated systems; in education, which they were happy to leave 3 kids in 10 only complete secondary school, never cared about TAFE. In those things, again, it's always Labor down to the substance and that's what we're about.

I mean, the point of me coming on your program - the point of the dissemination of news of public affairs - is to tell Australians that on the substance rather than the flim flam - I mean I'm not the one publishing pamphlets saying that a GST will stop someone breaking into your house. That sort of low political nonsense is coming from Dr Hewson.

The notion that the reason that there's been break-ins is because of nine years of Federal Labor Government or, worse, that you can actually stop a break-in of your house by putting 15 per cent on your Weetbix. This is the sort of low politics that this fellow's trafficking in while the Government's

looking at a revolution in television, aviation and education.
I'll leave it to you to judge, Laurie.

LAURIE OAKES: We're out of time but thanks very much, Prime Minister.

PAUL KEATING: Thank you.

LAURIE OAKES: Back to you, Jim.

JIM WALEY: The Prime Minister there, talking with Laurie Oakes.

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(transcript by NJP - Monitor)

Inquiries to Peter Harvey, Press Gallery, Parliament House, Canberra