



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
INTERVIEW WITH JOHN LAWS, 2UE, 4 JUNE 1992

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JL: ... I think it might have been weary.

PM: Well we had a week of Parliament and then I had a 7 o'clock breakfast for the Olympic Committee on Friday, and a lunch time speech to the Tourism Task Force and a speech at 3 o'clock for the TWU, and then at 6 o'clock at Parliament House.

JL: You are a stop out aren't you?

PM: Well I can't stay away from it.

JL: I didn't know you were a big party goer like that.

PM: That was just a fund raiser, but by the time Friday night was over I was just about pooped, and then I had all this policy stuff which I talked about on the weekend and which we done this week.

JL: Listen, you realise that the object of this interview has got nothing to do with the important running and operation of Australia, it's simply to let these half-wit journalists know that you and I are still talking to each other.

PM: We are certainly doing that. Yes, the last time I had a bit of tucker with you was after that Balmain/Canterbury game.

JL: Yes, didn't I do you a favour that night? I introduced you to Tim Storrier.

PM: You did too and he gave me his tie.

JL: He gave you more than that. He told you how to run the country.

PM: I know, yes that's right. I used his tie, but it came up so bright green, when I saw the TV play-back

I thought well that's got to be the last time I use it.

JL: It's been an amazing few days in Canberra, you must have made a conscience decision to gain the initiative?

PM: I had all these things on the go. It's just that we had all these problems in the Senate a few weeks ago, but the policy things we had like the reconstruction of the airlines, that was the merging of Qantas and Australian and its sale, the establishment of a commission to award routes to another carrier - in this case it will be, amongst others, Ansett - to build a proper airline system. And then pay television was something we had on under debate. During that week you talked about, we had Parliament sitting and then that busy Friday, I had all this stuff in the night you see. So we were already to do it. So I said on Oakes' program on the weekend this is what we're going to do, and then this week we've done it.

JL: Yes, obviously you didn't consider it a risk. I know you like to take the odd one, but you didn't consider it a big risk to announce it on television before you talked to Cabinet or Caucus?

PM: It's because we had such extensive ministerial discussions about these things. None of us can take it on ourselves and just say we are going this way or that way. We'd worked all these options up. And even so, like anybody else if you want to say something early you've always got to take the risk of someone not agreeing. But the fact is, the Cabinet agreed to this and the Caucus. But the Caucus didn't agree easily and on television we came to a very good solution in the end - one which will be great for Australian consumers of entertainment, that's movies, sport, news, and good for the technology as well.

JL: The airline thing is pretty important and when you say you've had it on the boil for a while, it hasn't been there all that long, and I was talking to some people early this morning, the reaction I get incidentally from people in the airline industry that it's absolutely fantastic. But they were saying to me this morning six months ago Qantas couldn't even buy one share in Australian - that's how tied up they were. So how were you able to turn it around so quickly?

PM: We came to the conclusion that selling Australian on a stand alone basis and selling 49 per cent of Qantas meant that the Commonwealth of Australia, the public purse basically was treated pretty poorly there, we just couldn't get the good prices for

them. But put together the synergies so called, the operating efficiency gains of the two companies running together were quite profound. So Qantas will now pay the budget \$400 million for Australian Airlines and we will float Qantas to the people, and it will be owned just as we did the Commonwealth Bank. Remember I did the Commonwealth Bank float?

JL: Yes.

PM: And the shares there?

JL: Yes.

PM: That was one of the most successful floats in our history. The largest float in Australian history and the most successful.

JL: How will the average Australian benefit from this Qantas deal?

PM: For a start Qantas becomes a real airline with a domestic base and an international base rather than just a ring fence around Australia so it drops people at Mascot or Melbourne and it can't fly domestic routes. That's all finished. Australian will now be a domestic route flyer and it will then have that connection to Qantas. And what will probably happen in the sale process, one of the world airlines like British Airways or maybe Singapore, will also buy a piece of the equity so we'll get an international set of linkages out of it. So you'll be able to go from Wagga to Sydney, from Sydney to where ever and then link up with BA or Singapore or whoever bids for Qantas. So Qantas is going to end up now a major regional carrier and a world player.

JL: How did you manage to convince those funny fellows in the Left, and you've got a few funny fellows in the Left, that this was a right and proper thing to do and the way a Labor Party should behave?

PM: We are a very plural show John, we're a very plural outfit. I think they think that we were going to basically receive very low prices for them, no one is going to pay you much for 49 per cent of the company. Australian, you remember, had two bad years of profit. It had the pilot strike the year before last and then last year it had the heavy Compass discounts which cut its profits into loss. So anyone who could see the blue sky, the upside in Australian, could see a higher price some years out. But right now you wouldn't get a high price for it. But putting the two together the value to Qantas was quite profound. The other thing is, Ansett which has been a domestic carrier will now be able to apply to this new air routes Tribunal, and it will

have international routes awarded to it. So we'll end up with two carriers, two international carriers not just one. So there will be competition in international as well as domestic and as well as that trans Tasman. You will be able to hop on at a domestic terminal in Sydney and hop off at a domestic terminal in New Zealand.

JL: Yes all these are very positive things that have all happened very quickly and I mean it has been an extraordinary few days. It's been more than a break through it's been a crash through and you've convinced people that I would have thought would have taken a lot of convincing to do things that you believe are going to be better for Australia. But it all comes out of a pretty bad period doesn't it?

PM: We got caught up with this problem in the Senate and Senator Richardson. Look, Richo did nothing improper. He was unguarded with somebody who was prepared to prey upon his best instincts, put it that way. But you see this sort of kangaroo court routine they do in the Senate these days means it just gets dragged out, so Richardson said better for the Government I go. So we put that behind us. But understand this John, all of this was going on while all of that was on. It's not as if the Government had stopped, the thing is the Government was going on.

The main point is this, there's been more change since I did the 'One Nation' statement - the rebuilding of the railway system, it's now going on; the total renovation of the airlines; now our discussions with the States to rebuild and make a new technical and further education system for our kids.

JL: Yes, I want to talk to you about that because I think that's a great idea and obviously it is required. When you think that there are 50,000 kids who had the qualifications to get into university and couldn't because there wasn't room, I mean that's disgraceful.

PM: You see there's more changes in that package than there was in 15 years of Liberal governments. I used to sit here for years and nothing like this would happen. Just on airlines, remember this - the former Liberal government signed the two airline agreement, the cosy high fare, high priced two airline agreement after the writs had been issued three weeks before the 1983 election and it was binding on us for 8 years.

JL: Yes, but tell me this - why would they have done that? What was in it for them?

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- PM: Just a home town decision, just playing to their mates. One of their mates in those days was Ansett Airlines.
- JL: I see, so really it was jobs for the boys on a grand scale.
- PM: Yes, these guys never broke through the micro changes. They never did the right things for the airlines, never did the right things in telecommunications, never did the right things in fiscal policy, never tried to internationalise Australia, sat there like slugs for years. We come along and in the last 8 years we've totally changed Australia and we internationalised the place. Now with low inflation, the lowest inflation rate in 20 years, and the lowest interest rates.
- JL: Just back to the Graham Richardson thing, because you know my thoughts on that subject. It must be unbelievably aggravating to have to allow something like that to happen because of the niggling in the Senate which really was based on very little, and proved very little except that I believe as you believe that he's done nothing untoward. You can't afford to waste fellows like that can you? Whether you like him or dislike him, or whether or vote Labor or whether you vote Liberal, you can't afford to do without fellows like that.
- PM: No, because you see the public system is not producing enough people of decision making quality, people who will break the system through. Now in the Labor Party I think it is true we've been finding the people, but it's certainly not true in the Coalition. And the whole political system know this because the people in it cop so much and wear so much, so that a lot of the talented people won't go into public life. The ones that are there having a go just cop it in the neck all the time.
- JL: Ok, well what happens to a bloke like Graham Richardson? He can't be lost from public life.
- PM: No he'll stay as a Senator. If we win the next election he'll probably bob up again.
- JL: As a Minister?
- PM: As a Minister yes.
- JL: Would you put him back where he was? He was good.
- PM: We'll have to see then where all the positions are, but he liked the job and he was good at it. He had the work well in hand at the time he left. Bob Collins has now taken it up and doing a good job with it. He was his assistant Minister anyway, and

had aviation for a number of years, and was representing Kim Beazley in the Senate when Kim had telecommunications. Bob was across both areas and was able to take the job quickly.

JL: The job is really too big, both areas?

PM: It is a bit too big, it was part of the ministerial changes of about three/four years ago. But it's become a huge micro-economic reform department and actually it works well as a micro-reform department. I've now come to the view that actually if we did separate them we'd end up with two more conservative departments than we have in, I think, a department which is prepared to reform things.

JL: Ok, but when Senator Richardson returns as a Minister, if you're re-elected, it wouldn't be unlikely that he'd go back where he was?

PM: It wouldn't be unlikely no. It wouldn't be impossible. I don't know what he'd like to do. He might like to do something else. But again, let's wait and see what happens, he may not exercise that option.

JL: Yes, you might make him Minister for Sport.

PM: Well.

JL: It's about time we had one.

PM: He might decide being a private member is much nicer than being a minister. I wouldn't be surprised if he came to that conclusion.

JL: I don't know, there are a few advantages.

PM: I had six months on the grass and I enjoyed every minute of it.

JL: Yes, but a bit tough on the house keeping isn't it?

PM: It's a bit weighty on the house keeping.

JL: When are we really going to get a Minister for Sport who understands sport? When we had John Brown there it was fantastic and sport was up high and talked about and enthused about, that's not happening now.

PM: I don't know. The people going to the Olympics will go off with a \$10 million budget. Ten years ago when they went to the Olympics Malcolm Fraser gave them \$800,000. So \$800,000 to \$10 million. We're spending \$68 million a year on sport this year, in 1983 that was about \$6 million. So from a government's point of view we are still pouring a lot into sport.

- JL: Yes, but it's a piddling amount when you think of the amount you take out in tobacco levies which you now won't let sponsor sport, and they were doing a wonderful job sponsoring sport.
- PM: Yes, but they were also doing a wonderful job teaching young kids to smoke, have a drag on a fag, and that wasn't doing anyone any good either.
- JL: No, but you see the evidence in that area is totally incorrect ...
- PM: You are a beaver on this one.
- JL: I mean, you know, it's the opportunists who get in the ear of people like Roslyn Joan and tell her that it's naughty to smoke cigarettes so she hangs her hat on that one, only tell her half of the figures. The fact is that those brands that were involved in sport do sell a lot of cigarettes, but cigarette increase in older people is greater and they're buying those brands not young kids, that's all nonsense.
- PM: Well that's not what the data says.
- JL: Yes it is. You only see half the data, she only shows you half the data.
- PM: You should sign a nomination form. We could make you Minister for Sport, in the game.
- JL: OK, I thought you might put me in charge of the Broadcasting Tribunal.
- PM: Well Roslyn is flying down to Rio, you know it's like that old Fred Astaire film 'Flying Down to Rio'. I don't know whether she'll be tripping the light fantastic there or not.
- JL: Well I don't know. I think a lot of people wouldn't mind seeing her jump on the wing of an aeroplane. Remember in 'Flying Down to Rio' when they all stood on the wing of the aeroplane?
- PM: That's right, yes.
- JL: Fantastic. Back to more important things, she does take \$3 billion out of the revenue excise for tobacco, so what goes back into sport, really by comparison, is not a great amount.
- PM: Can I just say though, excise revenues - the Commonwealth has got to make up it's revenue whether it's by income tax, company tax, excises, petrol, crude oil, whatever. It doesn't mean where it comes is where it goes back, it never did. That's called

hypothocation, we've never had that. And John until the Labor Party came along the sports budgets were no work. I mean everyone in professional sports knows that.

JL: I agree with that, but we had a good fellow set that up, John Brown, he sadly got lost to public life as well. And you see that's the point that people don't understand. It's the same with you. Like you or dislike like, vote for you or not vote for you the fact is that you're there and all the Australian people should do their best to get behind you because you are the Government.

PM: Well at least we try and make things happen, we don't sit down here on our hands. Australians, I'm not sure they understand that in the last decade there has been more change than the previous 30 years, in terms of the way Australia will function in the long run. We have set Australia up now as a low inflation society. Two days ago the Current Account deficit came out, it's 2 and 3/4 per cent of GDP, it's down to the debt stabilisation point from 6. We are winning now dramatically the current account battle, we've won the inflation battle. These were the two scourges on Australia. Sure, we've had the pain of the recession to go with it, part of it. But it wasn't just the recession that pulled inflation down because after the last recession inflation was 10.5 per cent in early 1983. After this recession it's 1.5, mainly because of the Accord and the tax cuts of 1988/89 and the wage outcomes.

JL: Yes, but what about the huge problem of unemployment particularly with youth?

PM: That's exactly right and I addressed myself to that subject a day or so ago, and that's why technical and further education is important. Let me just give you a little picture about education and kids and participation. In 1983 John, 3 kids in 10 completed secondary school. Now how in the hell can we hope to be a technologically advanced country, how could you say that you cared for your kids if 3 in 10 only completed secondary school? That's now nearly 8 in 10 as a result of this Governments policies. Forty per cent of those kids then get into university places.

JL: Yes and can I say this to you, there will be many who will say, and quite correctly, that a lot of kids are now staying on longer at school because they are absolutely aware of the fact that if they were to leave they wouldn't get a job anyway.

PM: That may be true, that may in part be true, but the thing is they'll come out with qualifications and

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find jobs which are not what John Howard calls dead end jobs, jobs with low skills.

JL: But how can they do that if 50,000 of them can't get an education when they are entitled to it by their qualifications?

PM: Look, let me just say this about tertiary education, about the universities. Since 1985 the Government has added 50 per cent of places to universities. We've added 120,000 places or the equivalent of 12 universities. Twelve universities with a campus size of 10,000. That's just a phenomenal rate of growth in tertiary places. For a country like ourselves ...

JL: But it's obviously not enough. I mean you were there for eight years before?

PM: No, this is from 1985. We were there for two years before. These other characters who have proceeded us, 3 kids in 10 completed secondary school. You can't go to university if you can't even get through school.

JL: No, but even if these kids are completing secondary school they still can't get into university.

PM: I'm just saying we added 50 per cent of places. We put 120,000 extra places into universities and the proportion of Australian kids going to universities is now about the average or better than the average of the OECD. We are at the stage now where our proportion of the school leaving population going to university is about right. The problem is TAFE. The problem is we've got 60 per cent of kids cascading out of high school, and if they don't go into technical and further education they go into sort of milk bars or shopping mall plazas or railway stations or something.

JL: I suppose somebody has got to do it.

PM: I'm not saying the jobs, I'm saying they just hang about. The fact is we have an immature technical and further vocational educational system, that is people who want to do basic courses to find jobs. And we're not catering for it, and that's why in the 'One Nation' statement and now Kim Beazley is now negotiating with the States to develop a mature technical and further education system. So we end up like countries like Germany where most kids go into TAFE and the people who run the big German companies BMW, Mercedes, Siemens, come out of their vocational education system, they are not coming out of universities. The people who actually run those shows come out of the vocational education area.

- JL: Ok, well that's what's got to be rectified here obviously, but the cry is, and why not, I mean you rushed through the airline policy and the TV, why not the initiative on youth unemployment, why not the TAFE problem being rushed?
- PM: Because we've got the dear old States haven't we, six of them. You know what they're like dragging them along, you get pulling teeth.
- JL: Yes, but you're the boss.
- PM: No they're sovereign you see. Under the Constitution the Commonwealth was not given express powers over education. The powers reside with the States. We can only do it through our Financial Assistance Grant power, it's all carrot and sticks - this sort of stuff, it's all carrots. So we don't have a clear power.
- JL: But can't you set up, I mean there is talk of you setting up a form of TAFE to rival the States anyway?
- PM: What we're basically saying to the States is look, you handle compulsory education, primary and secondary, we'll handle post compulsory, we'll handle TAFE and universities. And I made the offer two days ago that we'll not only take over the funding of TAFE we'll actually take over its administration. In other words, we'll take from the States if they wish, the whole burden of technical and further education and do for TAFE what we did for university - build a solid, mature, high quality system.
- JL: Well when are you likely to get a reply from the States?
- PM: Kim's seeing them within the next day or two again. But you see, some of them dig in and say look, it's TAFE one day, what's next? In other words there's more aggregation of central power they say, we're against this. And you say well hang on, we're only a nation of 17 million, there's only one of us so what's wrong with that? What's wrong with building a national system of TAFE? And they so oh well, it's just a further incursion to States rights, and we say well hang on, that's only a line drawn on the boundary by a bureaucrat in a colonial office in Britain, let's not get too hung up about it. But they are hung up about it, so we've now gone one further than we did in 'One Nation'. In 'One Nation' we said we'd take over the funding of TAFE and share the administration. What I said to days ago is we'll take over the funding of TAFE and the administration, we'll take the whole burden. Some States might find that attractive.

- JL: But does that mean they all have to find it attractive?
- PM: No, if Victoria gave us a system which I think they would, if NSW gave us a system and one or two of the other states, then we'll just continue to fund them as we do now, that is joint fund them. But the growth, if they want to keep it, they'll have to handle the growth. Not all of it, we'll handle some of it ourselves, but they'll also handle growth.
- JL: This fellow Arch Bishop Peter Hollingworth, who didn't get on too well with your predecessor ...
- PM: He is a good fellow.
- JL: He is a good fellow and he came up with some good ideas, he reminded us that 30 per cent of the 18 to 25 year olds who are unemployed often for more than 12 months are out there and they should have something done with them. He also talked about the 15,000 other young people that you and I have just discussed, but he also talked about a form of national service, non-military national service, voluntary national service scheme to keep these people up to date with the work ethics so that they don't sit around doing nothing, so that they are in fact gainfully employed and making this place a bit better. Is it not a bad idea?
- PM: I spoke at the conference Peter spoke at, his plane was late so I didn't see him there but he came into see me yesterday with some other members of the organisers of that conference and he's given me the paper he presented with this proposal. I haven't look at it yet John, but I will.
- JL: But there are a lot of unemployed. There are a million unemployed people in Australian 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 Australian 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 there's 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