



## PRIME MINISTER

TRANSCRIPT OF INTERVIEW/TALKBACK WITH GERRY GANNON, 6WF ABC  
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E AND OE PROOF ONLY

GANNON: At your breakfast this morning you were talking about economic growth of 4.5%. A market analyst I have just spoken with said a bit optimistic, he reckons may be 2/2.5%

PM: I think most of the private forecasters think as we do. The economy is picking up and it's picking up in the first instance in Western Australia and in Queensland in the two large agricultural and mining states. Part of that is because national economic policy has preferred now for most of the last decade the things we do comparatively well, where we have a comparative advantage and we have a comparative advantage in minerals and we have it in food and the structural change which has been on now for nearly a decade has suited very much Western Australia and Queensland and as a result they are recovering now I think more quickly than the other states, but we expect across the year quite reasonable rates of growth.

GANNON: But despite that forecast for growth you don't see any great joy in the unemployment front?

PM: Employment is picking up in Western Australia, the trends here and in Queensland are quite good and NSW employment has picked up as well but it is patchy across the country. See what's happened is businesses have become quite lean now they are much more productive. That is they are producing a similar sort of output with fewer people and that is called productivity. Now as the economy grows they will reach a point where they have to put more people on. That is they won't be able to go down their productivity mine any further looking for efficiencies and they will simply just have to engage more people and it's that lag between growth and employment which pulls up behind, it is the lag we are living through now.

2.

GANNON: So productivity is helping keep some us out of work in fact?

PM: That's exactly right.

GANNON: Let's go to some calls and a couple of listeners who couldn't hang about ask you, what can federal and state governments do to encourage the planting of harvestable timber forests and what impact might this have on unemployment?

PM: I think we do have great opportunities in Australia with forest products and plantation hardwoods and softwoods are going to be I think part of our future and some of the large companies are now into plantations and see this as a way out of native forests but I think it is going to be one of the things we can do well. How much we need to do beyond the sort of general incentive we have got there for write offs and depreciation and low interest rates and the rest I don't know but, so far there has been no inhibition to the planting of plantations.

GANNON: Another question Prime Minister, you made some comments I think it was at the weekend concerning the image of Australians and the ocker image. A male listener wants to know what about the image of some of our politicians who sort of tend to sport an ocker image from time to time. Do you think that might need addressing?

PM: I think the subtle things about Australia, I made the point the other day for instance the United Nations representative on the Committee on the Elimination of Discrimination Against Women, I presented Ambassador Tallaway with Australia's second report and she made the point that policy in relation to women in this country is really second to none around the world the changes through the 1980s. That's not known around the world, a lot of our cultural, scientific, technological achievements. For instance in aged care policy we are now leading the world, that's not known. I would like other things to be known about Australia other than we put a shrimp on the barbeque you know what I mean.

GANNON: But that has served us well.

PM: That served us very well, it served us very well with an important audience, important market, particularly in the USA and it does very well and appropriately typifies the outdoor image of Australia but there are other images as we know. This is a subtle country and it's got a lot of texture about it and if that is exposed to some of the big markets you will get the people who are interested in those things coming here.

GANNON: Let's take some calls.

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TERRY: I am not going to complain about anything which is probably a let up for you. I just want to assure you of my support I think you are probably in my lifetime, I am 47, the first really Australian Prime Minister we have had.

PM: Thank you for saying so.

TERRY: And you are a leader, you are leading us, the people might not want to go where you want to lead them at the moment but I think in time they will look back and I think you will be looked upon kindly.

PM: Can I just respond and just say this to you, thank you for the remarks but what I am trying to do is this, that the old Australia the Australia of the 1970s which was in the end a piece of industrial archaeology, old smokestack industries that couldn't survive the competitiveness of the area we live in or the rest of the world. We have opened it up so that the areas of comparative advantage which for instance Western Australia enjoys can give Australians higher levels of growth and wealth and at the same time as we are doing that structural change which is still continuing despite the fact that it has been overlaid in the last couple of years by a recession, when we come out we will come out with a low inflation recovery and a lot of productive economy into the 1990s which can employ lots of people and as we are doing that I want us to declare for Australia, to say we are a unique country and we want to advertise ourselves as unique and present ourselves as unique. So if I can do some of those things I will be very happy.

MARIE: I would like to ask Mr Keating why can't the dependent spouse rebate be substantially increased?

PM: We have increased it a couple of times Marie over the period of time but most particularly we have put support into support for children by way of the family allowance supplement where most of the growth has gone and into the family allowance. The dependent spouse rebate is for generally a taxpayer with one dependent and it's mostly for taxpayers whose family are off their hands who may have a wife at home and the DSR is some tax compensation for that dependency but the main dependency of life is children and that is why we have always focussed that into them.

MARIE: I just feel that the \$1,300 or round about that mark isn't enough incentive for one parent to stay at home and be a parent and there is too many families where both parents are going off to work and if there was more, if that rebate was a lot greater like triple it or even greater there may be more incentive for one of the parents to be at home.

PM: It's not meant as an incentive to stay at home, it's a tax trade off against the tax free threshold which if you are in the workforce is \$5,400, that is before you pay a

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PM: (cont'd) dollar of tax you have to earn \$5,400 and the tax payable on that in some way the dependent spouse rebate goes to compensate for the benefit which is bestowed on a taxpayer of being able to earn \$5,400 free of tax. It's a sort of an offset but it's not an incentive to stay at home.

ROB: I would like to ask if you intend to introduce some sort of tax break on income earned from interest because it's a great worry to retirees particularly since the interest they are getting is pretty low anyway. There is a good article in yesterday's West Australian on page 5 by the ANZ Bank which doesn't mention retirees specifically but it says there of course it would help to boost the national savings. I wonder if you have any plans to do that within perhaps the coming Budget?

PM: A lot of the problem about interest income was a large part of it was inflationary. If you look a couple of years back you had 6 or 7%, let's say you had a nominal, a real rate of interest of 4 on top of an inflation rate of 7, you had a nominal interest rate of 11, but on that 7, the 7 was taxable. In other words we were collecting tax on that inflationary component as well as on the real rate of 4%. In other words we were collecting tax on the 7 and the 4, well that 7 is now 1.5 and so as that inflation rate has come down the distortion of tax upon interest has greatly diminished and so we are at a position now where the economic system is working much better than it was in the taxation of interest income when we had this inflation distortion there, so I know the rates are low but so too is the rate of inflation.

GANNON: Do you anticipate some trouble in this area for instance with self funded retirees who a couple of years ago when interest rates were like 13, 14, 15% putting their money in and being able to live off it, now many of them are finding they can't live off it.

PM: Those same high interest rates slowed the economy down and they were only a temporary thing. It's the long run thing that matters and a few years before that the interest rates were lower again but again then the inflation rate was around 10%. So if you are inflating around 10 and your interest rate is around 11 or 12 you are not as well off as you are inflating around 1.5 or 2 with interest rates of 4 or 5. You are actually better off now than you were then.

GANNON: So it balances out you think?

PM: Well it's the point I made a moment ago Gerry that is when we had interest rates of 11/12% we had 7 or 8% of that being inflation and yet we were collecting tax on that 7 or 8%. Whereas now we are only collecting tax on the real interest rate mostly which is 1.5% plus 3.5 or 4 real, so it's actually better now because people, the prices they face outside are only of the order of 1 to 2%.

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GANNON: Someone who is about to saddle themselves with a new mortgage Prime Minister, have you ever considered giving a tax break on mortgages?

PM: Well the break we have given on mortgages is low inflation and we have now got mortgage interest rates running at around 10% and we have got an inflation rate which is now still low and coming down and it may be, I am not sure exactly how the banks housing books look but I think long term lower interest rates for housing look a pretty strong thing and that is the best thing. But if one starts tax preferring, every country in the world that's had mortgage interest deductability has rued the day it got it because their whole national savings pattern gets skewed to putting money into houses instead of into investment and production which gives people jobs. So there has got to be that nice balance or neutrality between commercial investment and housing, but once you tax prefer housing there is not much point in sitting in a house without a job.

GANNON: So 10% you reckon it's going to go lower?

PM: I don't know, when I was Treasurer I used to know pretty well the balance of the banks housing books. I don't off the top of my head now know that, but given the fact that inflation is low, inflation and trend ways about 2.5%, a 10% interest rate in housing is quite high now even though it is historically low. You understand it's low but in relation to the inflation rate it's still relatively high.

LEWIS: On 19 September 1985 as Treasurer you disallowed entertainment expenses as a tax deduction. What about possibly a tax break for the hospitality industry because if we are getting more clients we can entertain more people and engage more staff, buy more stock and get the wheels of hospitality turning.

PM: I don't think in hindsight that the removal of the deduction for entertainment did the hospitality industry any harm because what they did they grew then. What happened restaurants that were charging high prices for lunch time meals and the rest started charging proper prices and that attracted a greater level of clientele I think. The other thing is that what this government has done is open Australia up to a service economy it never ever had before. Before we removed exchange controls, floated the exchange rate, made the place more competitive that produced for the first time a real tourism industry in Australia.

LEWIS: But Prime Minister if more people are using restaurants and hotels surely that is going to create more staff and more jobs and more money for the government. The restauranteurs and the hoteliers are not going to cop all the lolly and over the years I have seen many many high powered people and very few of them are putting the snouts in the trough.

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PM: The trouble is the Tax Commissioner can't be at every table deciding whether a lunch is for business or for pleasure and that is the problem and the other thing is there is no reason why lunches should be tax preferred. In other words restaurants should be tax preferred because if we then decide that buildings should be tax preferred, mortgages should be tax preferred, everything else tax preferred there is no preference for anybody. One industry only gets a preference at the expense of another but if every industry gets the same preference there is no general preference, so once you start, I mean the hospitality industries have had a boom in Australia in the 80s, an absolute blow out and they have done it with a neutral tax system but if we go back to the days of preferring lunches and trying to basically give those people who can spend time at lunch, particularly a business lunch and make it deductible I think it is unfair the rest of the people who are having sandwiches at work and paying for it etc. It's one debate which I can say happily in Australia virtually disappeared but when it disappeared it was in the middle 80s and in the 5 or 6 years since the hospitality industry have literally expanded as no one in those industries would have ever believed they could have.

LORETTA: I would like to know why when you were Treasurer you put gold tax on the gold industry because this caused a lot of hurt and a lot of unemployment.

PM: It was not we put a tax on it we just removed the exemption. You see every other mineral is taxed, iron ore is taxed, nickel is taxed, lead, silver and zinc are taxed, why not gold.

LORETTA: They put that money back into more research to do more and make more employment here and a lot of people have been hurt.

PM: As the point I have just made to the gentleman before you asked me about free lunches and restaurants. Any industry which is tax preferred will grow faster than ones that are not but the question is why should they be tax preferred, why should someone digging gold, mining gold be preferred over someone mining nickel.

LORETTA: Because that money went back into making more -

PM: A lot of went into foreign mining companies and was shot back overseas and the point is in a country like this the business corporate savings of Australia should go where they naturally should go best not where they go by way of tax preference.

LORETTA: But you went to Indonesia and stood there and really called your own play in front of the whole world.

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PM: No, what I said was that Australians, I was asked a question about it and I said that Australians need a representational image of themselves which is unambiguous that is having a flag of our own which doesn't have the flag of another country in the corner. Just understand this, I don't have any problems about Britain or with the British government. I have got the best of relationships with John Major and the current British government and I have had over the years with Nigel Lawson before him when he was the Chancellor in all the years I was Treasurer. It's not a problem at all about Britain, Britain has sensibly acted in its own best interests. Britain has gone into Europe and joined the Common Market as it should. We have got to go into Asia and join the market around here and you have got to go there looking like yourself, not someone else.

GANNON: Why is all of this so important at this particular time Prime Minister. People say to me every morning here on talkback we have got over 10% unemployment, a sluggish economy yet Keating is going around bagging the flag, the Queen and now the oath of allegiance. Why are all these things so important right now?

PM: I am not bagging the Queen, because they are important in an economic sense. My conservative opponents say it's a distraction but frankly as you say Gerry, every day you are talking about the economy, unemployment on radio, there is no way other than addressing that issue. I don't ever try not to address it directly but to say you have got to address that, only that and that nothing else matters, I mean the fact is that we have a great opportunity now to tie in with the Asia Pacific. When I was in Indonesia Ian Taylor was up there, the Deputy Premier opening a representative Western Australia office in Surabaya and that is the kind of relationships which we are going to see Western Australia grow as it links into that part of the world and the rest of Australia generally.

GANNON: Do our near neighbours in Asia really confuse us with a British identity because I mean they live next -

PM: No they think we are not certain whether we want to deal with them. They are not sure whether our mind set is basically in Europe or North America, is it just the place we fly over, do we really want to deal with them, they think we are ambivalent about that. But if we actually go and say to them we are here we do want to deal with you, but we deal with you as a independent country, we deal with you as a country with its own traditions, it's own culture, it's not a derivative of some other place. I mean the best reaction to all of this stuff has come basically from the Asia Pacific, from Singapore, Malaysia, Indonesia and that where they are saying thank God Australia is starting to sort of call its own tune and that will make an enormous economic difference, not just social difference, but economic difference, particularly to places like Western Australia.

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GANNON: Yesterday we discussed on talkback, because you made some comments about it at the weekend, changing the oath of allegiance for migrants so it's better to reflect their commitment to Australia. What brought that on?

PM: Because I think it's time that it happened. We have tried to do it twice by legislative amendment in the past, in the 70s and 80s. That is when someone makes a commitment, they make a commitment to Australia and its values, that is the commitment in fact they are making. When someone goes to a naturalisation ceremony they are making a commitment to Australia, they are saying I want to be an Australian, I am committing myself to the values of this society. If that is what they think let's say it.

GANNON: There are some people who called us yesterday who said that they didn't become citizens because of having to take out the oath of allegiance to the Queen. Are you conscious that there is a great number of people like that?

PM: You mean they became citizens -

GANNON: They didn't become citizens because they were not prepared to take an oath of allegiance to the Queen.

PM: There must be a few like that I don't know. I have a great regard for the job the Queen has done in the heavy constitution of ceremonial tasks which have been her lot now for so many years, 40 years. But in this respect in terms of naturalisation and taking citizenship, the people who do that do it to become citizens of Australia and pick up the values of this country, this continent. All I am saying is let's say so.

GANNON: There was a question too put to me yesterday about Mrs Keating. She is Dutch born, is she an Australian citizen?

PM: Yes she is, yes.

RON: I am a 59 year old unemployed person, been unemployed for nearly 3 years now and Mr Keating's figures on unemployed with the kids, 15-19 year olds doesn't he trust his statisticians or does he have to mess about with the figures because the February figures which I have gone over because I have got plenty of time because I am unemployed, for females 15-19 40% of them were seeking full time work and with the boys, 35.7%. The whole thing about this unemployment issue there is too much money being spent on people like Joblink all it is is jobs for the boys, they are a hangover from when they had JET which was a pretty good thing they had out for getting women back in the workforce.

PM: Let me just come to the point. There is what we call the age group, the age cohort 15-19 have 1.3 million



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PM: (cont'd) young people in it, that is the total population 15-19, 122,000 of those are actually in the workforce looking for work that's about 9.8%, that's the number. Now that is getting confused with the notion of those in training and school and those out of training and school. In other words there is about 7 in 10 in training and school and 3 in 10 not in training in school but only 1 in 10 are looking for work.

GANNON: But a great number of those -

PM: Even that is too many, that is the point I am making, there is no point people arguing whether it's 1 in 10 or 2 in 10 or 3 in 10. The fact is even 10%, 122,000 is still too many and that is why we are trying to find now a breakthrough on entry level training wages for young people so that companies are not bearing the cost of the training but the Commonwealth will pick up the creation of a training place in TAFE and that the employers should be picking up simply that wage component. Now that is a matter which is going to be and has been disagreed by the workforce and the trade unions over a long period of time. It's one of the things we hope we can sensibly discuss and get a breakthrough on it at this meeting I am holding next month.

GANNON: A great number of those young people who are in training are unskilled, are only there sheltering from the harsh reality of unemployment.

PM: I don't think that is right. There may be some but look in 1989 when the economy was booming when there were a lot of jobs around we still had 7 in 10 staying on in the secondary schools. That was 3 in 10 in 1983, the Liberal Party of Australia were quite happy to see only 3 kids in 10 get a secondary education and 7 in 10 go untrained in the workforce. That is now 8 in 10 are completing secondary school and we have added 50% of university places to the system. That is since 1985 we have added about 120,000 places to university that is the equivalent of a dozen full universities and about 35 or 40% of the kids leaving secondary school now go into universities. A weakness in the system is now technical and further education and that is why I have been discussing that with the Premier and with the States to try and pick up TAFE and make it a better system so as that now 8 in 10 kids come out of secondary school they either go into universities or into a much more developed TAFE system. So they come out with a trained position and they are not looking for jobs as unskilled people.

JACK: Other than your prowess in parliamentary slanging matches and your fluency in economic jargon, your recent investment in a pig farm, have you any qualifications or experience to justify your Labor Caucus appointment as Prime Minister? If so what are they?

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*John Hewson*

PM: What they are was and I was one of the few people in Australian public life prepared to blow the whistle on the industrial archaeology which the Liberal Party left us with. Old smokestack industries that were going out backwards, an uncompetitive exchange rate, not enough jobs ever to pick up the kind of growth that we are likely to have in employment and basically trying to turn the place into a modern industrial state. That's basically what I did as Treasurer and one of the reasons I think the party elected me as Prime Minister. Can I just say about the piggery, I have always practiced, I like to practice what I preach, I have always said don't go investing in buildings, don't get into speculation, don't punt on inflation, we don't want the country buying office blocks, they should be doing productive sensible things. Now to walk as I did out of the Treasury in June and the first thing to go and do is buy an office building in a depressed market and do exactly the thing I have told everyone else not to do was not something I was going to do. So I thought what can I do which is productive which will employ people which will ....to our comparative strengths, which will add value, which will do the very thing that I have been preaching, that is building on comparative strength in food or in agriculture using high technology, value adding and exporting. So I decided in the 6 months that I was out to turn my hand at the things I have been asking other people to do.

GANNON: Why pigs though, why not charollais cattle?

PM: Because I happened to know a few people in the industry and I thought Australia is well placed in the Asia Pacific to do something good about this industry, about the production of protein and the weakness we always have is in technology and marketing and I thought I would do that. John Hewson who said a few words about this or the Liberal Party, he invested a couple of million dollars in Bellevue Hill. Now I would rather put an investment in a productive business than in a piece of real estate playing the old rich game of a bit of inflation looking after your wealth. That is not the game I have been playing, it's not the game I have been asking Australians to play.

GANNON: So the future looks good for pigs in Australia does it?

PM: It looks good for agriculture, adding value and exports and if you look at the growth of the Asia Pacific market in protein I think the opportunities are profound.

GANNON: Do you know much about the day to day operation of running a pig establishment?

PM: No mine is really just a passive investment.

GANNON: Do you take any active interest at all though?